Financial Pulse

Autumn 2026

ACCESSION

Calculating how much you need in retirement



One of the biggest questions when planning for retirement is: **"how much money will I need?"**

While there is no single answer, the Retirement Living Standards[1], developed by Pensions UK, provide a useful starting point for understanding the income you may need to achieve your desired lifestyle. The standards outline three levels of retirement living, with different annual expenditure estimates for single people and couples:

Retirement lifestyle	Single person	Couple
Minimum	£13,900	£22,500
Moderate	£32,700	£45,400
Comfortable	£45,400	£62,700

These figures represent annual spending after tax and assume you own your home outright, without rent or mortgage payments. The minimum standard covers everyday needs, with some money for leisure. Moderate provides greater financial security, including holidays and social activities, while comfortable allows more financial freedom, luxuries, and opportunities to enjoy retirement. If you expect to pay rent or a mortgage, you will need to budget for these additional costs. However, these figures are only a guide. Everyone's circumstances, priorities and aspirations are different. Trusts are not regulated by the Financial Conduct Authority.

So, how can you estimate what you will personally need?

One useful exercise is to carry out a comprehensive assessment of your current expenditure and then estimate how your spending might change in retirement. This is not easy, and your calculations will not be completely accurate, but it can give you a much clearer idea of the income you will need. For example, your mortgage may be repaid by retirement, reducing your monthly outgoings. However, you might spend more on holidays, hobbies, and leisure activities. Spending more time at home could increase your energy bills, while no longer commuting to work might reduce your petrol costs.

Remember to consider potential one-off expenses, too. If you currently have a company car, for instance, you may need a lump sum to purchase a replacement vehicle in retirement. Once you have estimated your likely expenditure, it is then worth speaking to us so we can compare this with the income you expect in retirement. This will help you identify any potential shortfall and understand whether your current retirement plans are on track.

The sooner you do this exercise, the better. Identifying a gap between your expected income and spending early gives you more time to review your pension contributions, savings, and retirement plans. Ultimately, retirement planning is about having enough money to live the life you want. Set aside some time to assess your expenditure today. Understanding your financial target now can help you take the necessary steps towards retiring when you want, with the freedom to do the things you enjoy.

If you would like help reviewing whether your current retirement arrangements are on track to meet your goals, please contact us. Acting today can help you feel more confident about your financial future and give you greater peace of mind as you approach retirement.

Remember that with pensions, you are investing money that won't be needed for a number of years, and values can rise and fall over time with no guaranteed returns.

[1]Pensions UK/Loughborough University Retirement Living Standards. 3/6/2026.

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SJP Approved 28/10/2026

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