The Tax-Efficient Bond Strategy That Keeps Your Medicare Costs in Check

For Medicare recipients—especially retirees relying on fixed income investments—controlling reported income is critical. That's because Medicare premiums aren't fixed; they increase sharply if your Modified Adjusted Gross Income (MAGI) exceeds certain thresholds due to what's known as IRMAA (Income-Related Monthly Adjustment Amounts).

The Compoundr strategy offers a smarter way to gain exposure to fixed income returns without triggering unwanted income for tax or healthcare purposes. By avoiding distributions and transforming income into deferred capital gains, Compoundr gives investors greater control over how and when they recognize income—and in turn, better control over their Medicare costs.

The Challenge: Traditional Fixed Income and Medicare Premiums

Most fixed income strategies—whether individual bonds or bond ETFs—generate taxable interest income annually. This interest:

- Is fully included in MAGI, which is used to determine Medicare premiums.
- Can easily push retirees over IRMAA thresholds (starting at $103,000 for individuals, $206,000 for couples in 2025).
- Results in higher Medicare Part B and D premiums, sometimes by thousands of dollars per year.

Because IRMAA brackets are based on income from two years prior, even temporary income spikes can have long-lasting effects on healthcare costs.

The Compoundr Strategy: A Better Way to Earn Without Triggering Income

The Compoundr strategy is designed to preserve the economic benefits of fixed income investing while eliminating the income recognition that triggers higher taxes and Medicare premiums.

Here's how it works:

- **Exposure via ETFs**: Rather than investing directly in bonds, the strategy invests in bond ETFs.
- **Avoidance of Distributions**: The strategy is constructed to intentionally avoid receiving interest distributions from the underlying ETFs.
- **Deferred Capital Gains**: Because there are no recurring payouts, there's no annual income. The return instead accumulates in the form of unrealized gains, which are only recognized when the position is sold.

This structure converts what otherwise would be recurring ordinary income into deferred capital gains, which:

- Are not included in MAGI used to calculate Medicare premiums.
- Allow for investor-controlled timing, which is critical when coordinating with Social Security, RMDs, or other life events.

Why This Matters for Medicare Planning

Feature	Traditional Fixed Income	Compoundr Strategy
Annual Interest Income	Yes	No
Included in MAGI	Yes	No
Control Over Timing	Minimal	Full
Tax Character	Ordinary Income	Capital Gains
IRMAA Risk	High	Low

By minimizing current income, the Compoundr strategy helps investors:

- Stay below IRMAA thresholds and avoid costly Medicare surcharges.
- Smooth out income across retirement years instead of spiking MAGI.
- Maximize after-tax, after-premium returns from fixed income allocations.

Conclusion

The Compoundr strategy represents a modern, tax-smart approach to fixed income—especially for Medicare-eligible investors. It removes the friction between earning yield and triggering income-related healthcare costs. By converting recurring income into deferred capital gains and giving investors full control over when to recognize those gains, Compoundr offers a pathway to more efficient wealth management and lower lifetime Medicare expenses.

For retirees looking to optimize both investment income and healthcare costs, Compoundr isn't just a better bond strategy—it's a Medicare-smart strategy.
