5 Roth Conversion Strategies That Minimize IRMAA Risk: A CFO's Guide to Tax-Efficient Retirement Planning

Medicare's Income-Related Monthly Adjustment Amount (IRMAA) poses a significant — yet often overlooked — cost risk for high-income retirees and employees approaching Medicare eligibility. For finance professionals managing compensation strategies and employee benefits, understanding the intersection of Roth conversions and IRMAA surcharges is increasingly essential.

A Roth conversion can be a powerful wealth management tool, shifting traditional retirement assets into tax-free accounts. But there's a catch: the conversion counts as taxable income in the year you execute it, potentially triggering Medicare premium surcharges two years later under IRMAA's lookback provision.

> The good news? Strategic planning can help you — or your Medicare-eligible employees — capture the benefits of Roth conversions while managing IRMAA exposure.

Understanding IRMAA's Two-Year Lookback

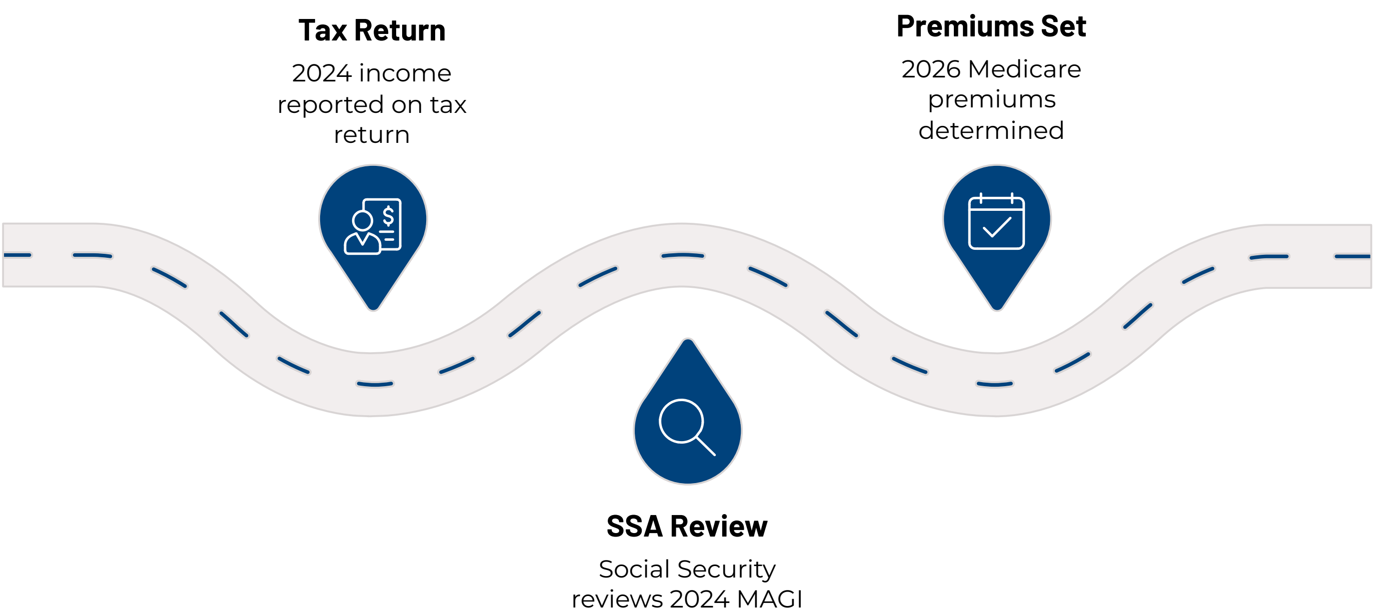
IRMAA is a surcharge on Medicare Part B and Part D premiums for beneficiaries whose Modified Adjusted Gross Income (MAGI) exceeds specific thresholds. The Social Security Administration uses your tax return from two years earlier to determine your current-year premiums.

2026 IRMAA Thresholds

For 2026, these thresholds are adjusted for inflation. Single filers with 2024 MAGI above **$109,000** and joint filers above **$218,000** will pay surcharges, and the base Part B premium will rise to **$202.90**.

The Cliff Structure

IRMAA operates on a **"cliff" structure.** A single dollar over the threshold can cost you nearly **$2,000 in additional annual premiums.** This makes precise income planning critical.



The Social Security Administration uses your tax return from two years earlier to determine your current-year premiums — making proactive income planning essential.

The Roth Conversion–IRMAA Connection

When you convert funds from a traditional IRA to a Roth IRA, the converted amount is added to your taxable income for that year. This increases your MAGI, potentially pushing you into a higher IRMAA bracket two years later.

> A $100,000 conversion in 2024 will affect your 2026 Medicare premiums. If that conversion moves you from the $218,000 threshold to $275,000 (married filing jointly), you'll pay an additional **$81.20 per month** in Part B premiums and **$14.50 per month** in Part D surcharges — **$1,148.40 annually per person.**

Conversion Year

The converted amount is added to your taxable income, increasing your MAGI for that calendar year.

Two Years Later

IRMAA surcharges are triggered on Medicare Part B and Part D premiums based on that earlier income.

After the Lookback

The surcharge applies only to one year of Medicare premiums. Once the two-year lookback period passes your conversion year, premiums can return to standard levels if your income normalizes.

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Strategy 1: Start Conversions at Least Three Years Before Medicare Enrollment

Timing is everything. If you plan to enroll in Medicare at age 65, your income at age 63 will determine your initial Medicare premiums. Starting conversions at age 60, 61, or 62 gives you the flexibility to execute larger conversions without triggering IRMAA when Medicare coverage begins.

1

Age 60–62

Execute larger Roth conversions before Medicare eligibility window

2

Age 63

Income at this age determines initial Medicare premiums at 65

3

Age 65

Medicare enrollment begins — premiums reflect income from age 63

This approach is particularly effective for employees or executives planning early retirement or phased transitions. By front-loading conversions before Medicare eligibility, you **avoid premium surcharges entirely.**

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Strategy 2: Use Partial Conversions to Fill Your Current Tax Bracket

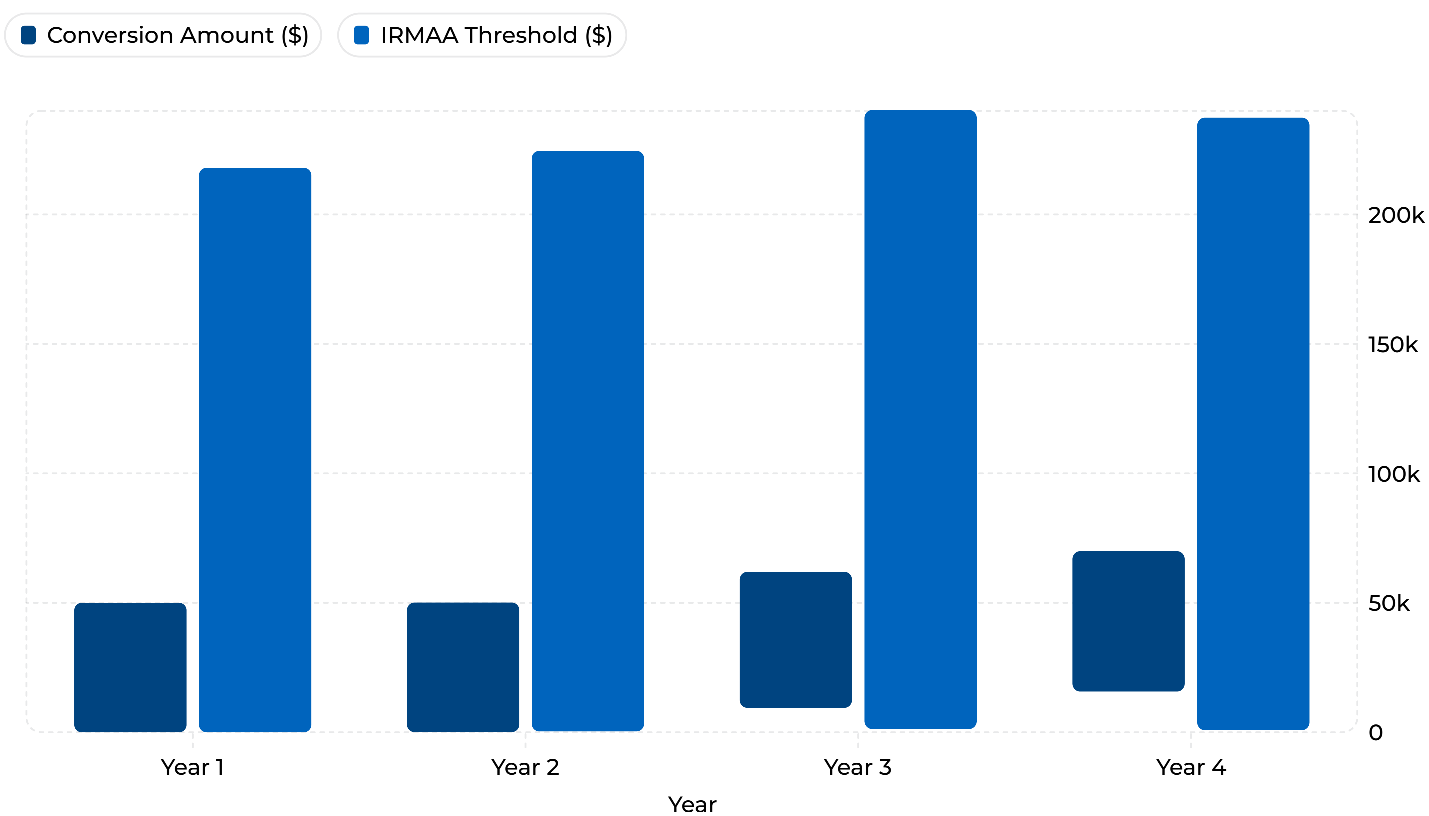
Instead of converting your entire traditional IRA at once, spread the conversion over multiple years. Convert just enough each year to remain within your current tax bracket and below the next IRMAA threshold.

The Controlled Approach

For instance, if you're in the 24% tax bracket and have room for **$50,000 of additional income** before reaching the next IRMAA tier, convert up to that limit each year. This controlled approach helps you pay a predictable tax rate while avoiding sudden premium spikes.

Annual Review Required

Work with your tax advisor to model multi-year projections. Because **IRMAA thresholds adjust annually for inflation,** review your strategy each year to stay on track.



Spreading conversions over multiple years keeps annual income predictable and below IRMAA cliff thresholds — a disciplined, multi-year approach pays dividends.

Strategy 3: Coordinate Conversions with Low-Income Years

Retirement transitions, sabbaticals, or years with reduced business income create ideal conversion opportunities. With your baseline income lower, you have more "room" to convert without crossing IRMAA thresholds.

> Many retirees experience a window between stopping work and starting Social Security — often between **ages 62 and 70.** This period can be golden for conversions because taxable income from wages has ended, but Social Security benefits haven't begun.

Retirement Transitions

Leaving employment reduces wage income, creating room in your MAGI for Roth conversions without crossing IRMAA thresholds.

Sabbaticals

A planned year away from work or reduced business activity can lower your baseline income and open a conversion window.

Pre-Social Security Window

The gap between ages 62 and 70 — before Social Security begins — is often the most powerful conversion opportunity available.

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Strategy 4: Leverage Qualified Charitable Distributions (QCDs)

Once you reach age 70½, you can make Qualified Charitable Distributions (QCDs) directly from your IRA to eligible charities. QCDs are excluded from your MAGI and count toward your required minimum distribution (RMD), making them a powerful way to offset conversion income.

According to the IRS, a QCD is a nontaxable distribution made directly by your IRA trustee to a qualified charitable organization. You can exclude up to **$100,000 per year** ($200,000 for married couples filing jointly, with each spouse contributing from their own IRA).

Make a QCD

Direct up to $100,000 from your IRA to a qualified charity — excluded from MAGI entirely.

Pair with Roth Conversion

Execute a Roth conversion in the same year, using the QCD to offset part of the conversion's income impact.

Stay Below IRMAA

Keep your MAGI below IRMAA thresholds while supporting charitable goals and building tax-free Roth assets.

By pairing a QCD with a Roth conversion, you can offset part of the conversion's income impact, keeping your MAGI below IRMAA thresholds while supporting charitable goals.

Strategy 5: Monitor IRMAA Thresholds Annually and Adjust Accordingly

IRMAA brackets are adjusted for inflation each year. What triggers a surcharge this year may not next year — or vice versa. Before executing any conversion, verify the current thresholds and calculate exactly how much income room you have.

> Even small adjustments matter. Converting **$50,000 instead of $51,000** could keep you under a threshold and save thousands on Medicare premiums. **Precision in planning pays off.**

Verify Current Thresholds

Before executing any conversion, confirm the latest IRMAA income brackets — they shift with inflation each year.

Calculate Your Income Room

Determine exactly how much additional MAGI you can absorb before crossing into the next IRMAA tier.

Recalibrate Annually

Review your multi-year conversion plan each year to account for threshold changes, income shifts, and new tax rules.

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Appealing IRMAA Determinations

If a life-changing event temporarily increased your income, you may be able to request a reduction of your IRMAA surcharge. The Social Security Administration allows you to file for a **"new initial determination"** if you experienced a qualifying event, such as:

- Death of a spouse
- Marriage or divorce
- Work stoppage or reduction
- Loss of income-producing property
- Loss of pension income
- Employer settlement payment

How to File

Complete **Form SSA-44** (Medicare Income-Related Monthly Adjustment Amount – Life-Changing Event) and submit supporting documentation. You must file **within 60 days** of receiving your IRMAA notice.

This appeals process can provide relief if a one-time income spike — such as a large Roth conversion — no longer reflects your current financial situation.

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Balancing Short-Term Costs with Long-Term Gains

Yes, a Roth conversion can increase your Medicare premiums for a year. But this short-term cost may be worth it if you're building a portfolio of tax-free income over decades.

> Consider the math: paying an extra **$1,500 in Medicare premiums for one year** might be a small price to pay to move **$100,000 into a Roth IRA,** where it can grow tax-free and provide tax-free distributions for the rest of your life — and potentially for your heirs.

The key is weighing the immediate IRMAA impact against the long-term value of tax diversification, especially if you expect higher tax rates in the future or want to minimize required minimum distributions (RMDs) after age 73.

$1,500

Short-Term Cost

Approximate additional Medicare premium for one year following a large conversion

$100K

Conversion Amount

Moved into a Roth IRA to grow tax-free for decades

Age 73

RMD Threshold

Roth IRAs help minimize required minimum distributions after this age

Implications for Employer-Sponsored Benefits & Key Takeaways

For CFOs and benefits leaders, these strategies have significant implications for workforce planning and employee education. Many high-income employees nearing retirement may not fully understand how Roth conversions affect Medicare costs. By helping employees avoid costly IRMAA errors, you can reduce their total retirement healthcare spending and improve their financial confidence during the transition from active employment to Medicare coverage.

Key Takeaways

→ **IRMAA is based on a two-year lookback:** Your Medicare premiums in 2026 reflect your 2024 income.

→ **Roth conversions count as taxable income:** They can push you into higher IRMAA brackets if not carefully timed.

→ **Strategic planning minimizes risk:** Partial conversions, low-income-year timing, and charitable giving can keep you below IRMAA thresholds.

→ **Thresholds adjust annually:** Monitor inflation adjustments and recalibrate your strategy each year.

→ **Appeals are available:** Life-changing events may qualify you for IRMAA relief via Form SSA-44.

→ **Long-term benefits often outweigh short-term costs:** A temporary premium increase may be worth decades of tax-free Roth growth.

Final Thoughts

Roth conversion planning doesn't happen in a vacuum. It requires coordination among tax strategy, retirement income planning, Medicare enrollment timing, and ongoing regulatory compliance.

For finance leaders overseeing employee benefits or advising high-net-worth clients, staying current on IRMAA thresholds, IRS rules, and Social Security appeals processes is essential. Leveraging expert guidance can streamline these transitions, reduce compliance risk, and optimize long-term outcomes.

Offering access to a Medicare advisor or retirement planning specialist can help employees navigate these decisions. **Rodney Powell** partners with employers nationwide to provide tailored education on Medicare transitions, IRMAA planning, and benefits coordination — **FREE of charge to the employer.**

Ready to Optimize Your Retirement Strategy?

Contact Rodney Powell at **855-360-5263** or visit MedicareVideoGuide.com to explore how strategic planning can protect your financial future.

About the Author

Rodney Powell, the **"Medicare Video Guy,"** is affiliated with Senior Health Services and specializes in helping employers and individuals navigate Medicare transitions, IRMAA planning, and benefits optimization. With over **300 educational videos, 16,000+ subscribers,** and licensing in **35+ states,** Rodney is a trusted resource for finance teams and retirees nationwide.