

How much do I need to save to retire?

Questions to help you live your best life in later life

The question, 'Have I saved enough to retire?' is a difficult one. It requires a lot of information about you, your family, your income needs in retirement, and an understanding of the various financial vehicles available for saving and investing before it can be answered definitively.

It's hard to know exactly how much you'll need in later life because everyone has different circumstances and different expectations. But by planning how much you'll need, and working out how best to build up your pension pot, you'll be in a better position to live your best life in later life.

Most people know they should save money to fund their retirement. But they may not know, however, how much money they should be saving in order to retire comfortably. So what should you consider?

Q: WHAT WILL MY LIFE LOOK LIKE WHEN I RETIRE?

While this might seem obvious, it's easy to forget about all of the little details when thinking about retiring or what your daily life will look like after retirement. Your budget is aimed at having a certain standard of living now, while working. Will that standard of living carry over into your retirement years? Will you need to scale back? Or will you be able to enjoy more of the finer things in life after you retire?

Q: HOW MUCH AM I CURRENTLY SAVING TOWARDS RETIREMENT EACH MONTH OR YEAR?

This is always a good metric to know how well your current savings are holding up, especially since you can compare it with other metrics later on. Saving early means your money is invested for longer and has more time to grow – and any returns your savings make are also reinvested and have a chance to grow too. If you know how much money is being put away for retirement now, it's easier to estimate how long it will take before that particular goal has been reached.

Q: HOW WOULD MY DAILY LIFE CHANGE IF I HAD LESS INCOME COMING IN?

By looking at your current income and expenditure, you can start to get a picture of what life would look

like with a smaller income. Your expenses will likely decrease as you retire if it's only necessary to pay for the essentials, such as housing, food and utilities. You may be able to save more or spend more on things that make you happy (within reason). If most of your lifestyle doesn't change much after retirement, chances are that you're doing all right with your savings. But be mindful that people are living longer than ever, and that will create some challenges for retirees.

Q: HOW LONG WILL MY MONEY LAST IN RETIREMENT?

This is where it starts getting complicated because there are several questions involved: how much money do we plan to live on each month (that includes any and all expenses)? How long will that money need to support us? and How much income do we expect to have throughout retirement? It may take several years of research, but being aware of your 'magic number' for retirement is a good way to see how well you are doing with saving. Turning your dreams into reality will take careful planning and budgeting. Once you've got a good idea of your life expectancy, pension pot and any other retirement income, we can help you make an informed decision about when the right time to start your retirement is likely to be.

Q: HOW CERTAIN AM I THAT MY SAVINGS ARE ENOUGH?

No one has an exact answer as to how much money they should be saving towards retirement – everyone's situation is different. Knowing your savings certainty can help you better understand whether or not it's enough for your needs. This metric may require some thinking about what type of lifestyle you want in the future, what expenses will change or go away, and how long you might live if nothing changes. Retirement can be a long time, so it's important to think about how you plan to spend your golden years. The common perception is that you'll need between

half and two-thirds of the final salary you had when you were working, after tax, to maintain your lifestyle once you retire. ■

NEED HELP PUTTING A RETIREMENT PLAN IN PLACE, AND KEEPING IT ON TRACK?

If it looks like what you have won't cover the lifestyle you want in retirement or you want to review your current retirement plan, speak to us. We'll give you peace of mind by helping you put a plan in place, and keeping it on track, so you can make the most of your retirement. Don't delay, please contact us if you require further information.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.