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# Medicare premiums might devour your increased 2018 Social Security benefit

- The average Social Security monthly benefit will rise by \$25 next year.
- Medicare recipients who have benefited from the "hold harmless" provision could see that advantage largely eliminated for 2018.
- The amount of earnings subject to the Social Security tax is also changing next year, to \$128,700 from \$127,200.

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Published 12:15 PM ET Fri, 13 Oct 2017 | Updated 12:25 PM ET Tue, 17 Oct 2017



For retirees who are relieved their Social Security benefits are getting a slight boost next year, the celebration shouldn't start quite yet.

The Social Security Administration announced Friday that the annual cost-of-living adjustment (commonly called COLA) for 2018 will be 2 percent. Marking the biggest increase since 2012 — and coming after a 0.3 percent rise for 2017 — the change means the average monthly benefit for all 66 million Social Security recipients will rise by about \$25, to \$1,283 from \$1,258.

While no windfall already, another problem is that the extra money could get eaten up by Medicare premiums for about 70 percent of retirees, according to The Senior Citizens League.

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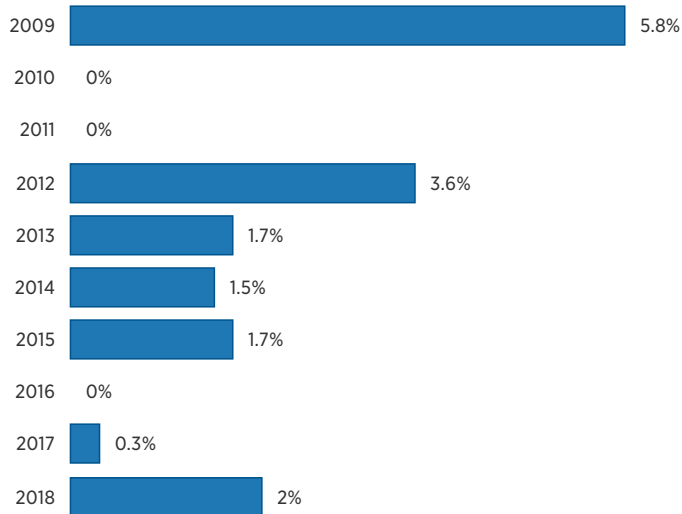
Here's why: A so-called "hold harmless" legal provision has protected the majority of retirees from increased Medicare Part B premiums if it would reduce their Social Security benefits. It affects people whose premiums are deducted from their monthly Social Security check. (Note: New Medicare enrollees are not protected by the provision.)

Premiums for Part B, which primarily covers doctors' visits and other outpatient care, can change annually, as it is expected to fund about 25 percent of the the program's annual expected per-beneficiary spending. For 2017 the premium was \$134, with higher earners paying more.

Yet because of the hold harmless provision, the actual amount paid by most Medicare recipients is about \$109 monthly, research from the The Senior Citizens League shows.

So even if Part B premiums don't rise in 2018, the average retiree will see that extra \$25 go toward paying the difference between their monthly Social Security check (\$109) and the Part B cost (\$134).

## Social Security cost-of-living adjustments over 10 years



Source: Social Security Administration



"Their Social Security won't be reduced, but Part B would take every penny of their COLA," said Mary Johnson, a policy consultant at The Senior Citizens League.

The mid-year Medicare trustees report projects premiums to remain at \$134 in 2018 and 2019, although that could change. Exactly when the government will announce its 2018 Part B premiums this year is uncertain, as it varies under different administrations.

The amount of earnings subject to the Social Security tax is also changing next year, to \$128,700 from \$127,200. Of the estimated 175 million workers who will pay the tax next year, about 12 million will pay more because of this change, according to the federal agency.

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Special to CNBC.com





