

Money mistakes
to avoid at 60:
Financial decisions
that may *impact*
Medicare
premiums in the
years to come

Intro

Financial planning includes an endless number of nuances including understanding the intricacies of Medicare. One aspect to consider is the Medicare Income-Related Monthly Adjustment Amount (IRMAA), which can significantly impact what someone will pay for their Medicare Part B (medical) and Part D (prescription) premiums.

Navigating IRMAA requires careful planning, and an understanding of how various income sources affect Medicare premiums. This knowledge can help Medicare beneficiaries make informed decisions that will optimize their retirement and healthcare finances. Here's what to know about IRMAA and the strategies a beneficiary can implement when approaching 65.

Mistake 1: Not *understanding* what IRMAA is

What is IRMAA?

IRMAA stands for “Income-Related Monthly Adjustment Amount” and refers to an additional amount that some Medicare beneficiaries pay for their Medicare Part B and Part D premiums.

IRMAA is based on your reported taxable income, so if your income exceeds a certain amount, you can be subject to an IRMAA surcharge. The income thresholds change from year to year and are determined by the Social Security Administration.

It's designed to make higher-income individuals contribute more towards their healthcare costs.



Mistake 2: Not knowing the calculations

How is IRMAA calculated?

Social Security looks at your modified adjusted gross income (MAGI) from two years prior to determine what you'll pay in the current year.

For example, in 2026, they will look at your MAGI from 2024. You can determine your MAGI by looking at your adjusted gross income (AGI) on line 11 of IRS form 1040 and tax-exempt interest income on line 2a of the same form.

To estimate your MAGI for 2026, you would refer to the tax return you filed in the year 2024.

Keep in mind, Medicare premiums and income brackets change annually. Typically, the new numbers are released in the fall of the year prior. All new Medicare numbers take effect on January 1st of each year.

Additionally, Medicare premiums are per individual which means both spouses would be subject to IRMAA and pay the higher premiums.

What is considered in MAGI?

The phrase modified adjusted gross income is a blanket phrase. When you break down your MAGI, there are several types of income that are used to calculate it.

Here are some examples of earnings that count toward your MAGI:

- Salary
- IRA withdrawals (not Roth IRA withdrawals)
- Dividends
- Rental income
- The taxable portion of your Social Security benefit
- Capital gains from the sale of any asset (some exclusions apply to the sale of primary residence)

Medicare 2026 Part B premiums by income

File individually	File jointly	File married but separate	(In 2026) Each month you pay
\$109k or less	\$218k or less	\$109k or less	\$202.90
Above \$109k up to \$137k	Above \$218k up to \$274k	N/A	\$284.10
Above \$137k up to \$171k	Above \$274k up to \$342k	N/A	\$405.80
Above \$171k up to \$205k	Above \$342k up to \$410k	N/A	\$527.50
Above \$205k and less than \$500k	Above \$410k and less than \$750k	Above \$109k and less than \$391k	\$649.20
\$500k or above	\$750k or above	\$391k or above	\$689.90

Source: Medicare.gov, 2025.

Pro tip:

Social Security is not consistent. Since they re-evaluate each year, it is very possible a beneficiary can get hit with IRMAA again in a later year, even after a successful appeal. If this happens, a beneficiary can appeal again, but will want to make sure to continue to pay their bills to avoid any lapses in premium. If the new appeal is approved, a refund will be issued.

Medicare 2026 Part D premiums by income

File individually	File jointly	File married but separate	(In 2026) Each month you pay
\$109k or less	\$218k or less	\$109k or less	Your plan premium
Above \$109k up to \$137k	Above \$218k up to \$274k	N/A	\$14.50 + your plan premium
Above \$137k up to \$171k	Above \$274k up to \$342k	N/A	\$37.50 + your plan premium
Above \$171k up to \$205k	Above \$342k up to \$410k	N/A	\$60.40 + your plan premium
Above \$205k and less than \$500k	Above \$410k and less than \$750k	Above \$109k and less than \$391k	\$83.30 + your plan premium
\$500k or above	\$750k or above	\$391k or above	\$91.00 + your plan premium

Source: Medicare.gov, 2025.

When is IRMAA calculated?

Social Security evaluates for IRMAA whenever a beneficiary is approved for Part B, and at the beginning of every calendar year after.



Mistake 3: *Not appealing* an IRMAA decision

Can a beneficiary appeal IRMAA?

If a beneficiary disagrees with the amount of the IRMAA surcharge, they can appeal the decision if they think they might qualify due to a life-changing event that occurred in an earlier year than the year of the tax return that Social Security is using. They can file an appeal using Form SSA-44. There are several life-changing events that are listed. The most common ones used are work stoppage or work reduction. The processing time can take up to three months, and beneficiaries will be notified of a decision by mail.

When can IRMAA be appealed?

A beneficiary can fill out the appeal form and send it to their local Social Security Office for processing, within 60 days of receiving notice that they have IRMAA. If the 60-day window has passed, a beneficiary can still appeal, but they will want to include reasoning and any applicable information as to why they waited past the window to appeal.

Note: A beneficiary can submit an appeal as often as they find necessary if they qualify for a life-changing event and provide enough documentation to state their case.

Paying for IRMAA

If a beneficiary is subject to a Part B or Part D IRMAA charge, or both, it's common for the surcharge(s) to be sent separately from their standard Medicare premium(s) bill at first. If so, the IRMAA charge(s) should sync up later with their Medicare premium(s) bill within a few months.

Typically, beneficiaries receive a quarterly bill for their Medicare premium(s), so it's possible that the first IRMAA charge(s) will be quarterly as well.

Note: Even if a beneficiary plans to appeal an IRMAA charge, they should still pay the bill when they receive it to avoid potential past-due charges. Later, if the appeal is approved, they will receive a refund from Social Security for the extra amount they paid.

IRMAA & Social Security benefits

If someone has an IRMAA charge and is receiving Social Security benefits, it's possible the surcharge amount will automatically be taken out of their monthly Social Security check along with their Part B premium.

Note: The same goes for those receiving Railroad Retirement Board benefits.

Tips for planning ahead

- If a beneficiary knows they will be subject to IRMAA, they can submit an appeal when applying for Part B, before they receive an official determination letter from Social Security, starting the appeal process earlier.
- If a beneficiary suspects that they will be subject to IRMAA, they may consider setting aside funds to pay for the IRMAA surcharges they'll receive while waiting for Social Security to process their appeal and refund.
- Beneficiaries should keep their Medicare enrollment timeline in mind so they can begin preparing their finances ahead of time, which can include factors like selling a home, moving, withdrawing from retirement accounts, and more.
 - **Selling a home or property.** Downsizing and moving in retirement seems like a savvy way to cut costs and increase efficiency as you age. Though, this decision could cost you when it comes to Medicare. Capital gains from the sale of property (beyond the exclusion amount) will be factored into your MAGI. If possible, consider making this move two and a half to three years before enrolling in Medicare to help avoid the potential impact for IRMAA.
 - **Taking a lump sum severance.** Leaving the workforce can be a liberating time in your life but can come with expensive implications down the road. Cautiously consider your severance package and the way it is paid out as this scenario catches up to you two years down the road in the form of IRMAA.
 - **Withdrawing from retirement accounts.** It takes just a few wrong moves, like pulling your money at the wrong time of the year, to overinflate your annual income that could leave you paying a much higher penalty than necessary. Working with your financial advisor to plan withdrawals from your retirement accounts is imperative. With a two-year lookback period for Medicare's IRMAA, if beneficiaries anticipate a large change in taxable income for a small period, it's important to work with a financial advisor to design strategies that account for Medicare's high-income brackets. The key to navigating Medicare premiums and the dreaded IRMAA is to know ahead of time what to look out for.

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