

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 2025. Let's review how the premiums are computed.

PART B MEDICAL INSURANCE

Medicare covers 80% of doctor services and outpatient therapy after a \$257 deductible (up from \$240 in 2024). The cost of this coverage depends on your 2023 tax return Adjusted Gross Income (from page one of your Form 1040).

If your filing status and yearly income in 2023 was				
File individual tax return	File joint tax return	You pay (in 2025)	Cost in 2024	You are expected to pay
\$106,000 or less	\$212,000 or less	\$185.00	\$174.70	25%
Above \$106,000 up to \$133,000	Above \$212,000 up to \$266,000	\$259.00	\$244.60	35%
Above \$133,000 up to \$167,000	Above \$266,000 up to \$334,000	\$370.00	\$349.40	50%
Above \$167,000 up to \$200,000	Above \$334,000 up to \$400,000	\$480.90	\$454.20	65%
Above \$200,000 up to \$500,000	Above \$400,000 up to \$750,000	\$591.90	\$559.00	80%
Above \$500,000	Above \$750,000	\$628.90	\$594.00	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 2025. 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 2023 was			
File individual tax return	File joint tax return	You pay (in 2025)	Cost in 2024
\$106,000 or less	\$212,000 or less	your plan premium	—
Above \$106,000 up to \$133,000	Above \$212,000 up to \$266,000	\$13.70 + your plan premium	\$12.90
Above \$133,000 up to \$167,000	Above \$266,000 up to \$334,000	\$35.30 + your plan premium	\$33.30
Above \$167,000 up to \$200,000	Above \$334,000 up to \$400,000	\$57.00 + your plan premium	\$53.80
Above \$200,000 up to \$500,000	Above \$400,000 up to \$750,000	\$78.60 + your plan premium	\$74.20
Above \$500,000	Above \$750,000	\$85.80 + your plan premium	\$81.00

Part D premiums also increased by 6% for 2025.

INCOME LOWER IN 2025 COMPARED TO 2023??

Let's say you retired in 2024 and your income in 2025 will be much lower than 2023. Your 2025 premium will be based upon 2023 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 2.5% in 2025

Social Security benefits will increase 2.5%. 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 less than the 3.2% increase in 2024 as inflation has slowed over the past year.

The Destructive Power of Inflation

Consumer Price Index	
October 1954	26.8
October 2024	315.664

Yes, in my lifetime and many of yours, prices are now almost **12 times** what they were in 1954. See the following chart from the Morristown, NJ, Library:

Prices of Common Items in 1954	
Oldsmobile 88 Car	\$2,362
Firestone Tires	\$10.95-\$11.95 each
Bread (16 oz)	15 cents
Skippy Peanut Butter (14 oz)	37 cents
Newspaper (daily)	5 cents
Toilet Paper 1000 ct. (3 rolls)	29 cents
Morristown, NJ 3-bedroom house	\$15,200
Movie Ticket	\$1

S&P 500	Dividends 1954	\$ 1.54
S&P 500	Dividends Last 12 Months	\$73.40
Dividends almost 48 times higher		

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