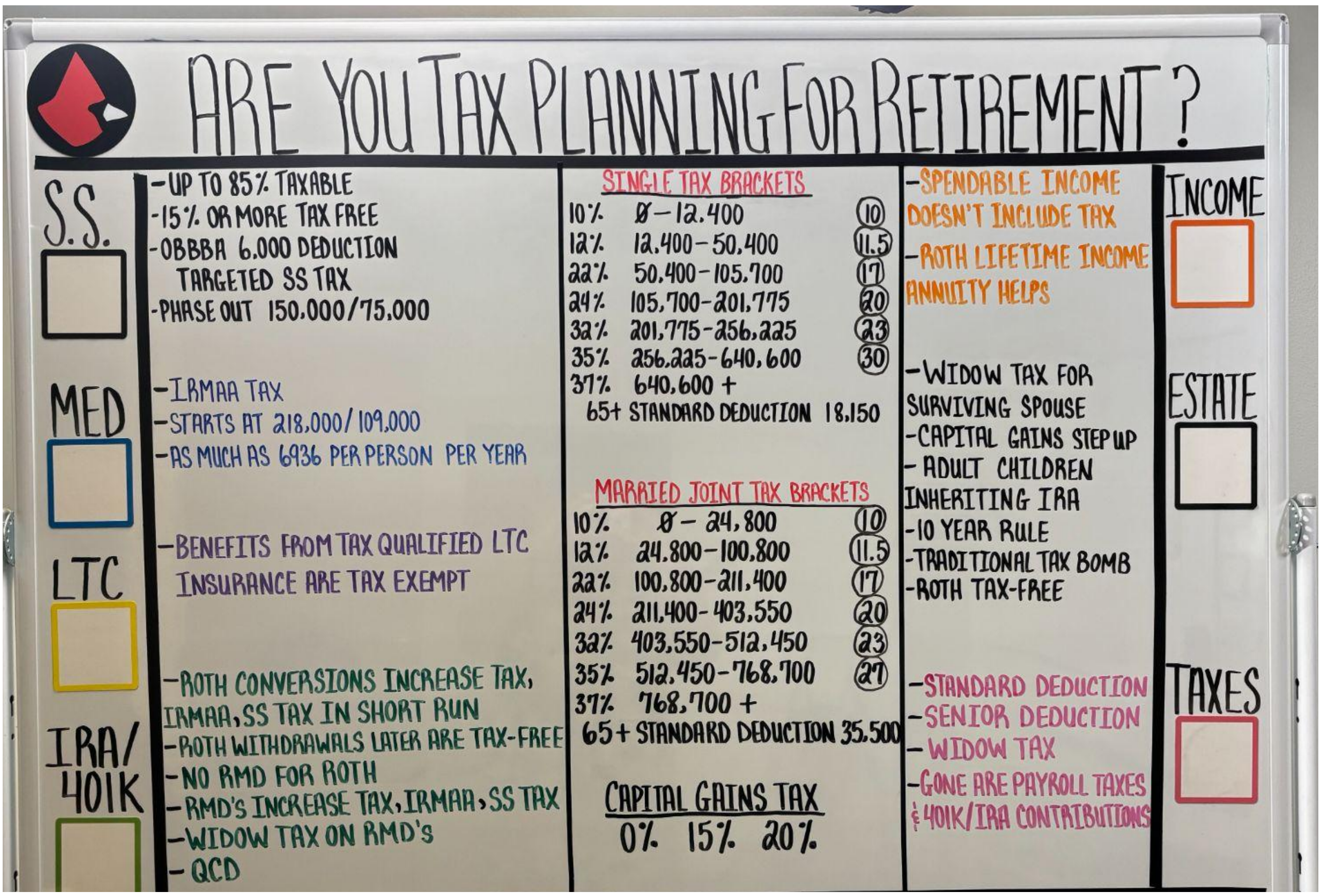
CARDINAL ADVISORS

Are You Tax Planning for Retirement?

Learn how to keep more of your retirement income by navigating Social Security taxes, IRMAA surcharges, and RMD tax traps—plus see the 2026 tax brackets you need to plan around.



Oct. 2026

2026 Tax Planning

Taxable Income Brackets for 2026 *Ordinary* Income Tax Rates

Marginal Tax Rate	Married Filing Joint	Single
10%	$0 - $24,800	$0 - $12,400
12%	$24,801 - $100,800	$12,401 - $50,400
22%	$100,801 - $211,400	$50,401 - $105,700
24%	$211,401 - $403,550	$105,701 - $201,775
32%	$403,551 - $512,450	$201,776 - $256,225
35%	$512,451 - $768,700	$256,226 - $640,600
37%*	Over $768,700	Over $640,600

* The top rate is effectively 40.8% for those subject to the 3.8% Medicare surtax on net investment income (those with MAGI over the thresholds of $250,000 joint filers/$200,000 single filers).

2026 Trust Tax Rates

Ordinary Income Tax		Capital Gain Rates	
10%	$0 - $3,300	0%	$0 - $3,300
24%	$3,301 - $11,700	15%	$3,301 - $16,250
35%	$11,701 - $16,000	20%	Over $16,250
37%	Over $16,000		

Trust Tax Rates – Distributions from inherited IRAs that exceed **$16,000** and are made to and retained in discretionary trusts will be subject to the top 37% rate. After the SECURE Act, inherited IRA funds will have to be paid out to most of these trusts under the 10-year rule, accelerating trust taxes. Roth conversions during the IRA owner's life become more valuable if the IRA beneficiary is a trust.

Taxable Income Brackets for 2026 *Long Term Capital Gains and Qualified Dividends Tax*

Long Term Capital Gains Rate	Married Filing Joint	Single
0%	$0 - $98,900	$0 - $49,450
15%*	$98,901 - $613,700	$49,451 - $545,500
20% **	Over $613,700	Over $545,500

*The 15% rate is effectively 18.8% for those subject to the 3.8% Medicare surtax on net investment income.

**The top rate is effectively 23.8% for those subject to the 3.8% Medicare surtax on net investment income.

2026 Transfer Taxes

Transfer Tax	Exemption*	Maximum Rate
Estate, Gift, GST Tax	$15,000,000	40%

*The estate and gift exemptions are portable. The unused amount can be transferred to a surviving spouse. The GST exemption is NOT portable.

Annual Gift Tax Exclusion **$19,000**

Qualified Business Income (QBI) Deduction

20% Deduction Phase-Out Ranges

$403,500 - $553,500 - Married Joint

$201,750 - $276,750 - Single

Standard Deductions

Married-Joint	Single	Head of Household
$32,200	$16,100	$24,150

Extra Standard Deduction for Age 65 or Blind
$1,650 (married-joint) $2,050 (single)

$6,000 Deduction for Seniors

$6,000 addition to the standard deduction for seniors aged 65 and older for years 2025-2028. This is per person, so a married couple could deduct up to $12,000 if each spouse is aged 65 or over. This is in addition to the regular standard deduction AND the extra deduction for those aged 65 or blind. Available to seniors who itemize.

The deduction phases out beginning with modified adjusted gross incomes of $75,000 for individuals and $150,000 for married filing jointly. It phases out completely at $175,000 / $250,000.

SALT (State and Local Tax) Deductions for Itemizers

The SALT deduction is increased to $40,000, effective for 2025-2029, with a 1% increase each year. So, it is $40,400 for 2026. In addition, some pass-through business owners can work around the limitation and get unlimited SALT deductions.

For 2025, the deduction began phasing out at $500,000 (for both single and married), and phased out completely at $600,000, reverting to a maximum $10,000 deduction. The $500,000 threshold phase-out increases 1% each year, so it is $505,000 for 2026. In 2026, a taxpayer with an income at or over $606,333 would lose $30,400 of the SALT deduction.

Qualified Charitable Distributions

Available only to IRA owners and IRA beneficiaries who are 70½ or older. The annual QCD limit for 2026 is $111,000 per IRA owner, ***not*** per IRA account. For 2026, the limit for a QCD to a split interest entity is $55,000. QCDs are more valuable due to the larger number of taxpayers that are using the increased standard deduction.

2026 Medicare Income Planning

Part B and D Charges

The Medicare health care system is largely government funded, but individuals pay premiums to participate in two portions of it.

Medicare charges premiums to participants in Medicare Part B, covering doctor visits, and Part D, the prescription drug benefit. In 2026, the basic premium for Part B is $202.90 per month. The premium for Part D varies by plan.

The standard premiums for these are increased by surcharges imposed on upper-income individuals, those with **Modified Adjusted Gross Income (MAGI)** exceeding $109,000 on an individual return or $218,000 on a joint return.

In 2026, the largest premium surcharges apply to persons with MAGI of $500,000 or over on a single return or $750,000 or over filing jointly.

The extra amount that higher-income individuals must pay is called an **Income Related Monthly Adjustment Amount (IRMAA). The first five IRMAA** tiers for Medicare premium surcharges are adjusted for inflation each year. This could result in reduced Medicare premiums for some. The IRMAA tier for individuals earning $500,000 or more (or married couples with MAGI of $750,000 or more) will not be adjusted until 2028.

Combination Chart - Parts B and D

2026 IRMAA *MONTHLY* SURCHARGES FOR MEDICARE PART B AND PART D (Based on 2024 MAGI)

Filing Single	Married filing joint	IRMAA Surcharge Part B	Total Premium Part B	IRMAA Surcharge Part D	Total of surcharges Part B & D
$109,000 or less	$218,000 or less	$0.00	$202.90	$0.00	$0.00
Over $109,000 to $137,000	Over $218,000 to $274,000	$81.20	$284.10	$14.50	$95.70
Over $137,000 to $171,000	Over $274,000 to $342,000	$202.90	$405.80	$37.50	$240.40
Over $171,000 to $205,000	Over $342,000 to $410,000	$324.60	$527.50	$60.40	$385.00
Over $205,000 to less than $500,000	Over $410,000 to less than $750,000	$446.30	$649.20	$83.30	$529.60
$500,000 and above	$750,000 and above	$487.00	$689.90	$91.00	$578.00

IRMAA surcharges apply on a "cliff" basis. Reaching the first dollar of an IRMAA income level causes the full corresponding surcharge to apply to all premiums paid for the year.

Example:
If Bob has MAGI of as much as $109,000 on his single return, he'll owe no surcharge. But if his income reaches $109,001, then a monthly surcharge of $81.20 for Part B plus $14.50 for Part D, or $95.70 total, will apply for all 12 months of the year. Bob's $1 of additional income increases premium cost by $1,148.40 for the year.

Medicare Planning Points

Medicare premium surcharges are imposed on individuals with MAGI over $109,000 on a single tax return or $218,000 on a joint return.

2-Year Lookback
For IRMAA purposes, MAGI is defined as Adjusted Gross Income (AGI) plus tax-exempt interest and untaxed foreign income. Medicare uses the MAGI reported on the federal tax return from two years ago. For example, to determine whether someone will pay higher premiums for 2026, Medicare uses **2024** MAGI.

Similarly, the tax return filed for **2026** will be used to calculate IRMAA surcharges for the year **2028**.

RMD Effect
Address required minimum distribution (RMD) requirements well in advance of the required beginning date, explaining how RMDs are included in income for Medicare Part B and Part D costs two years down the road. RMDs are not required from Roth IRAs during the Roth IRA owner's lifetime.

Don't forget that this includes older beneficiaries who are also subject to RMDs on IRAs they have inherited.

Income Reduction Strategies

The key to reducing Medicare surcharges is to reduce MAGI. Items like itemized deductions won't do that. They only reduce ***taxable*** income.

Check the tax return during the year to see if reported MAGI is near one of the threshold amounts. If income is close enough, plan to realize income and deductions to keep MAGI below the nearest threshold.

Roth Conversions
A Roth IRA conversion can be useful in minimizing future IRMAA surcharges as distributions from the Roth IRA can be tax free, reducing MAGI.

To avoid a current income spike from a Roth conversion, consider making a series of partial conversions over a number of years to avoid pushing income into higher tax brackets. This is a strategy that requires long-term advance planning.

For those in early retirement, consider the benefit of converting before the conversion income would impact Medicare costs.

Converting later may still be an effective strategy. A Roth conversion would negatively affect MAGI for Medicare purposes, but only for one year. It may make sense to take the hit in one year in exchange for no RMD concerns in future years.

HSAs (Health Savings Accounts)
Younger people may want to consider funding a Health Savings Account (HSA) rather than an IRA if they have a choice. They can make deductible HSA contributions in their working years, use other funds to pay medical expenses, and then they can access their HSA tax- and penalty-free to pay for qualified medical expenses in retirement. These distributions would not be included in MAGI for Medicare purposes the way RMDs and other traditional IRA distributions are.

QCDs (Qualified Charitable Distributions)
As a result of the tax law's increased standard deduction amounts, many are no longer deducting charitable contributions. QCDs can help restore charitable tax benefits by having those QCDs excluded from income. The exclusion from income will help to avoid Medicare premium increases.

With a QCD, an IRA owner (or beneficiary) who is age 70½ or over can transfer up to $111,000 (for 2026) annually from their IRA to a charity tax-free.

A QCD can count towards the RMD and is not included in MAGI for determining Medicare costs. Keeping the RMD amount out of MAGI can result in big savings. This is not the case if an IRA owner takes their RMD and then donates to charity and claims a charitable deduction (if they can at all). With that approach, the RMD would still be included in MAGI.

For those taking RMDs, consider how a QCD could help to save on Medicare costs.

Other strategies that can be used to manage MAGI to minimize Medicare surcharges include:

- Timing investment gains and other income by accelerating them onto a tax return for a year before IRMAA calculations occur or deferring them to a year when income is expected to be lower and there may be offsetting losses.
- Obtaining spending funds from tax-free sources. For instance, one may borrow against a life insurance policy rather than take a taxable distribution from a retirement plan or use tax-free proceeds from the sale of a principal residence (as much as $250,000, or $500,000 on a joint return).
- Using a home equity conversion mortgage (HECM - reverse mortgage line of credit) to provide a source of tax-free funds with no corresponding mortgage payment expense, to keep income below the Medicare surcharge threshold amounts.

When Income Falls

If there has been a major life-changing event that results in a large reduction in MAGI, an individual may request to use their MAGI for a more recent year. If an individual disagrees with the decision about their Medicare costs, they have the right to appeal.

Do this by submitting Form SSA-44, "*Medicare Income-Related Monthly Adjustment Amount - Life-Changing Event,*" to the Social Security Administration.

The end of employment is a qualifying "life-changing event" that should be considered for every client who retires at age 65 or later. If an IRMAA surcharge will result from high salary income reported on a return filed two years earlier, but that salary no longer exists, relief from the surcharge may be readily available.

