



# Q4 NEWSLETTER

Dear Clients and Colleagues:

In this Newsletter we review third quarter investment returns and potential ways to reduce Medicare premiums.

## Market Performance<sup>1</sup>

The quarter was negative for all major markets but U.S. and developed international stocks are still strongly positive for the year, with growth stocks leading the way.

	<u>3Q2023</u>	<u>YTD<sup>2</sup></u>
S&P 500	-3.27%	13.07%
MSCI EAFE (Dev.Int'l)	-4.11%	7.08%
MSCI EM (EmergingMrkt)	-2.93%	1.82%
BBgBarc US Agg Bnd	-3.23%	-1.21%

### Trivia Question

At age 19, Coco Gauff just won a stirring US Open Final. Who is the youngest person ever to win a Grand Slam tennis event?

## Reducing Medicare Premiums After Retiring

In 2023, the standard monthly premium for Medicare Part B coverage is \$164.90. See <https://www.cms.gov/newsroom/fact-sheets/2023-medicare-parts-b-premiums-and-deductibles-2023-medicare-part-d-income-related-monthly>. But at higher income levels the premium can be much higher (see table on reverse). The increase in cost based on income is referred to as Income-Related Monthly Adjustment Amounts (IRMAA). At the highest income levels, monthly Medicare premiums (Part B and Part D) can be increased by more than \$400 per month per covered person.

<sup>1</sup>Indices are unmanaged, and one cannot invest directly in an index. Past performance is not a guarantee of future results. MSCI EAFE Index serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia. MSCI EAFE Emerging Markets Index is a free float-adjusted market capitalization index designed to measure equity market performance in the global emerging markets. Bloomberg Barclays U.S. Aggregate Bond Index represents the US investment-grade fixed-rate bond market. S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market. References to specific securities, asset classes and financial markets are for illustrative purposes only and do not constitute a solicitation, offer, or recommendation to purchase or sell a security.

<sup>2</sup> Returns are through September 30, 2023.



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There is a simple way to reduce initial Medicare premiums at the beginning of retirement. In general, Medicare bases IRMAA charges on modified adjusted gross income (MAGI) from two years earlier. For instance, if you retire in 2025, MAGI from 2023 will be used to determine whether you are required to pay higher monthly Medicare premiums. However, Social Security allows for the filing of Form SSA-44 (Monthly Income-Related Adjustment Amount – Life-Changing Event). Qualifying events include work stoppage (including retirement) or work reduction. By submitting the form, the potentially much lower retirement income in 2025 can be used to determine Medicare premiums instead of the typically much higher pre-retirement income in 2023.

Beyond filing Form SSA-44, Medicare costs can be reduced in some cases if taxable income is managed to fall below certain thresholds. Techniques to reduce taxable income include possible Roth Conversions (both before and during retirement) to reduce subsequent taxable required minimum distributions, making direct qualified charitable distributions from IRA's (after age 70.5), distributions from Roth IRA's and qualified HSA distributions (neither trigger taxable income), withdrawals from taxable investments and deferring tax deferred retirement account distributions and social security. Each of these strategies may have pros and cons and needs to be considered on an individualized basis.

2023 Monthly Medicare IRMAA Premium Levels				
Singles	Couples	Part B	Part D	Additional Annual Payments
≤ \$97K	≤ \$194K	Standard Premium (SP)	Plan Premium (PP)	Couples taking Parts B&D
\$>97K to \$123K	\$>194K to \$246K	SP + \$65.90	PP + \$12.20	\$1,874.40
\$>123K to \$153K	\$>246K to \$306K	SP + \$164.80	PP + \$31.50	\$4,711.20
\$>153K to \$183K	\$>306K to \$366K	SP + \$263.70	PP + \$50.70	\$7,545.6
\$>183K to \$499,999K	\$>366K to \$749,999K	SP + \$362.60	PP + \$70.00	\$10,382.40
≥ \$500K	≥ \$750K	SP + \$395.60	PP + \$76.40	\$11,328.40
Part B Standard Premium = \$164.90				

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