Why Treasury Teams Should Track MAGI Now to Avoid IRMAA Surprises Beyond 2026

Medicare's income-related monthly adjustment amounts (IRMAA) often catch retirees off guard. The surcharges can add thousands of dollars to annual healthcare costs and are based on income from two years earlier.

For treasury teams managing retiree benefits, this poses a forecasting challenge. You need to predict which employees will face IRMAA surcharges before those costs hit your budget.

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What Is MAGI — and Why Does It Matter?

The key is proactively tracking **Modified Adjusted Gross Income (MAGI)**. MAGI includes not just wages and retirement distributions but also tax-exempt interest, capital gains, and Roth conversion amounts. All of these count toward the income thresholds that trigger IRMAA.

Wages & Retirement Distributions

Traditional income sources that form the base of MAGI calculations.

Tax-Exempt Interest

Municipal bond interest is federally tax-free but still counts toward IRMAA thresholds.

Capital Gains

Investment gains from sales and fund distributions increase MAGI even when reinvested.

Roth Conversion Amounts

Converting traditional retirement accounts to Roth IRAs generates taxable income in the conversion year.

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The Real Cost of IRMAA Surcharges in 2026

Here's why this matters: The standard Medicare Part B premium rose to **$202.90 in 2026**, up nearly 10% from 2025. High-income retirees pay even more — up to **$689.90 per month for Part B alone** when IRMAA surcharges apply. Part D prescription coverage adds another **$91.00 in monthly surcharges** at the highest income level.

$202...

Standard Part B Premium

2026 baseline monthly premium, up nearly 10% from 2025.

$689....

Max Part B with IRMAA

Monthly cost for highest-income retirees with full surcharges applied.

$91.00

Part D Surcharge

Additional monthly surcharge for Part D prescription coverage at the highest income level.

8%

IRMAA Beneficiaries

Share of Medicare beneficiaries who pay IRMAA, per CMS data — a significant portion of high-earning retiree populations.

According to CMS data, about 8% of Medicare beneficiaries pay IRMAA. That percentage may seem small, but it represents a significant share of your retiree population if you employ high earners or executives with substantial retirement savings.

The Two-Year Lag Creates Planning Complexity

IRMAA uses a **two-year lookback period**. Your 2026 Medicare premiums are based on your 2024 income. This lag means one-time income events have lasting premium impacts.

1

Income Event Occurs

A large Roth conversion, property sale, or capital gains distribution happens in 2024.

2

IRS Records 2024 MAGI

The income event is captured in the 2024 tax return and reported to Social Security.

3

IRMAA Surcharge Hits in 2026

Two years later, the retiree faces higher Medicare premiums — often as a surprise.

Treasury teams need to track these events as they happen and then forecast their impact two years ahead. Without this visibility, you'll miss cost projections and be unable to budget accurately.

The challenge intensifies when retirees have variable income sources. Bonuses, stock options, deferred compensation payouts, and investment income all fluctuate year to year. Each fluctuation affects future MAGI and creates ripple effects in your benefit cost forecasts.

Seven Data Points That Drive Accurate Forecasts

Tracking the right metrics helps you predict IRMAA impacts before they affect your budget. Here's what matters most:

Modified Adjusted Gross Income (MAGI)

This is the basis for all IRMAA calculations. MAGI begins with adjusted gross income from tax returns and then adds back tax-exempt interest. You need individual MAGI figures for each Medicare-eligible retiree to determine who crosses into surcharge territory.

Current Medicare Part B Premium Rates

The 2026 standard premium of $202.90 is the baseline. Track annual increases, as they affect total premium costs and the proportional IRMAA surcharges applied at higher income levels.

Current Medicare Part D Premium Rates

Part D premiums showed 33–41% volatility from 2023 to 2024, depending on plan type. Monitor base premium trends, as IRMAA surcharges scale with these increases.

IRMAA Income Thresholds

For 2026, surcharges begin at $109,000 for individuals and $218,000 for married couples filing jointly. The first four brackets adjust annually for inflation, while the highest bracket remains fixed.

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Seven Data Points — Continued

Tax-Exempt Interest Income

Municipal bonds and certain funds generate interest that's federally tax-free but still counts toward IRMAA. This can trap retirees who assume tax-exempt means premium-exempt. Track these amounts separately because they're easy to overlook.

Capital Gains Distributions

Mutual funds and ETFs distribute capital gains to shareholders, and these distributions increase MAGI even when reinvested. Index funds typically generate fewer distributions than actively-managed funds, but strong market years can trigger large payouts across fund types.

Roth Conversion Amounts

Converting traditional retirement accounts to Roth IRAs generates taxable income in the conversion year. Many retirees spread conversions over multiple years to manage tax brackets. You need to track both planned and executed conversions to forecast IRMAA accurately.

Know where your retirees fall relative to the 2026 IRMAA thresholds: **$109,000 for individuals** and **$218,000 for married couples filing jointly**. The first four brackets adjust annually for inflation, while the highest bracket remains fixed.

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What Retirees Can Do About IRMAA

While treasury teams forecast costs, retirees need strategies to manage their IRMAA exposure. Understanding these strategies helps you provide better guidance to your workforce.

Spread Income Events Over Multiple Years

Large Roth conversions or asset sales can be timed to avoid bracket-jumping. Spreading a $200,000 conversion into four $50,000 conversions over four years may keep someone in a lower IRMAA bracket throughout.

Use Qualified Charitable Distributions

Retirees over 70½ can direct up to $100,000 from IRAs to charity without it counting as income. This satisfies required minimum distributions while keeping MAGI lower.

Appeal Based on Life-Changing Events

The Social Security Administration allows appeals when income drops due to marriage, divorce, the death of a spouse, work stoppage, or loss of income-producing property. Successful appeals adjust premiums to current income rather than to two-year-old tax data.

Consider Tax-Loss Harvesting

Offsetting capital gains with investment losses reduces MAGI in the current year. This strategy requires careful planning but can prevent unexpected IRMAA surcharges.

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IRMAA Income Thresholds at a Glance

For 2026, IRMAA surcharges are applied across five income brackets. Knowing where your retirees fall is essential for accurate forecasting.

Income (Individual)	**Income (Married Filing Jointly)**	**Part B Monthly Premium**	**Part D Surcharge**
Up to $109,000	Up to $218,000	$202.90	$0.00
$109,001 – $136,000	$218,001 – $272,000	Higher bracket	Applies
$136,001 – $163,000	$272,001 – $326,000	Higher bracket	Applies
$163,001 – $500,000	$326,001 – $750,000	Higher bracket	Applies
Above $500,000	Above $750,000	Up to $689.90	Up to $91.00/mo

The first four brackets adjust annually for inflation, while the highest bracket remains fixed. Know where your retirees fall relative to these thresholds.

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Why Expert Guidance Matters

Treasury teams may choose not to handle IRMAA planning alone. A specialized Medicare advisor lightens your administrative load and helps lower costs for Medicare-eligible employees.

What Advisors Provide

- Education, transition support, and compliance guidance
- Identification of which employees will face surcharges
- Strategies to minimize the impact of IRMAA
- Workshops, educational materials, and one-on-one consultations

The Business Case

Licensed advisors offer workshops, educational materials, and one-on-one consultations — **often at no direct cost to your organization**. They understand both Medicare rules and employer cost structures, making them valuable partners in forecasting and planning.

When you're looking ahead to predict IRMAA's impact on benefit costs, having an expert who can spot potential issues and recommend solutions is a real advantage. Your treasury team gains cost clarity, while employees receive support during what can be a confusing enrollment period.

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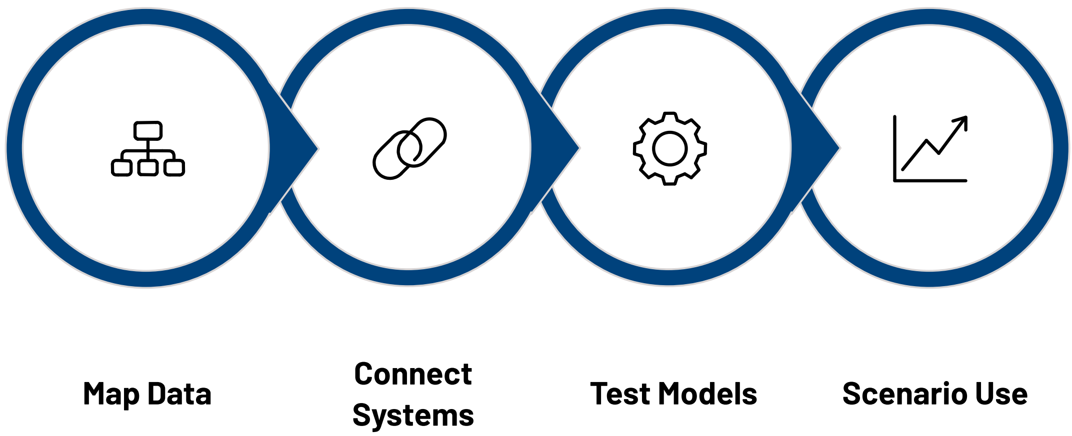
Making IRMAA Planning Part of Your Workflow

IRMAA forecasting shouldn't be an annual fire drill. Integrate it into your regular financial planning cycles with quarterly updates to income assumptions.



This streamlined process shifts your team from reactive cost management to proactive planning — enabling better budgeting decisions and more valuable guidance to your retiree population.

Building Your IRMAA Forecasting Infrastructure

Start by mapping where IRMAA-relevant data currently resides in your organization. Connect your treasury management system to HR databases, 401(k) records, and compensation-tracking tools. Automated data feeds eliminate manual transfers that introduce errors.

Map Your Data Sources

Identify where IRMAA-relevant data lives — HR databases, 401(k) records, compensation-tracking tools, and tax records.

Connect Systems with Automated Feeds

Automated data feeds eliminate manual transfers that introduce errors and ensure your forecasts reflect current information.

Test Against Historical Data

Validate your models against historical data to see how well past predictions align with actual premium adjustments. Identify which income sources you might be underestimating.

Use Scenario Planning

Evaluate different benefit configurations. Model how various retiree health coverage options could affect total costs once IRMAA surcharges apply.

The goal is to shift from reactive cost management to proactive planning. When you can predict IRMAA impacts two years in advance, you make better budgeting decisions and provide more valuable guidance to your retiree population.

Ready to Optimize Your Employee Benefits and Reduce Financial Risks?

As a financial leader, you're managing costs, ensuring compliance, and supporting your workforce — all at once. Partnering with an **Employer Medicare & Retiree Benefits Advisor** shifts the operational burden from your team while reducing cost and compliance risk.

> "Partnering with an Employer Medicare & Retiree Benefits Advisor shifts the operational burden from your team while reducing cost and compliance risk."

Meet Rodney Powell

Rodney Powell, widely recognized as the **"Medicare Video Guy,"** is affiliated with Senior Health Services and serves as your trusted partner in financial risk reduction. He works alongside your team to streamline Medicare transitions, educate employees and retirees, and provide expert guidance at every step.

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#1

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Operational Relief

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Reduce Administrative Burden

Practically eliminate internal administrative burden related to Medicare transitions.

Expert Medicare Guidance

Rely on expert Medicare guidance to simplify transitions and reduce exposure.

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Contact Rodney Today

With over 300 educational videos, 16,000+ subscribers, and a #1 ranking on Medicare Agents Hub in Texas, Rodney is licensed in 35+ states and trusted by employers nationwide.

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As a financial leader, you're managing costs, ensuring compliance, and supporting your workforce — all at once. Partnering with an Employer Medicare & Retiree Benefits Advisor shifts the operational burden from your team while reducing cost and compliance risk. Contact Rodney today and take the first step toward proactive IRMAA planning.

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