

March 10, 2008

TO: All clients and interested parties

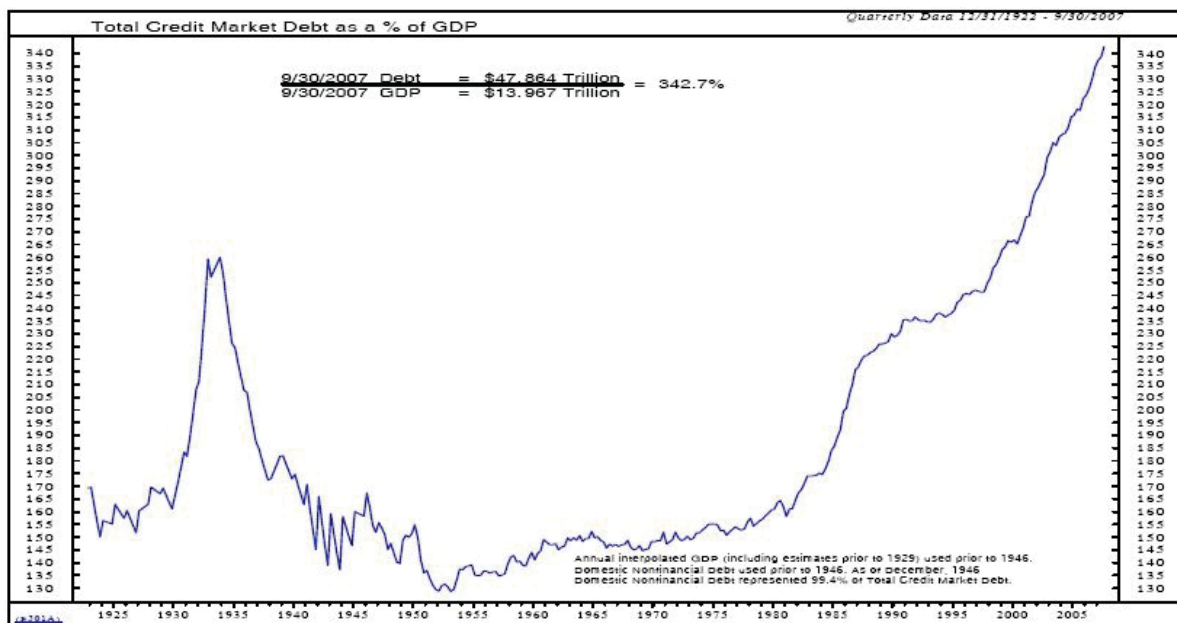
FROM: Bob Kargenian

This quarter, we're giving you our take on leverage/credit, homes versus stocks as investments, a detailed look at our 2007 performance (both good and bad), and the pros and cons of a More Risk, More Return strategy we've tested and used in real time now for over two years.

In addition, we've enclosed a reprint of an article from USA Today that discusses the ins and outs of taking your Social Security benefits. The choice can be a critical one, and have implications for many years for both spouses (where applicable).

Leverage and Credit

It has been said that a picture is worth a thousand words. In my opinion, the one below courtesy of **Ned Davis Research** tells you all you need to know about what is wrong with America. Debt is this country's albatross, along with millions of Americans living beyond their means. Of course, our state and federal governments are wonderful examples (sic).



The chart depicts total credit market debt as a percentage of Gross Domestic Product. Notice the peak on the far left, in the early 1930s, which coincided, with the Depression era. Current debt levels are far above those of that era, and to our knowledge, most of it is associated with housing and credit cards. Right now, we are in the middle of the negative side of the leverage cycle, and because of its size and lack of transparency, there is no way to accurately estimate the eventual damage or length of time before it all plays out.

As Steve Hochberg of the Elliott Wave Theorist newsletter recently stated, “In a bull market, with social mood in an expansive mode, people are willing to accept the illusion of unending leverage leading to unending profits, in the belief that they in turn will get rich. A bear market suspends the illusion, as mood turns more pessimistic and caution grows (*sound familiar?—BK*). Until this growing pessimistic mood fully plays out to its conclusion, the long term trend of stocks will remain down.”

Basically, when times are good, credit is ample, causing the economy to heat up. When the cycle shifts (and it has), lenders tighten standards and demand more collateral. To raise the collateral, many investors must sell assets, and this puts downward pressure on prices, and it can turn into a tornado effect.

This is why having too much debt, and not being able to service that debt, can virtually kill one financially. It is obvious that many people did not learn anything from the technology stock bubble that topped in March 2000. Back then, the crowd psychology was that you could get rich in Internet stocks. Like anything else, if your timing was pretty good and you got out early, certainly one could have done well. But if you believed in Wall Street’s buy and hold bunk and didn’t diversify properly, you could have lost 50-70% of your portfolio in just over two years, and many did just that—and mind you, that was WITHOUT leverage.

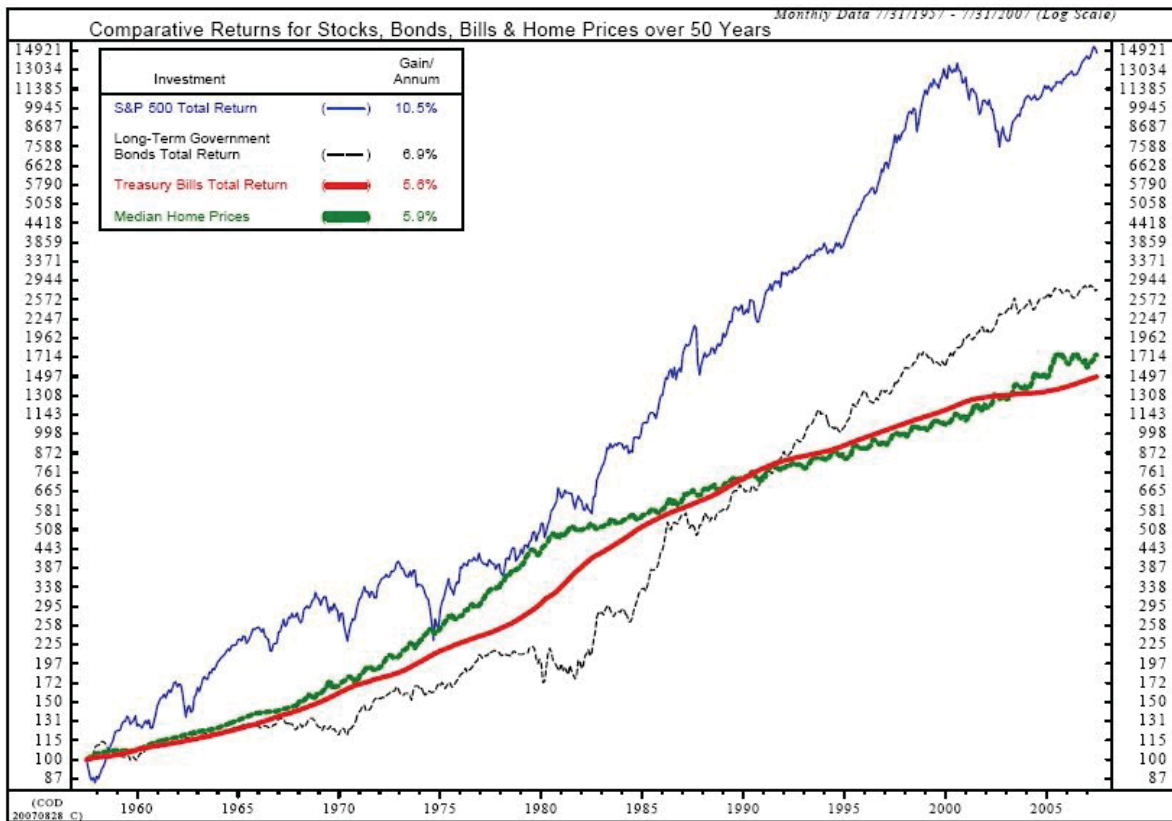
I suspect that the total damage from the real estate bubble will end being worse in dollar terms, simply because of the leverage. Call me old school, but when I purchased my first home in 1987, I had already learned that to even be considered for a home loan, I had to have at least 20% of the purchase price for a down payment. Stop and think for a moment. At 20% down, that is 5 to 1 leverage.

I’m not going to spend time illustrating the gains possible with leverage, because apparently we have cultivated a whole generation of Americans that believed real estate prices could never go down. But if you do the math on a simple \$700,000 home purchase with 20% down, you will find that on just a modest 5% decline in price of the home, if one needed to sell, you would end up with an approximate loss of 51% on your original principal of \$140,000.

To illustrate, that would be a loan of \$560,000. With a 5% price drop, you sell the house for \$665,000, and also pay your real estate broker at least 5% commission. So, you net \$632,000, minus your loan of \$560,000, leaving \$72,000 in your pocket on your original \$140,000. How many people bothered to figure this out? Of course, when you throw in no money down loans, and interest-only loans, well, the numbers just get worse.

Homes Versus Stocks

At TABR Capital Management, we pride ourselves in having no conflicts of interest, but it does not mean we don't suffer from having a bias on certain things. That bias has been built on my experience and is usually supported by factual data. An example would be that in general, we feel that annuities of most all types are pretty crappy investments. Another is more of a value statement that relates to our comments above on credit—mainly that we encourage clients to be debt free and to have their home paid off in retirement (or one had better have enough cash flow to service the debt).



With the evidence from the chart above, also courtesy of **Ned Davis Research**, one of our other biases is that stocks are a far superior investment to that of residential real estate, and in my opinion, it goes beyond the numbers. The numbers are pretty compelling, though, with stocks compounding at 10.5% annually for the past 50 years, while home prices have barely outperformed risk-free Treasury Bills—5.9% vs. 5.6%.

While homes obviously have some real Federal tax advantages, they are, as Ned Davis put it, “infinitely more illiquid in bad times, and have ongoing significant costs such as property tax, insurance and maintenance.” This is what researcher and money manager Steve Leuthold calls “the cost of carry.”

Leuthold adds, “I concluded 30 years ago that a home should be bought to live in and enjoy. As an investment? Don’t count on it, particularly when you adjust your potential return for the **cost of carry**.”

I should point out that though today real estate investments are getting their comeuppance, stocks as measured by the Vanguard Total Stock Index have compounded at just 4.59% annually for the nine years ended 2007. From 1957 to 1980, stocks and real estate were about even, so the huge advantage that stocks have has come in the past 27 years. As in all asset classes, the returns go in cycles, and the important lesson is to have balance, but if you are going to overweight, the historical evidence says you should overweight stocks.

2007 Performance—A Detailed Look

Below is the performance, net of management fees, of six real-time portfolios we are tracking. These represent a majority of the strategies we are using in client accounts, but not all. The differences are mainly attributed to risk (example—moderate allocation versus conservative allocation or aggressive) and account size. The numbers are for the full year of 2007, except for the Bond account.

Type of Account/Strategy	2007	Benchmark
TABR Moderate Risk Account	+7.93%	+7.57*
TABR Stock Wrap Account	+1.88%	+5.49% **
TABR OEX Relative Strength	+10.66%	+ 6.12%(S&P 100)
TABR D.A.L.I. Account	+9.30%	+7.57% *
TABR Passive Allocation	+10.74%	+7.57% *
TABR Bond Account	+3.58%	+6.12% ***
Vanguard Total Stock Index		+ 5.49%
Vanguard Total International Stock Index		+ 15.52%
Vanguard Total Bond Index		+ 6.92%

*Consists of 45% Vanguard Total Stock Index, 15% Vanguard Total International Stock Index and 40% Vanguard Total Bond Index

**Vanguard Total Stock Index

***Vanguard Total Bond Index, period only for 6/30/07 to 12/30/07

I think it is important and useful to periodically communicate with clients on how our investment strategies are doing, and to reflect on the good and the bad. Obviously, we do this every quarter in this publication, along with the individual reports that are sent to each client/household. The numbers do tell a lot of the story, but they do not tell the whole story. So, I think getting into the details once a year is a good idea.

For instance, what is the TABR Moderate Risk account? This strategy represents what is used with a large chunk of TABR’s clients, and a majority of the assets inside the account are managed with an active strategy (risk management models, relative strength, or both). This is different than a passive strategy, which assumes a fully invested approach, and is quite popular on Wall Street. The benchmarks we use for comparative purposes are examples of a passive strategy, which take 100% of the risk of being invested in the stock and bond markets.

In contrast, due to our risk management models, the approximate average exposure of the equity allocations in our Moderate Risk account and our Stock Wrap accounts were 65% in 2007. Moderate Risk accounts consist of about 40% fixed income and 60% equity investments. Of the fixed income allocation, about half is in a core allocation with Loomis Sayles Bond, with the other half in an tactical pair of a high yield corporate fund with an intermediate bond fund (examples of our current recommendations include—Blackrock, PIMCO, Dryden, American Funds).

Of the approximate 60% devoted to equities, about 5% each is devoted to gold stocks (via funds) and our Fidelity Sector strategy, with another 3.5% each currently allocated to Hussman Strategic Growth and Leuthold Asset Allocation or Leuthold Core Investment (which is closed to new investment). That leaves about 43% for our core allocation with hedging. The core allocation consists of FundX Upgrader, Hennessey Cornerstone Growth and Hennessey Focus 30. For hedging, we currently use a variety of funds from Pro Funds along with Fidelity Money Market. Smaller accounts, typically under \$125,000 in size, have only FundX in the core allocation.

The strategies we use in Conservative and Aggressive accounts are identical to that of a Moderate Risk account, with the only differences being the amounts allocated to fixed income and equities. Conservative accounts have about 55% in fixed income with 45% in equities, while Aggressive accounts have about 25% in fixed income and about 75% in equities.

Below, from top to bottom, is the 2007 performance of the various funds/strategies that make up an overall account:

Gold stock allocation	+24.0% (slight variance by account)
Sectors strategy	+23.2% (slight variance by account)
Leuthold Core Investment	+19.0%
FundX Upgrader	+15.1%
Leuthold Asset Allocation	+11.45%
Loomis Sayles Bond	+ 8.26%
Hennessey Focus 30	+ 6.69%
Tactical Bond strategy	+ 4.4% to +8.4%(varied by fund pair)
Hussman Strategic Growth	+ 4.16%
Hennessey Cornerstone Growth	- 2.18%
Dow Jones Real Estate ETF	- 7.42% (without dividends)

Fortunately, the real estate allocation we created at the end of 2006 was only 1% of portfolios, and that position was eliminated in June. It went on to lose another 14.8% the rest of the year, helping to validate our methodology.

Obviously, the success stories stand out, led by gold, sectors, Leuthold and FundX. But it is also important to learn from the areas that did not perform well—as it should be a rare situation when everything does well. Cornerstone Growth, a fund that specializes in small companies, was down a modest 2%, but is doing much worse thus far in 2008. Our relative strength work for small companies turned negative in the summer of 2007. We’ve definitely

thought about over and under-weighting our core equity funds based on the relative strength work, but thus far, the data hasn't convinced us to tinker with the original allocations we created. The sum of the parts, and how they work together, is greater than any single part.

Though not broken out above, our hedging, or risk management, began to contribute in 2007 for the first time in over 4 years. I remember a client commenting to us two years ago that it seemed like every trade we made with Pro Funds lost money. He was right. From 2003 to 2007, the stock market mostly went up, with very little downside. Our risk management models subtracted value. Now, it seems that every trade with Pro Funds is showing a profit. That is because the stock market is in a major downtrend until proven otherwise.

Stock Wrap Accounts

Though profitable, this strategy lagged its benchmark for the third consecutive year. The core allocation normally consists of 60 stocks, 20 each from three different mostly fundamental screens from the research of Value Line, Marty Zweig and Joel Greenblatt. We track the performance of each screen, and in 2007, the approximate gain of the stocks from the Value Line screens and Zweig screen were 4.14% and 4.26%, respectively. On the other side, the average Greenblatt stock we selected was down 4.2%, and there have been several blowups recently.

Despite this unevenness, the five-year record (see below) is respectable versus its benchmark of the Vanguard Total Stock Index (VTSMX), especially when adjusted for risk. I do struggle with the fact we put a lot of work into this process, and the “edge” has not been as big as I would like to see. But, the current combination has only been in place for one year (2003 to 2005 was all Value Line), and I do feel 3 screens are better than 1. However, I’m also about simplicity—if our mutual fund work is consistently producing superior results with much less work, I’d be foolish to keep banging away.

	Wrap	VTSMX	
2003	36.34%	31.35%	
2004	19.24	12.52	
2005	4.71	5.98	
2006	8.62	15.50	
2007	1.88	5.49	
2008	- 5.88	-10.63	through Mar. 12, 2008
Total CR	11.6%	10.8%	compound return net of fees

The More Risk, More Return Strategy

When one is shooting for higher returns, it is virtually inevitable that you will need to take more risk. That’s not what TABR Capital Management is all about, and never will be, but we do recognize that some clients want to be more aggressive with a part of their money.

In the midst of researching over 20 years of data with a particular fund selection process, we created a stock/bond mix strategy (the “Strategy”) that looks passive, but is actually quite dynamic and active under the hood. As a result, we started using it with mostly smaller accounts in 2005, typically under \$50,000, and have expanded it to a handful of others since

then. Below are the results of our backtest of the Strategy beginning in 1997, compared to a benchmark of 40% bonds (Vanguard Total Bond), 45% domestic equities (Vanguard Total Stock) and 15% international equities (Vanguard Total International). This is the same benchmark we use for Moderate Risk accounts.

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Strategy	19.77	18.43	26.9	4.16	4.64	-5.02	30.16	11.08	8.83
Benchmark	17.61	16.24	14.9	-2.54	-4.59	-8.39	21.75	10.46	5.99

	2006	2007	11 yr CR	
Strategy	15.23*	10.74*	12.7%	computed net of fees
Benchmark	12.65	7.57	7.91%	

*actual returns in TABR model account

We actually have data on the Strategy back to 1992, but the Vanguard Total International Fund did not exist prior to 1997, and we wanted to use a suitable benchmark for the equity exposure. As you can see, the Strategy beats the benchmark by nearly 500 basis points per year, which is quite frankly, huge (and that includes a 1.25% annual management fee).

The downside to the approach is that it is fully invested, and will have significantly more volatility than our main tactical managed approach. One would have to refrain from shouting during the down times “Don’t just sit there—DO Something!” Right now is one of those times. The Strategy has handily beaten our Moderate Risk accounts in 2006 and 2007, but through March 12, 2008, the Strategy was down -7.41% for the year, compared to a -2.13% loss in our Moderate Risk accounts.

Most of our clients indicate that in the investment management area, they want reasonable returns with LESS risk, which is one of the main reasons they are with us. This research doesn’t necessarily titillate them. For us, though, this validates our belief that selection plays a huge role in investment success (or lack thereof), and we’ll continue to use this approach in certain situations.

When To Take Social Security

This is a question we are facing more and more with clients, so we thought a recent article in USA Today, authored by Sandra Block, would lend some good perspective. It is enclosed with this mailing, and is reprinted with the permission of USA Today.

In brief, our take on this subject is that you should defer benefits until your full retirement age (66 for many today), if you can afford to, and especially if you are a husband/wife who was earning significantly more than your spouse during your lifetime. Typically, we’ve seen that waiting the extra four years from age 62 to age 66 means as much as \$5000 annually for the rest of your life, and since many men die before their wives, it can mean significant extra benefits for her for many years. This is just one of the pieces we analyze in clients’ retirement puzzles, but it is an important one.

Administrative News

Thus far, our new look website is functioning just fine, and we hope you like it along with the data access through www.fidelity.com.

As always, thank you for your continued trust and confidence.

Best regards,



Bob Kargenian, CMT
President

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The TABR Model Portfolios are allocated in a range of investments according to TABR's proprietary investment strategies. TABR's proprietary investment strategies are allocated amongst individual stocks, bonds, mutual funds, gold and other instruments with a view towards income and/or capital appreciation depending on the specific allocation employed by each Model Portfolio. TABR tracks the performance of each Model Portfolio in an actual account that is charged TABR's investment management fees in the exact manner as would an actual client account. Therefore the performance show is net of TABR's investment management fees.

Comparison of the TABR Model Portfolios to the Vanguard Total Stock Index Fund, the Vanguard Total International Stock Fund and the Vanguard Total Bond Index Fund is for illustrative purposes only and the volatility of the indices used for comparison may be materially different from the volatility of the TABR Model Portfolios due to varying degrees of diversification and/or other factors.

Past performance of the TABR Model Portfolios may not be indicative of future results and the performance of a specific individual client account may vary substantially from the composite results above in part because client accounts may be allocated among several portfolios. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will be profitable.

The Strategy presented herein represents portfolio constructed by TABR consisting 60% of an equity mutual fund and 40% of a fixed income mutual fund selected by TABR. Performance shown for the Strategy represents hypothetical backtesting. Backtested hypothetical performance differs from actual performance because it is achieved through the retroactive application of the Strategy with the benefit of hindsight. Results may not reflect the impact that material economic and market factors might have had on the decision-making process if client assets were actually being managed. All performance results of the Strategy reflect TABR's management fee of 1.25% per annum.

For additional information about TABR, including fees and services, send for our disclosure statement as set forth on Form ADV from us using the contact information herein. Please read the disclosure statement carefully before you invest or send money.

Boomers' eagerness to retire could cost them
Filing for Social Security at 62 raises risk they'll outlive their money

USA TODAY - McLean, Va.

Author: Sandra Block

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They're known as one of the most rebellious generations in U.S. history, not to mention the largest. This year, the oldest of the 79 million baby boomers born from 1946 through 1964 turn 62, which means they become eligible for Social Security. The boomers -- projected to live longer than any previous generation of Americans -- will have the longest retirements, too.

Can they afford to retire? How far will their Social Security checks go? The reality is this: Many of those who retire early will accept reduced benefits -- and in doing so will risk falling short of their financial needs.

So what will this generation of retirees do?

About half of the soon-to-be-62-year-olds are expected to do just what their parents generally did: file for Social Security benefits at the youngest possible age, in exchange for a smaller benefit than they'd get if they waited to retire at 66. Many are relying on conventional wisdom that suggests they're better off filing for Social Security as soon as possible.

Yet if they follow that advice, millions of the oldest boomers may be about to make a colossal error -- one that would be magnified by their record-setting longevity.

Over time, taking benefits early could mean a smaller payout, hefty taxes on their retirement savings and a heightened risk of outliving their money. In fact, the roughly 50% of the oldest boomers who the Social Security Administration estimates will tap their benefits starting this year will absorb a permanent 25% cut in benefits.

Up to three-quarters of them are expected to file for benefits before age 66, their full retirement age. How much their benefits will shrink depends on how close they are to full retirement age once they begin to take those benefits.

Now consider those who wait till after age 66: They'll enjoy an 8% annual increase in benefits until age 70. (After that, there's no advantage to delaying benefits.)

Yet on the most fateful financial decision most of them will make, only about 5% of retirees wait until after they've reached full retirement age to claim benefits. And it's a trend that's likely to persist, says Stephen Goss, chief actuary for the Social Security Administration.

Many retirees who plan to start taking their benefits early assume it won't make much difference over time. One of them, John McGinnis, 61, an insurance claims manager in Jacksonville, plans to file for Social Security next year.

"I'm going to take them at the reduced rate, figuring I should live long enough that it will even out to my advantage," McGinnis says.

In reality, boomers who live the longest stand to lose the most by taking benefits early, according to an analysis by the American Academy of Actuaries.

Retirees who file for Social Security at age 62 and live into their mid-90s could lose nearly \$150,000 in benefits, says Ron Gebhardtshauer, senior pension fellow with the academy.

Among the factors that could hurt boomers who take early Social Security benefits at age 62:

*Longevity. Laurie Ditzel, a retired teacher in Fairport, N.Y., turned 62 on Jan.5. Most of her older friends filed for benefits once they turned 62. Her own inclination, though, is to wait.

In part, that's because Ditzel, who's also a nurse, might return to work at some point. Under the law, Social Security beneficiaries who haven't reached full retirement age are subject to an "earnings test." It cuts their benefits by \$1 for each \$2 they earn over an annual limit. In 2008, that limit is \$13,560.

That's not the only reason Ditzel says she probably won't file for benefits this year. She also realizes that her retirement income might need to last for decades. An avid traveler and member of a crew team, Ditzel is in excellent health.

"At the moment, I don't really need the extra income, and I'm thinking if I live to be 90, I'll be glad to have the higher (benefit) rates," she says.

In fact, there's a 41% chance that a 62-year-old woman today will live to 90; a 62-year-old man has a 29% chance.

For a married couple, there's a 58% chance that one of them will live to 90 and a 29% chance that one will reach 95.

The Social Security Administration projects that the average retiree's "break-even" age for Social Security benefits is 77. A retiree who dies before then would have fared better by taking benefits at 62. Those who live past 77 would earn more by delaying benefits.

Retirees who take reduced benefits at 62 and live to 90 would lose \$39,000 in benefits; those who live to 95 would give up \$54,000, the SSA says.

But some financial analysts say your losses would be far greater than that. If, for example, you include the annual cost-of-living increases that boost Social Security checks, Gebhardtshauer's estimate of how much you'd lose by taking benefits early far exceeds the SSA's: \$83,000 for those who take benefits at 62 and live to age 90 and nearly \$149,000 for those who live to 95.

Gebhardt'sbauer sets the break-even age a bit higher than the SSA does. That's because he takes into account interest earned by those who take benefits starting at 62. Even so, by including the annual cost-of-living increases, he calculates even more value in delaying benefits. The reason: The cost-of-living adjustments will apply to a larger sum.

Thanks to compounding, "those cost-of-living adjustments will be huge, especially if you live long in retirement," says James Mahaney, a retirement specialist at Prudential Financial.

Even if you're convinced you won't live so long, taking your benefits early could hurt your spouse.

When a married beneficiary dies, the survivor can continue receiving his or her own benefit or the deceased spouse's benefit, whichever is more. So spouses who take their benefits early don't just shrink their own payouts; they also reduce the amount the surviving spouse will be eligible for.

*Taxes. Analysts generally urge retirees to delay withdrawing money from their 401(k), IRA and other retirement savings accounts as long as possible. That way, the thinking goes, the tax-deferred investments can grow and compound. But that advice, Mahaney says, ignores the punishing effect of taxes on Social Security benefits.

If all your income comes from Social Security, your benefits usually aren't taxable. But retirees with other income, including withdrawals from most retirement plans, could owe taxes on a huge chunk -- 50% to 85% -- of their benefits.

The tax was originally designed to target wealthy seniors. But because the income thresholds weren't indexed to inflation, the tax has spread to middle-income retirees.

Married couples with \$32,000 in combined income face taxes on half their Social Security benefits.

Couples with a combined income of at least \$44,000 could owe taxes on 85% of their benefits. (For the purposes of the tax, combined income includes half of a retiree's Social Security benefits, wages from a job, pensions and withdrawals from most retirement plans.)

The phenomenon has been termed a "tax torpedo." Yet for some retirees, it will more closely resemble an intercontinental ballistic missile. "People are going to be walloped," Mahaney says.

How can retirees avoid this nightmare? By using their retirement savings to pay living costs in the early years of retirement, Mahaney says, and then taking their Social Security benefits later.

Those who do so will give up some tax-deferred investment gains. But in the long run, Mahaney says, it'll pay off: "It makes no sense to be creating more and more (tax-deferred) dollars that are going to be taxed at higher and higher rates."

To illustrate, Mahaney compared two hypothetical retired couples. Both have pretax income of \$69,000. But the first couple has Social Security income of \$24,000 and IRA income of \$45,000. The second has \$39,000 in Social Security income and \$30,000 from an IRA.

Both couples will pay taxes on their Social Security benefits. But because the first couple has a larger IRA withdrawal, a bigger slice of their benefits will be taxed.

The result: The first couple will pay more than \$8,900 in federal and state taxes. The second couple? Only about \$4,700.

A bird in the hand

Despite the lure of larger benefits, many retirees can't resist passing up the opportunity to file at 62, in part because they're worried about the future of Social Security.

Eddie Papps, 61, an independent contractor who has lived all over the USA and is currently working in Sarajevo, Bosnia-Herzegovina, plans to retire next year. He and his wife will receive small pensions.

Papps also has savings from his 401(k) plan. Papps says he doesn't really need Social Security income. But he plans to start taking his benefits next year anyway, just to be safe.

He says he thinks Congress will act to shore up Social Security, perhaps by cutting future benefits. But he believes those cuts won't affect people already receiving benefits. Therefore, "I'm not going to take a chance by waiting until I'm 65."

Robert Little, 61, a systems analyst in Philadelphia, feels the same way. He plans to retire from his full-time job this year so he can volunteer at the Philadelphia Zoo and spend time with his grandchildren. And he plans to file for Social Security this year, even though he knows his benefits will be reduced.

"No matter who gets in the next (presidential) administration, they're going to be attacking Social Security," he says.

"It's better to be on the rolls, because there's less of a likelihood they'll do damage to those already getting it."

Unless Congress acts, by 2017 Social Security will start paying out more in benefits than it receives in tax revenue.

By 2027, it will have to tap its trust fund to pay benefits. And by 2041, Social Security will be able to pay only about 75% of promised benefits, according to the agency's report to Congress.

But the 79 million people born from 1946 through 1964 represent an extraordinarily potent voting bloc. Reducing their benefits "would be a huge political burden," Prudential's Mahaney says. He thinks lawmakers are more likely to raise payroll taxes on workers than reduce benefits for retirees. David Certner, director of federal affairs for AARP, doesn't think that retiring boomers will suffer cuts in benefits, either.

"We think Social Security benefits, particularly for those at or near retirement, are well-financed and will be there," he says.

Some don't have option to wait

Yet even if retirees are convinced their benefits are safe, most of them, Certner predicts, will continue to file claims before full retirement age. Many who are in poor health or have been pushed into early retirement don't have the option of waiting until 66 to file for benefits, he notes.

"For millions, (Social Security) is basically their only source of income," Certner says. "We don't see that changing much."

And even though many analysts say boomers could bolster their financial security by working longer, employers don't always comply. Some companies dangle incentives to induce older employees to leave.

Peter Wagner, 61, who lives outside Kingman, Ariz., retired last year after his employer, Frontier Communications, offered him an incentive to retire before age 65.

"It wasn't exactly a golden parachute," he jokes. "It was kind of bronze."

Social Security benefits, which he plans to start receiving this year, will supplement his savings and buyout package, he says. Wagner's wife, Gail, died in December at age 53. Her death, he says, has reinforced his determination to enjoy the time he has left.

"I'm doing all the things I like to do," says Wagner, an avid hunter and fisherman. "I've got over 20 acres and all kinds of projects I've been trying to do for years."

Even with early-retirement incentives from their employers, boomers who stop working risk running out of money -- a risk that could escalate if they take Social Security benefits early.

But that's a chance that many older boomers seem willing to take.

"The bottom line is, people would still prefer to retire than work," Certner says. "People can't wait to get to age 62 and get out."

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Abstract (Document Summary)

Under the law, Social Security beneficiaries who haven't reached full retirement age are subject to an "earnings test." The Social Security Administration projects that the average retiree's "break-even" age for Social Security benefits is 77.

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