

How much do I need to retire?

More of the UK population are saving in a workplace pension than ever before, but how much money is needed to fund life after work?

In a recent article published by Standard Life, Morgan Laing talks about the updated Retirement Living Standards – from the Pensions and Lifetime Savings Association (PLSA) – which is designed to give people a better idea of how much annual income they might need in retirement.

What lifestyle do you want in retirement?

What do you plan to do when you retire? Do you think you'll go on many holidays? Will you want to redecorate your house or get a new car at any point? It's important to ask yourself these types of questions. Knowing what you'll need to pay for when you stop working can help you determine how much money you'll need to save.

What are the Retirement Living Standards?

The PLSA has suggested three retirement living standards – minimum, moderate and comfortable – based on research by Loughborough University. Essentially, these standards show you how much money you might need at three different 'levels' of lifestyle.

- **Minimum** – Your basic needs are covered, and you have some money left over for non-essentials.
- **Moderate** – You have more flexibility and financial security than if you were at the minimum standard.
- **Comfortable** – You have more financial freedom and can afford some luxuries.

Each standard includes the cost of 'baskets' of goods and services. These are goods and services whose prices are assessed over time, partly to track inflation. The standards illustrate the potential costs of home maintenance, food and drink, transport, holidays and leisure, clothing, and helping others. They let you see what annual income a single person might need, as well as a couple.

The figures given (below) only apply to people living outside of London. For more detail, you can head over to the [Retirement Living Standards website](#).

	Minimum	Moderate	Comfortable
Single person	£12,800 a year	£23,300 a year	£37,300 a year
What standard of living could you have?	Covers all your needs, with some left over for fun	More financial security and flexibility	More financial freedom and some luxuries
House	DIY maintenance and decorating 1 room a year.	Some help with maintenance and decorating each year.	Replace kitchen and bathroom every 10/15 years.
Food	£54 a week on food (including food away from the home).	£74 a week on food (including food away from the home).	£144 a week on food (including food away from the home).
Transport	No car.	3-year-old car replaced every 10 years.	2-year-old car replaced every 5 years.
Holidays and leisure	A week and a long weekend in the UK every year.	2 weeks in Europe and a long weekend in the UK every year.	3 weeks in Europe every year.
Clothing and personal	Up to £580 for clothing and footwear each year.	Up to £791 for clothing and footwear each year.	Up to £1,500 for clothing and footwear each year.
Helping others	£20 for each birthday present.	£34 for each birthday present.	£56 for each birthday present.

Cost and what's covered for a single person at each level. Similar figures are available for couples too. Table source: PLSA.

These figures should not be taken as advice and you need to consider how these apply to your own situation. You can find out more on the [Retirement Living Standards website](#).

Minimum retirement

To achieve the minimum living standard, a single person would need an annual retirement income of £12,800. A couple, meanwhile, would need £19,900 a year. At the minimum standard, your basic needs – like food bills – are covered, and you still have some money remaining for fun. For example, you could have a couple of holidays per year in the UK – but not abroad. And this standard doesn't budget for the cost of running a car.

Moderate retirement

To reach the moderate living standard, a single person would need £23,300 annually, while a couple would require £34,000. You could afford a car and to have it replaced every 10 years. You could go on a two-week holiday in Europe every year, too. So this standard accommodates more expensive leisure activities.

Comfortable retirement

To achieve the comfortable living standard, a single person would need £37,300 per year. A comfortable income for a couple would be £54,500. At this standard, you can enjoy luxuries, like a three-week holiday abroad. You'd also have more money to spend on a shopping spree.

What help is available to prepare you for retirement

Everyone's circumstances are different, but by now you may have a better idea of how much money you could need to fund your retirement.

If you would like to discuss the plans you have in place and whether you are on track on to have the lifestyle you would like, please do get in touch by contacting the office on 0161 839 8229 or rob@mgp-investments.com.

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