



## Retirement Planning 2023

The increased inflation of the past two years, has led to new analysis as to the pension fund required to meet an individual's expenditure in retirement.

### ***So, how much will you need?***

The Pensions and Lifetime Savings Association (PLSA) estimates that a single person's expenditure for a 'comfortable' lifestyle in retirement is £37,300<sup>1</sup>. The PLSA research also outlined what they referred to as expenditure requirements for a 'Minimum' and 'Moderate' lifestyle in retirement.

If we assume the full State Pension is available to partially fund this expenditure, we can assess the net income required to provide these lifestyles may be summarised as -

	<b>State Pension</b>	<b>Net Income Required</b>	<b>Total Income</b>
<i>Minimum Lifestyle</i>	£10,600	£2,200	£12,800
<i>Moderate Lifestyle</i>	£10,600	£12,700	£23,300
<i>Comfortable Lifestyle</i>	£10,600	£26,700	£37,300

### ***How might you achieve this?***

There are various methods of meeting these levels of expenditure in retirement. Such methods can include Defined Benefit and Defined Contribution Pensions, Rental Property Income, or tax efficient withdrawals of capital from savings or investments.

In our experience, a coordinated strategy with multiple sources of income to meet expenditure, can provide an excellent outcome for retirees.

### ***How much will you need to save now?***

The answer to this question has many variables, that will typically change over the course of an individual's path to retirement. These include, but are not limited to -

- The age at which retirement planning begins.
- The amount and frequency of contributions or savings made.
- The annualised investment return achieved.
- The assumed rate of inflation.

These variables are specific to your circumstances and requirements. We all have different approaches to our lifestyles, both now and in retirement.

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<sup>1</sup> MoneyWeek 27<sup>th</sup> January 2023, 'How much do you need?' David Prosser



### ***What else do you need to think about?***

It is important that to be aware that spending patterns typically change over the course of time. The numerous holidays that you might have taken at the beginning of retirement, often become less frequent. However, spending on utility bills, health and insurance can increase, particularly over the age of 80.

Also, you should consider your personal rate of inflation, rather than the headline rate of inflation that we often see in the news. How much has your expenditure increased on a year-on-year basis?

If you can itemise your expenditure before retirement, what and how much is spent on going to work or may be considered work related expenditure. For example, the cost of everyday travel to work can often form a significant proportion of expenditure.

### ***What can you do now?***

This process need not be a daunting one and the steps below may help create a strategy that is suitable for you -

1. **Goals** - identifying specific goals for retirement will allow you to create long plan that is personal, attainable and easier to track.
2. **Retirement Expenditure** - review your current expenditure and what this might look like over the course of your retirement.
3. **Sources of Income** - review your current and potential sources of income available in retirement.
4. **Plan** - evaluate where you are now and where you need to be at your target retirement date.
5. **Review** - once a plan is in place, review it and its progress at least annually. This will allow you to amend the plan if necessary.

The key point is that the plan should be personal to you, considerate of current circumstances and how you see your future.

### ***Moving Forwards***

If you would like to discuss the role that Financial Planning Wales may have in helping you achieve your goals, please feel free to contact us.