

Funding a comfortable retirement

Enjoying the kind of lifestyle you want in later life requires planning

'Will I be able to afford the retirement lifestyle I want?' is a question that many people ask but struggle to figure out. There are many ways to assess your likely income in retirement and work out how much you need to put away now to enjoy the kind of lifestyle you want in later life.

TOO COMPLICATED TO THINK ABOUT

Funding a comfortable retirement will be the biggest financial priority for many people, yet some people spend more time planning their holiday than their own retirement – perhaps because planning for retirement seems too complicated to think about?

We know that we want an active, comfortable retirement but often don't know where to start the savings and investment process. The starting point is to obtain professional financial advice and set a plan in motion that is reviewed at least annually to enable you to build the future retirement you want.

KEY CONSIDERATIONS FOR MOST PEOPLE

Everybody's circumstances are different, but the key considerations for most people when they think about retiring will come down to factors such as whether they're renting, paying a mortgage, have any debt, plan to keep working, and how much money they have saved in pensions and other investments. People estimate that living reasonably comfortably in retirement requires around 50% to 60%^[1] of the income they had while they were working.

It's also important to bear in mind that your life changes when you retire – and so does the way you spend your money. The increases in the cost of living with inflation are another important consideration. While the State Pension increases with inflation (with the 'triple lock', increases can exceed inflation), income from your pension might not, depending on how you decide to take your money.

START SAVING FOR YOUR PENSION EARLY

If you start saving for your pension early in your working life, it may be difficult to predict what your needs will be when you retire. Ideally, you should aim to put away as much as you can afford, but don't worry if it's not as much as you'd like to start with. It can be better to save small amounts that have a long time to grow in value. As your income improves, you may be able to increase how much you put away for your pension.

If you've started to save later in your working life, you may have a better idea of what your circumstances are likely to be, which can make it easier to work out what level of income you'll need for your retirement. However, you'll have less time to save it up, and the amount of money you'll need to save may be higher.

ACHIEVING FINANCIAL FREEDOM

Saving for retirement is essential if you want the financial freedom to enjoy your later years. Things to consider include:

1. Deciding how much money you want each year in retirement
2. Calculating how big your pension pot needs to be to give you that income
3. Working out how much you should be saving today in order to build that kind of pension pot value

