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Medicare and Social Security: 2024 guide

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The UBS Chief Investment Office (CIO) takes a look at what is new for Medicare and Social Security and share why it's important to review your financial plan with your financial advisor in light of these changes.

2024 Medicare Part B premium increase: 6%

The standard monthly premium for Medicare Part B is increasing to USD 174.70 per person this year, up from USD 164.90 per person in 2023.

If your modified adjusted gross income (MAGI) from two years prior is above a certain amount, you'll pay the standard premium as well as an income-related monthly adjustment amount (IRMAA). These incomerelated surcharges for Part B premiums will also increase by approximately 6%.

There are several other costs that may have changed as well. For instance, premiums for supplemental or Medicare Advantage coverage may see changes that are separate from the increase to Part B premiums. We suggest reviewing changes to your income and coverage, and making sure that you're aware of all the costs you may be exposed to.

2024 cost-of-living adjustment (COLA): 3.2%

Each year, Social Security benefits may be increased based on a measurement of inflation, with the goal of protecting the purchasing power of your benefits. In 2024, Social Security retirement benefits will see an increase of 3.2%.

While the annual benefit increases have historically kept up with the Consumer Price Index (CPI) of broad inflation, many retirees may find that they do not keep pace with their own personal expenditures' inflation.

One reason for this is because the Social Security Administration calculates COLAs using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Since many retirees are not urban dwellers or wage earners, this inflation index likely doesn't capture the spending composition of many retired households.

The Bureau of Labor Statistics maintains another price index, known as the Consumer Price Index for the Elderly (CPI-E) specifically developed to track the expenses of households of people age 62 and older.

Looking at the relative importance ratios of components of CPI-E compared to CPI-W, it shows that retirees tend to spend a higher percentage of their consumption on housing and medical care, and a smaller percentage on transportation, education, and apparel.

Periods of high price inflation in housing and medical care can therefore have an exacerbated effect on Social Security's purchasing power.

With this in mind, don't assume that this year's COLA will give you a net boost to your spending power. This is particularly important if you have your Medicare Part B premiums directly withheld from your Social Security payments—an increased deduction for Part B premiums means that the 3.2% COLA most likely won't result in an equal increase in your net benefit, especially if you're subject to income-related surcharges for Part B.

In order to understand the full extent of the COLA, you'll need to review how all of your income has adjusted relative to all of your expenses. We suggest including this in your next discussion with your financial advisor, who can help you review your financial plan to ensure you're still on track to meet your future spending needs.

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Read the complete **2024 retirement guide** for updates on what's new for the retirement planning landscape, including a few SECURE 2.0 Act provisions that become effective this year.