# Retirement Shortfall Report: How much do you need to enjoy retirement?

When it comes to enjoying life after retirement, many of us want to enjoy some of life's luxuries and reap the rewards of a hard-working career. To do that, whether you're 25, or 55, you need to start thinking about maximising your retirement benefits to enjoy your desired standard of living after work.

Whether you're concerned that your pension entitlement won't be enough to live on, or if you'd like to explore ways to invest in life after retirement, speaking to a pension advisor will ensure you get the information you need to make the best decision for your future retirement.

Most of us will have started paying into our state pension from the age of 22, while also receiving contributions from the government and our employers. But with the cost of living at an all-time high, and increases to the state pension age, many of us have been left wondering, whether our state pension entitlement will be enough to enjoy life, or whether we need to explore other ways to top up our retirement income.

## What standard of living can you afford after retirement?

A 2022 report by Loughborough University and the Pensions and Lifetime Savings Association (PLSA), mapped out how much the average retiree would need in annual retirement income to live a minimum, moderate and comfortable life after retiring.

Minimum (£12,800) – All essentials are covered with some discretionary spending left over.

Moderate (£23,300/London: £28,300) – You would have more financial stability and security with more discretionary spending

Comfortable (£37,300/London: £40,900) – A more comfortable standard of living with more flexibility and some luxuries.

## The Retirement Shortfall Report – What are the most affected areas?

While the above figures are benchmarks for how much the average person might need for retirement, many people won't know if their current pension pot is enough to live a happy retirement.

To find out, we compiled the Retirement Shortfall Report which analysed regional salary and life expectancy data of the top 30 most populated cities and towns in the UK. We then compared this with total pension contributions and retirement standard of living data from the PLSA before calculating the shortfall UK workers will face in retirement if depending solely on pension income.

This research has been based on the population and their employer paying the minimum level of pension contributions per year and does not include additional pension contributions, final salary and private personal pensions which many individuals have.

Overall, the average UK worker will have a shortfall of £115,768 should they base their retirement income entirely on pension pots causing many to think twice about how much they need to save.

Regionally, the city with the biggest shortfall is London, with workers facing a deficit of £177,847 if they rely on pension income alone. The recommended amount from the PLSA to live a moderate retirement lifestyle is £5,000 more in London than in the rest of the UK due to the higher cost of living.

Coming in second is Plymouth with a shortfall of £136,099 for workers choosing to rely on pension income, prompting some to think about other ways to maximise their retirement benefits.

While most of the top 10 is made up of southern cities, the city north of the M1 that ranked highest was Nottingham. With a shortfall of £128,202, the East Midlands city ranked fourth in the top 10, meaning workers may want to consider other ways to top up their retirement income to close the gap on the deficit.

## The Retirement Shortfall Report

| Top 30 Cities and towns | Monthly Take Home Pay (£) | (Gross) Pension Contribution (8%) | Life Expectancy (Yrs) | Average length of retirement (Years/retiring at 66) | Averag needec for retirem (£) |
|---|---|---|---|---|---|
| London | £2,839 | £227.14 | 82.35 | 16.35 | £462,7 |
| Plymouth | £1,789 | £143.12 | 82.2 | 16.20 | £377,4 |
| Luton | £1,924 | £153.89 | 82 | 16.00 | £372,8 |
| Nottingham | £1,717 | £137.32 | 80.95 | 14.95 | £348,3 |
| Portsmouth | £2,052 | £164.13 | 82.35 | 16.35 | £380,9 |
| Norwich | £2,031 | £162.49 | 82 | 16.00 | £372,8 |
| Southampton | £2,142 | £171.32 | 82.35 | 16.35 | £380,9 |
| Bournemouth | £2,141 | £171.26 | 82.2 | 16.20 | £377,4 |
| Kingston upon Hull | £1,711 | £136.84 | 80.25 | 14.25 | £332,0 |
| Brighton | £2,186 | £174.88 | 82.35 | 16.35 | £380,9 |
| Bristol | £2,162 | £172.96 | 82.2 | 16.20 | £377,4 |
| Stoke-on-Trent | £1,824 | £145.89 | 80.5 | 14.50 | £337,8 |
| Derby | £2,004 | £160.35 | 80.95 | 14.95 | £348,3 |
| Reading | £2,376 | £190.10 | 82.35 | 16.35 | £380,9 |
| Cardiff | £2,052 | £164.18 | 80.7 | 14.70 | £342,5 |

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|---|---|---|---|---|---|
| Swansea | £1,917 | £153.35 | 80.1 | 14.10 | £328,5 |
| Birmingham | £2,032 | £162.58 | 80.5 | 14.50 | £337,8 |
| Leicester | £2,139 | £171.13 | 80.95 | 14.95 | £348,3 |
| Milton Keynes | £2,420 | £193.62 | 82.35 | 16.35 | £380,9 |
| Bradford | £2,025 | £161.96 | 80.25 | 14.25 | £332,0 |
| Sheffield | £2,031 | £162.45 | 80.25 | 14.25 | £332,0 |
| Manchester | £1,936 | £154.92 | 79.8 | 13.80 | £321,5 |
| Coventry | £2,114 | £169.09 | 80.5 | 14.50 | £337,8 |
| Liverpool | £1,988 | £159.00 | 79.8 | 13.80 | £321,5 |
| Leeds | £2,263 | £181.02 | 80.25 | 14.25 | £332,0 |
| Newcastle upon Tyne | £2,207 | £176.58 | 79.55 | 13.55 | £315,71 |
| Aberdeen | £2,135 | £170.79 | 79.1 | 13.10 | £305,2 |
| Edinburgh | £2,420 | £193.64 | 80.3 | 14.30 | £333,1 |
| Belfast | £2,254 | £180.32 | 78.05 | 12.05 | £280,7 |
| Glasgow | £2,079 | £166.34 | 75.7 | 9.70 | £226,0 |

## The other side of the coin – Which areas are least affected?

At the other end of the table, workers in Scottish cities, Glasgow, Edinburgh and Aberdeen, along with Northern Ireland capital, Belfast, are the least affected by the shortfall, with workers facing a deficit of less than £100,000.

Workers in Glasgow face a real-term shortfall of just £74,726, whereas in Belfast workers have a considerably bigger gap to fill of £87,770, although much much lower than other areas of the UK.

Commenting on the report, Principal Financial Adviser at Almond Financial, Sam Robinson said:

“The report’s findings will certainly be an eye-opener to some that while we may work all our lives for a pension, it still may not be enough for us to live the retirement we want.

“It’s important to note that the desired lifestyle for retirement will vary from person to person and ultimately it’s all down to individuals how much cash they want to reserve, but this report provides a great benchmark in affording a financially secure retirement.

“But for those who do want to top up their retirement income, there are a number of ways to do this and speaking with a financial or pension advisor will allow you to lay all of your options on the table and decide what is best for you.”

## Four tips on maximising your retirement benefits

- Ensure your current finances are in order before deciding to invest
- Increase pension contributions
- Consider setting up a stocks and shares ISA
- Invest using a General Investment Account (GIA)

## Need pension advice and not sure where to start?

Our team of financial and pension advisors can help guide you through the process of investing in life after work. Visit our Pension Advice page to learn more.

## Risk Warnings

**Disclaimer:** Quilter Financial Planning and Almond Financial Ltd are not responsible for any onward transmission of this information or its presentation.

**Pensions and Investment Risk Warning:** The value of pensions and investments can fall as well as rise. You may get back less than you invested.

# Methodology

Almond Financial collated regional salary and life expectancy ONS data from the top 30 most populated cities and towns in the UK and compared this with retirement living standards data from the Pensions and Lifetime Savings Association (PLSA) and the total pensions contributions (employee, employer and gov) to establish the shortfall UK workers will face in retirement if depending solely on pension income.

Shortfall calculations were based on the auto-enrolment level of pension contributions from the employer and employee (8%) from age 21 to 66 with an assumed inflation-adjusted growth rate of 2.57% per annum, net of charges buying an annuity on a single life, level basis with a 5 years guarantee period at 66, plus state pension income.

The annual income shortfall was multiplied by the number of years from 66 to life expectancy to reveal the overall deficit expected during the course of retirement.

*Northampton, Wolverhampton, Bolton and Swindon were omitted from the final results due to insufficient data available.