

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 2026. Let’s review how the premiums are computed.

PART B MEDICAL INSURANCE

Medicare covers 80% of doctor services and outpatient therapy after a \$283 deductible (up from \$257 in 2025). The cost of this coverage depends on your 2024 tax return Adjusted Gross Income (from page one of your Form 1040).

If your filing status and yearly income in 2024 was				
File individual tax return	File joint tax return	Cost in 2025	You pay in 2026	You are expected to pay
\$109,000 or less	\$218,000 or less	\$185.00	\$202.90	25%
Above \$109,000 up to \$137,000	Above \$218,000 up to \$274,000	\$259.00	\$284.10	35%
Above \$137,000 up to \$171,000	Above \$274,000 up to \$342,000	\$370.00	\$405.80	50%
Above \$171,000 up to \$205,000	Above \$342,000 up to \$410,000	\$480.90	\$527.50	65%
Above \$205,000 up to \$500,000	Above \$410,000 up to \$750,000	\$591.90	\$649.20	80%
Above \$500,000	Above \$750,000	\$628.90	\$689.90	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 9.7% for 2026. The increase is mainly due to projected price changes and assumed utilization increases 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 2024 was			
File individual tax return	File joint tax return	Cost in 2025	Cost in 2026
\$109,000 or less	\$218,000 or less	your plan premium	—
Above \$109,000 up to \$137,000	Above \$218,000 up to \$274,000	\$13.70 + your plan premium	\$14.50
Above \$137,000 up to \$171,000	Above \$274,000 up to \$342,000	\$35.30 + your plan premium	\$37.50
Above \$171,000 up to \$205,000	Above \$342,000 up to \$410,000	\$57.00 + your plan premium	\$60.40
Above \$205,000 up to \$500,000	Above \$410,000 up to \$750,000	\$78.60 + your plan premium	\$83.30
Above \$500,000	Above \$750,000	\$85.80 + your plan premium	\$91.00

Part D premiums increased by 6% for 2026.

INCOME LOWER IN 2026 COMPARED TO 2025??

Let's say you retired in 2025 and your income in 2026 will be much lower than 2024. Your 2026 premium will be based upon 2024 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 2.8% in 2026

Social Security benefits will increase 2.8%. Benefits are indexed to inflation. That means this is just an adjustment reflecting the inflation seen over the past year. This increase is more than the 2.5% increase in 2025 as inflation has risen over the past year.

The Destructive Power of Inflation

Consumer Price Index

September 1954	26.8
September 2025	324.8

Yes, in my lifetime and many of yours, prices are now **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	\$78.48
Dividends almost 51 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.