

Revealed: the size of pension needed for a 'comfortable' retirement

Cost of the minimum standard has grown a record 18pc in the past year

By [Lauren Almeida](#) 13 January 2023 • 10:47am

Workers need to have a nest egg of at least £645,000 if they want a comfortable lifestyle when they retire, new figures show.

A single person would require an annual income after tax of £26,700 on top of the full state pension, according to a report from the Pensions and Lifetime Savings Association. This would fund three weeks holiday in Europe each year, a £144 weekly budget for food and £56 on birthday presents.

That would require a private savings pot of at least £645,000 at age 66, based on current life expectancies and annuity rates, according to calculations by the wealth manager Quilter. A couple would require a private pot worth £797,000, it said.

A worker targeting a more moderate lifestyle would need less than half that amount, at £301,000, and a couple would need £294,000. This would allow for two weeks holiday in Europe, and around £74 a week on food.

A no-frills retirement would require a much smaller pot of £44,000. This would not budget for a car, but includes a week holiday within the UK and around £41 on a weekly food shop.

While more achievable, [the cost of the minimum standard has grown the most in the past year](#), up by a record 18pc, according to the PLSA. A retiree now needs a total £12,800 in annual income to cover their basic needs and live with dignity, it found. Last year the average cost was £10,900.

Jon Greer of Quilter noted that while the PLSA retirement living standards offered a rough guide for workers on how much they might need to save, it assumed that retirees lived rent or mortgage free.

“While these numbers make sense now, for future generations these figures will have to rise considerably. This is due to soaring house prices meaning that many struggle to find the money to buy a house or are forced to take out marathon mortgages with terms that stretch into their 70s to achieve lower monthly mortgage payments.”

Mr Greer added that the PLSA figures also did not account for the potential costs of requiring social care.

“Male healthy life is around 62.8 years and for women it is 63.6,” he said. “Life expectancy was 79.0 years for males and 82.9 years for females, meaning that many people will spend a significant proportion of their retirement in ill health potentially needing to access costly care.”

Experts have cautioned that [many workers have not built up big enough nest eggs to see them through old age](#). This week, the pensions regulator warned providers that the cost of living crisis could lead to some savers accessing cash from their pension to pay for essential bills, or cause them to stop their contributions altogether.