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[High Municipal Bond Earnings Could Lead to Higher Medicare Premiums.](#)

The popularity of municipal bonds among retired Americans has led to an interesting dilemma: They can earn more income thanks to interest on the bonds — but they might also face higher Medicare premiums because of it.

Many retirees have gravitated toward so-called “munis” because of their safety and tax-free income. A record \$96.8 billion of net money flowed into U.S. muni mutual and exchange-traded funds in 2021, CNBC reported, citing data from Refinitiv.

For high-income retirees, however, gains from muni bond interest could lead to Medicare premium hikes. The scheduled Medicare Part B premium increase for 2022 is 14.5%, though that might change as the Centers for Medicare and Medicaid Services looks at the impact of Biogen’s recent decision to slash the price of its Aduhelm Alzheimer’s drug.

For now, the 14.5% increase is still in place, meaning the base amount for Medicare Part B premiums this year is \$170.10 per month. But that payment goes up for joint filers with a modified adjusted gross income above \$182,000 and single filers with a MAGI above \$91,000.

“You’re looking at [Medicare Part B] premiums going up by about \$70 or more per month,” Tracy Sherwood, a certified financial planner at New York-based Sherwood Financial Management, told CNBC. “That’s pretty significant.”

This is where tax-exempt muni bond interest comes into play. The earnings you get from it could get washed out by premium hikes and surcharges for Medicare Part B and Part D, known as the Income Related Monthly Adjustment Amount.

For those who file joint returns, the top Medicare Part B surcharge is \$578.30 if your MAGI is \$750,000 or higher, CNBC noted. High-income retirees could also face a hike in their premiums for Medicare Part D, which covers prescription drugs. In 2022, the top surcharge for Part D is \$77.90.

Both of those calculations use MAGI from two years earlier, making it important for retirees to consider the consequences of the extra income they earn from municipal bond interest.

“It’s something that taxpayers seem so aware of because if they get into this higher bracket, they have to pay higher premiums for a full year,” Mary Kay Foss, a certified public accountant and faculty member at the CalCPA Education Foundation, told CNBC.

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