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Prepping for retirement? Think Hurricane prepping

Creating a paycheck in retirement is like getting ready for a hurricane; it requires a lot of preparation, both technically and mentally.

Start planning early by assessing your income sources and income needs. Detail all of your expenses and don't forget about replacing cars and home maintenance. A good estimate of average home maintenance is 1-2% of the replacement cost of your home each year. This average includes years with hurricane damage and years without.

Decide when to take Social Security and realize that benefits increase about 8% every year that they're delayed. Guesstimate life expectancy using lifestyle, family history and health. Break even for delaying benefits is approximately age 79 and every year you live beyond that, you win.

Shifting from saving to withdrawing is mentally stressful. After choosing a retirement date, run the numbers. Online calculator results vary wildly. Review assumptions. Keep the house or sell it and use the proceeds for long term care. Medicare doesn't cover long term care. The only thing worse than being old, is being old and broke. Don't underestimate the cost of waking up in the morning. And, if you don't have long term care insurance, determine how it will be paid.

Balance your personal after-tax savings with IRA withdrawals and manage marginal tax rates. In the past employers provided pensions; if you have a defined benefit plan, review the inflation details and plan to pay income tax on the benefits. Social Security benefits may also taxable; it depends on total income.

Traditional IRA's and 401(k)'s require minimum distributions (RMD) to be taken every year starting at age 70 1/2. The factor is a combination of the value of the IRA account and life expectancy based on actuarial tables. Distributions may be taken without penalties as early as age 55 for certain company plans and age 59 1/2 for IRAs. Read the fine print.

Research recently conducted by William Meyer and William Reichenstein, principals of the software program Social Security Solutions, has consistently shown that using retirement savings first and scaling back withdrawals later (after taking Social Security benefits) extends investment portfolio income by as long as seven years. This is a big deal, especially when factoring in life expectancy increases.

If you delay taking Social Security, the purchase of an "immediate annuity" for a fixed number of years is another way to fund the income gap between retirement and Social Security benefits. Again, read the prospectus and understand the terms.

Some retirees tap home equity through a reverse mortgage. Although reverse mortgage payouts are tax free, there are many restrictions. Serious analysis of limitations, fees and expenses must be considered.

Determine the monthly paycheck amount and create systematic sells with an automatic withdrawal plan. Use the same allocation that you have for your investments. If investments were 50% equities and 50% fixed income while saving, start withdrawals using the same 50-50 systematic withdrawal plan while markets are calm and flat. When equity markets decline, rebalance and shift more of your withdrawals from fixed income investments giving the equities a chance to weather the storm.

During the first few years of retirement the portfolio with a lower exposure to equities is more successful during big market corrections. This was proven from 2000-2003 and again from 2007-2009.

Life and nature are filled with unknowns. Plan ahead and consult your favorite tax and investment experts before making crucial decisions.

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