



**JOHNSON
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WEALTH MANAGEMENT

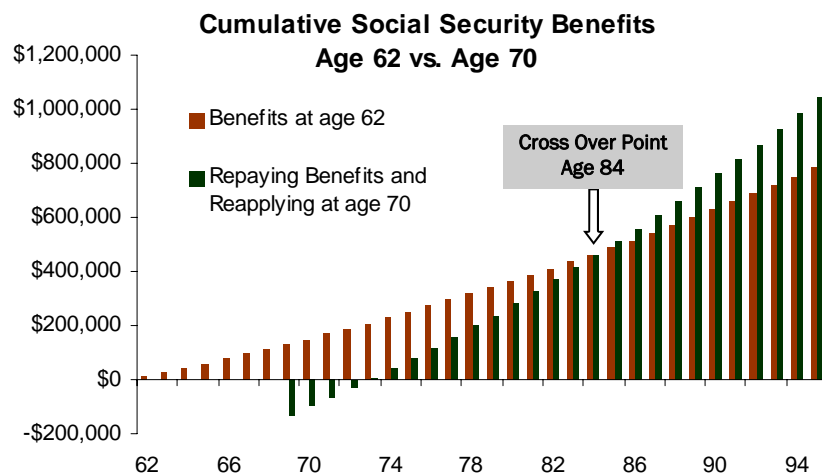
FINANCIAL PLANNING

APRIL 2008

Re-Applying For Social Security Benefits

Did you start taking your Social Security payments before the age of 70? If so, did you know that there is an option offered by the Social Security Administration (SSA) that allows you to withdraw and reapply for benefits at the maximum benefit level?

In order to do this, you must repay the actual Social Security benefits received on your earnings record—**interest free**— and reapply for benefits, earning your maximum benefit available at age 70. With today's inflationary environment, receiving the maximum benefit adjusted at a higher cost of living could mean a significant increase in your standard of living, despite having to repay the benefits that have already been paid out.



62 vs. 70 Payout Comparison		
	Age 62	Age 70
Repayment of 62-70 benefits	\$131,664*	
Maximum monthly benefit <small>*In 2008 Dollars</small>	\$1,550*	\$2,794*
Difference	\$1,244/ Month \$14,928/ Year	

*Based on the maximum benefit starting in 2000, adjusted for inflation

Would this be the right option for you?

The table above shows the cumulative effect of reapplying for benefits at age 70 versus continuing with current benefits that were started at 62. The figures are based on the current inflation rate of 2.3%, while economic forecasts indicate future levels between 3 and 4 percent, making this option more attractive.

The one-time payment of previous benefits can be viewed as the price of buying an annual inflation-indexed annuity from Social Security—the safest and lowest cost provider. In the scenario illustrated above, the immediate annuity payout is 11.34% per year, which is much higher than commercial annuities available on the market. Repaying Social Security and reapplying for a higher benefit does, of course, entail risk – the risk of dying right away and not living long enough to recoup this investment. But the big risk, financially speaking, is not dying early, but dying late – living longer than you expect and, as a result, running out of money. Annuities, particularly inflation indexed annuities, may be a great way to hedge this very significant risk.

Should You Take Benefits Early and Plan to Reapply?

If you're 62 and retired, should you take benefits early with the intent of repaying and reapplying at a later age? Maybe, maybe not. First, your benefits will be subject to federal income taxes. Second, the government may close down the option of repaying and reapplying before you have a chance to withdrawal and reapply.

For additional information about this option please call Johnson, Bender & Co. or see Social Security form 521 ("Request for Withdrawal of Application").

Source: Social Security Administration, ssa.gov.

Johnson, Bender & Company

**5555 San Felipe, Suite 1100
Houston, TX 77056**

713-439-1200