

# Retirees need £2k more than state pension to meet minimum living standards

**A full state pension falls more than £2,000 short of what is necessary to secure a minimum standard of living in retirement, analysis reveals.**

Retirees need an annual income of £12,800 to achieve a minimum living standard, defined as covering essential spending plus a week's holiday in the UK but no car, according to the Pension and Lifetime Savings Association (PLSA).

However, assuming retirees receive a full state pension of £10,600 per year, this leaves them with a shortfall of £2,200.

Research compiled from pension provider Standard Life using the MoneyHelper annuity tool, revealed that £50,000 in retirement savings would have to be accumulated to buy a Retail Prices Index (RPI) linked annuity (guaranteed income for life) to achieve this minimum standard lifestyle.

The PLSA also calculated that for a "moderate" standard of retirement which allows for a car and one foreign holiday a year, an income of £23,300 per year is needed.

As a result this would leave a pensioner needing an annuity which delivers £12,700 per year on top of a full state pension.

Standard Life calculated that a pension pot of £285,000 would be needed to secure this moderate standard of living.

Meanwhile, for a "comfortable" standard of living, that is an annual income of £37,300, a retiree would need around £530,000 in their pension pot.

While the figures sound stark, Standard Life noted that annuity rates have improved by 20% in the last year, meaning people are getting much more value for their money and generating larger incomes from their savings.

## **Saving targets something to 'work towards'**

Dean Butler, managing director for retail direct at Standard Life said it can be daunting to think about how much you need to save for retirement, "but having a savings target in mind gives you something tangible to work towards".

He said: "The Retirement Living Standards tool from the PLSA clearly shows what life in retirement looks like at different levels, factoring in the expenses people tend to forget like birthday money for loved ones as well as the more obvious costs.

"It's important to note these figures are just a guide, and individual circumstances will vary. Life costs more in different parts of the country, for example, and the figures don't account for housing costs which a significant minority of retirees currently have and which more are predicted to have in the future as longer-term mortgages surge in popularity."

"However, knowing that £285,000 is the amount needed for a moderate retirement is a good place to start, and highlights the importance of consistent saving."

Butler added that starting to save for retirement as early as possible in your career really helps, giving you more time to build up a decent pot, and a greater chance of taking advantage of possible compound investment growth.

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