

Understanding Medicare Premiums

For those 65 and older, you will be receiving a notice showing what your Medicare Part B and Part D costs will be in 2024. Let's review how the premiums are computed.

PART B MEDICAL INSURANCE

Medicare covers 80% of doctor services and outpatient therapy after a \$240 deductible (up from \$226 in 2023). The cost of this coverage depends on your 2022 tax return Adjusted Gross Income (from page one of your Form 1040).

If your filing status and yearly income in 2022 was				
File individual tax return	File joint tax return	You pay (in 2024)	Cost in 2023	You are expected to pay
\$103,000 or less	\$206,000 or less	\$174.70	\$164.90	25%
Above \$103,000 up to \$129,000	Above \$206,000 up to \$258,000	\$244.60	\$230.80	35%
Above \$129,000 up to \$161,000	Above \$258,000 up to \$322,000	\$349.40	\$329.70	50%
Above \$161,000 up to \$193,000	Above \$322,000 up to \$386,000	\$454.20	\$428.60	65%
Above \$193,000 up to \$500,000	Above \$386,000 up to \$750,000	\$559.00	\$527.50	80%
Above \$500,000	Above \$750,000	\$594.00	\$560.50	85%

Many of you have insurance policies to cover the 20% coinsurance not covered by Medicare. Those premiums will also likely continue to rise as medical costs rise.

Notice that Part B premiums **increased** by 6% for 2024. The increase is mainly due to projected increases in health care spending according to the Medicare announcement.

PART D – DRUG COVERAGE

Part D coverage can be obtained through the Government or through private insurers. In addition to the premium for the coverage, high income taxpayers pay an additional amount (tax) to subsidize the Government program.

If your filing status and yearly income in 2022 was			
File individual tax return	File joint tax return	You pay (in 2024)	Cost in 2023
\$103,000 or less	\$206,000 or less	your plan premium	—
Above \$103,000 up to \$129,000	Above \$206,000 up to \$258,000	\$12.90 + your plan premium	\$12.20
Above \$129,000 up to \$161,000	Above \$258,000 up to \$322,000	\$33.30 + your plan premium	\$31.50
Above \$161,000 up to \$193,000	Above \$322,000 up to \$386,000	\$53.80 + your plan premium	\$50.70
Above \$193,000 up to \$500,000	Above \$386,000 up to \$750,000	\$74.20 + your plan premium	\$70.00
Above \$500,000	Above \$750,000	\$81.00 + your plan premium	\$76.40

Part D premiums also increased by 6% for 2024.

INCOME LOWER IN 2024 COMPARED TO 2022??

Let's say you retired in 2023 and your income in 2024 will be much lower than 2022. Your 2024 premium will be based upon 2022 income. If you are in this situation (and several others) you can file an IRMAA form to request an adjustment. If this is your situation, contact us and we can help you file the appropriate paperwork.

Social Security Benefits to Increase 3.2% in 2024

Social Security benefits will increase 3.2%. Benefits are indexed to inflation. So that means this is just an adjustment reflecting the significant inflation seen over the past year. This increase is much less than the 8.7% increase in 2023 as inflation has slowed substantially over the past year.

The Destructive Power of Inflation

The Consumer Price Index (CPI) reached an interesting milestone in October:

CPI	December 1960	29.8
CPI	October 2023	307.671

Yes, in my lifetime and many of yours, prices are now more than **10 times** what they were in 1960. I found an article from AARP showing prices of some common items in 1960:

Gas	\$0.25 per gallon
New Car	\$2,600
Movie Ticket	\$1
University of Penn. Tuition	\$1,200
Median Family Income	\$5,620
Median Home Price	\$18,000

S&P 500	Dividends 1960	\$ 7.79
S&P 500	Dividends Last 12 Months	\$69.32

Dividends from high-quality common stocks have historically been an excellent way to have our income stream increase over time to offset inflation.