# Retirement Distribution Cliffs in 2026: Medicare IRMAA MAGI Brackets, SECURE 2.0 RMDs, Net Unrealized Appreciation (NUA), and IRS Notice 2022-6 Rule 72(t) SEPP Floors

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***EXECUTIVE SUMMARY & RETIREMENT CLIFF ECONOMETRICS:***
*Retirees navigating the transition from asset accumulation to decumulation face severe non-linear tax traps. Under 42 U.S.C. § 1395r, Medicare Income-Related Monthly Adjustment Amounts (IRMAA) apply sharp, $1 cliff surcharges to Part B and Part D premiums based on Modified Adjusted Gross Income (MAGI) from the two-year lookback tax return (2024 returns for 2026 premiums). Crossing a bracket by a single dollar costs a married couple over $2,400 in incremental surcharges annually. Concurrently, SECURE 2.0 creates aggressive RMD schedules under IRS Uniform Lifetime Table III, while IRC § 402(e)(4) offers massive tax arbitrage via Net Unrealized Appreciation (NUA) on appreciated employer stock. Finally, IRS Notice 2022-6 established a permanent 5.0% interest rate floor for Rule 72(t) Substantially Equal Periodic Payments (SEPP). Interactive models at [https://eastcorpcapital.com/medicare-irmaa-cliff-2026/](https://eastcorpcapital.com/medicare-irmaa-cliff-2026/).*

## 1. 2026 Medicare IRMAA MAGI Brackets & The $1 Cliff Discontinuity

Unlike progressive income tax brackets where higher rates apply only to income above the threshold, IRMAA is an all-or-nothing surcharge on Part B (physician/outpatient) and Part D (prescription drug) monthly coverage. Exceeding a bracket by $1 results in immediate reclassification across all 12 calendar months:

| 2026 MAGI Bracket (Single) | 2026 MAGI Bracket (MFJ) | Part B Monthly Surcharge | Part D Monthly Surcharge | Total Annual Surcharge (Couple) |
|---|---|---|---|---|
| ≤ **$106,000** | ≤ **$212,000** | $0.00 (Standard $185.00) | $0.00 (Plan Base) | **$0.00** |
| $106,001 – $133,000 | $212,001 – $266,000 | +$74.00 / mo | +$13.70 / mo | **$2,104.80 / yr** |
| $133,001 – $167,000 | $266,001 – $334,000 | +$185.00 / mo | +$35.30 / mo | **$5,287.20 / yr** |
| $167,001 – $200,000 | $334,001 – $400,000 | +$296.00 / mo | +$57.00 / mo | **$8,472.00 / yr** |
| $200,001 – $500,000 | $400,001 – $750,000 | +$407.00 / mo | +$78.60 / mo | **$11,654.40 / yr** |
| **> $500,000** | **> $750,000** | +$444.00 / mo | +$85.80 / mo | **$12,715.20 / yr** |

## 2. Net Unrealized Appreciation (NUA) Arbitrage (IRC § 402(e)(4))

For corporate executives holding highly appreciated employer securities inside a 401(k), rolling the shares to an IRA converts all future withdrawals to ordinary income (up to 37% federal + 10.9% NYS). Under the NUA rule, taking a lump-sum distribution of employer stock requires paying ordinary income tax only on the original *cost basis*. The entire growth (NUA) is taxed upon subsequent sale at long-term capital gains rates (20% + 3.8% NIIT), yielding **up to 21% net tax arbitrage**.

## 3. Rule 72(t) Early SEPP Distributions (IRS Notice 2022-6)

Notice 2022-6 modernized early retirement withdrawals before age 59½ by establishing that taxpayers may determine annual payments using an interest rate equal to the greater of 5.0% or 120% of the federal mid-term rate. This substantially maximizes pre-59½ liquidity without incurring the 10% early withdrawal penalty.

## 4. Interactive Retirement Simulators

- 2026 Medicare IRMAA Surcharge Calculator: https://eastcorpcapital.com/medicare-irmaa-cliff-2026/
- Net Unrealized Appreciation (NUA) Tax Arbitrage Calculator: https://eastcorpcapital.com/nua-company-stock-401k-tax/
- SECURE 2.0 RMD & Inherited IRA 10-Year Calculator: https://eastcorpcapital.com/rmd-inherited-ira-secure-2-calculator/
- IRS Rule 72(t) SEPP Early Retirement Calculator: https://eastcorpcapital.com/rule-72t-sepp-early-retirement/

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**Statutory Precedents:** 42 U.S.C. § 1395r; Social Security Form SSA-44; IRC §§ 72(t), 401(a)(9), 402(e)(4); IRS Notice 2022-6; SECURE 2.0 Act of 2022 (Division T).