

# Revealed: how much you need to save for a happy retirement Find out what you need to be doing in your 20s, 30s, 40s and beyond

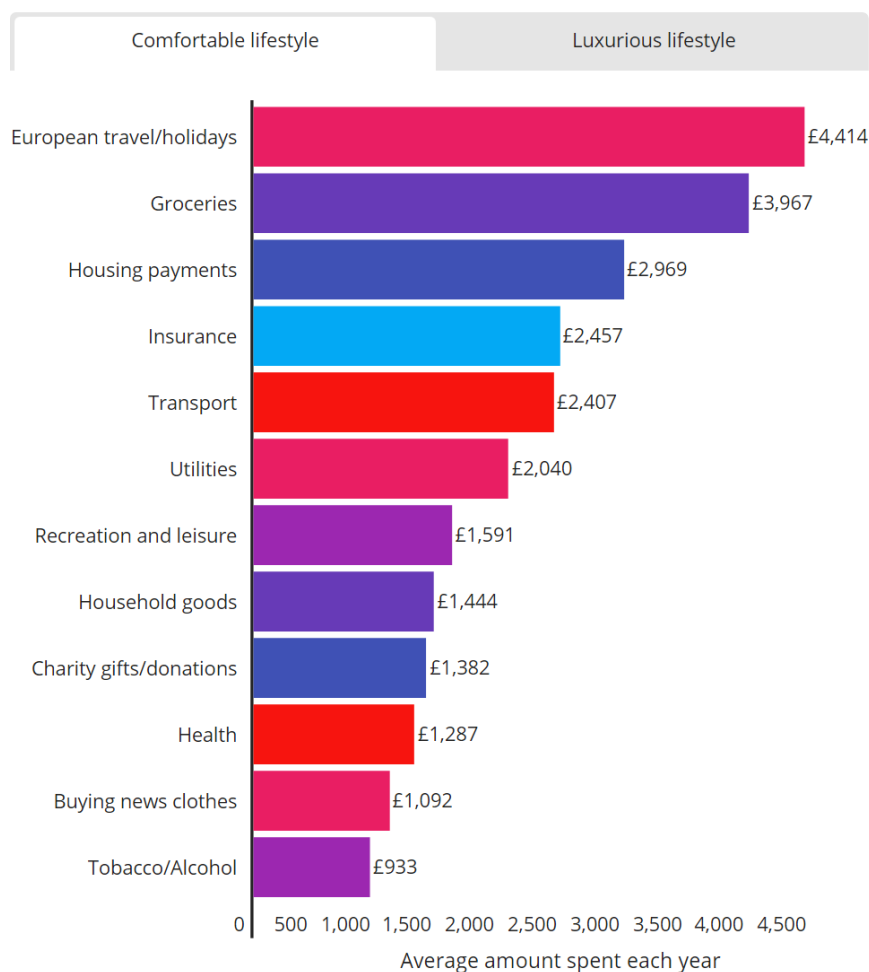
Which Magazine By Paul Davies 19 Apr 2017

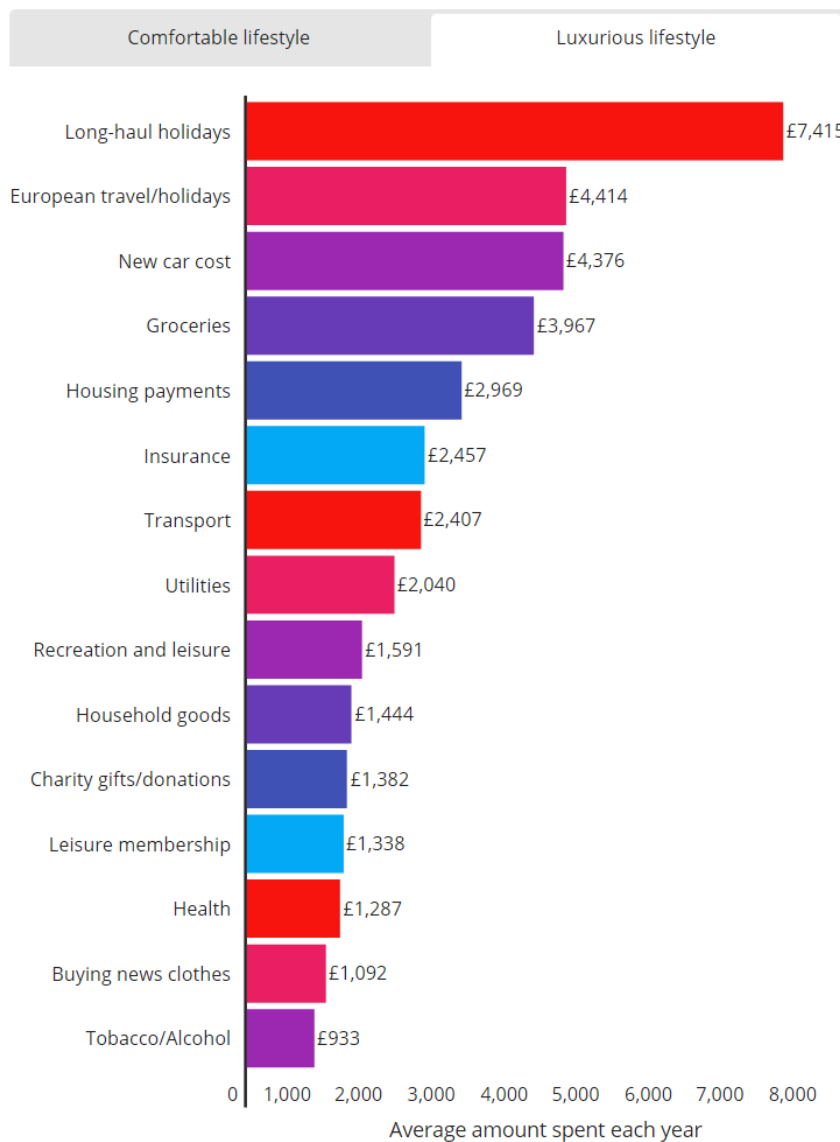
Are you saving enough for retirement?

New Which? research reveals that people aged 20 need to be putting away at least £131 a month to have a comfortable retirement, while those waiting until their 50th birthday to start a pension need to save £633 a month. Retired couples need £18,000 a year to cover household essentials – such as food, utilities, transport and housing costs – rising to £26,000 allowing for extra treats, such as a short-haul holidays and some leisure activities. A luxurious retirement, filled with new cars and exotic holidays, requires an annual income of £39,000. The results come from a survey of more than 1,500 retired couples, who shared their spending behaviour with Which?, shown in the chart below.

## How much do couples spend in retirement?

The charts show average annual spending for retired couples enjoying a comfortable and luxurious lifestyle, and the different items they are spending the most and least money on each year.





**£39,000**

How much couples enjoying a luxurious retirement spend each year



**£26,000**

How much couples enjoying a comfortable retirement spend each year

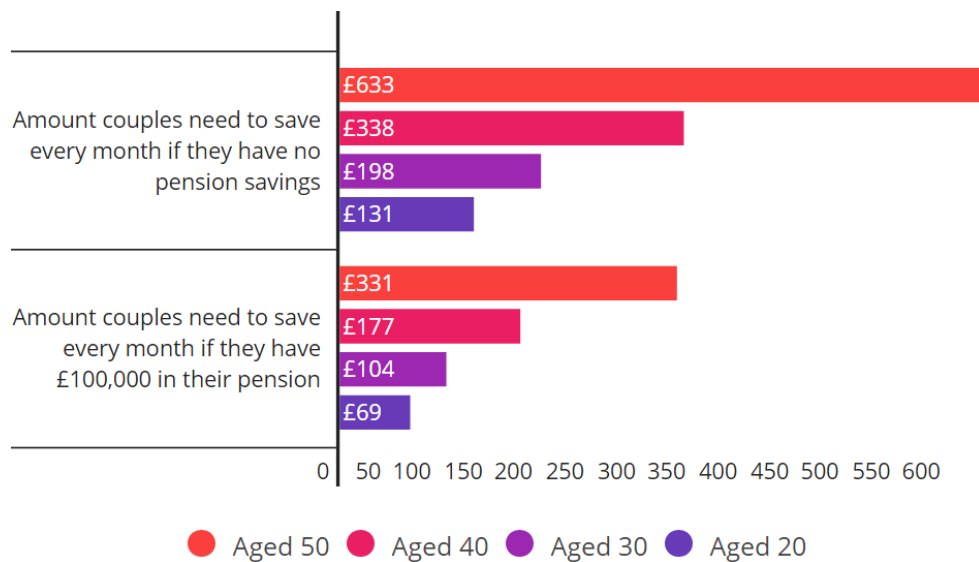
Our research is based on 1,590 retired couples from a survey of 2,752 Which? members in February 2017.

How much do I need to save each month for retirement?

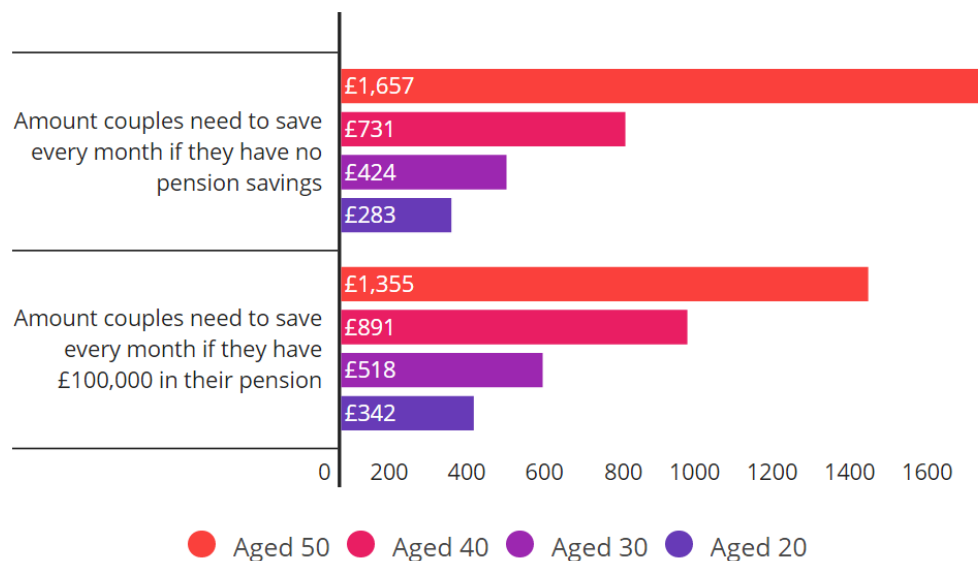
To generate an annual income of £26,000 (in today's money), a couple would need a substantial defined contribution pension pot, even when you factor in the current state pension. The chart below shows how much someone aged 20, 30, 40 and 50 would need to save each month for both a comfortable and a luxurious retirement if they were starting from scratch. It also shows how much they need to contribute monthly if they already have £100,000 in their pension.

## Pension saving at age 20, 30, 40 and 50

To have a comfortable retirement, with £210,000 in your pension.



## To have a luxurious retirement, with £550,000 in your pension.



We assume you get 20% tax relief on your pension contributions, and the figures combine the income you take from your private pension savings along with your state pension. The sum saved is assumed to grow by 3% a year after charges. Figures shown are in today's money; to save the future equivalent, your contributions need to keep pace with inflation and your pension savings will need to grow by more than inflation (after charges) as well.

### How big does your pension pot need to be?

In order to get a guaranteed post-tax income of £26,000 a year, inclusive of the state pension, you'd need to buy an index-linked, joint-life annuity. This would require a pension pot of £370,000, according to our calculations. If you were to leave your money invested and use an income drawdown plan, you'd need £210,000 saved in a defined contribution pension. A post-tax annual income of £39,000 for a luxurious retirement, including the state pension, would require a pension pot of around £1m to buy an index-linked, joint-life annuity. If you used income drawdown to generate a retirement income, you'd need £550,000 in your pension. Gareth Shaw, money expert at Which? said: 'When it comes to saving for your retirement, start early and save often.' 'Being a part of your company pension scheme is a good start, but, depending on how much you contribute, you could well need to save a little more to have the lifestyle you want in retirement.'