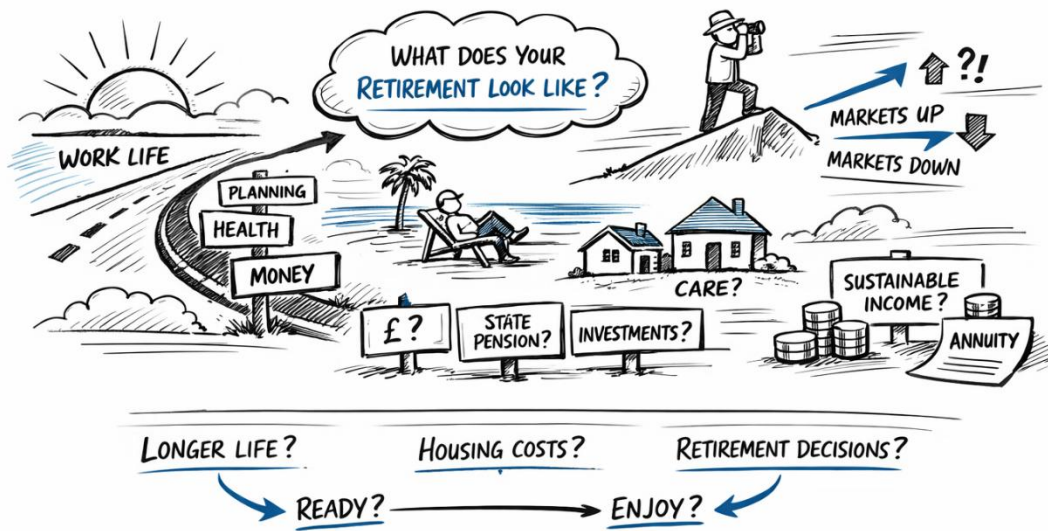


Money Wise UK[®]

Growing together, with integrity and respect

A Look Into the Future:

A Consumer-Focused Retirement Guide for the UK



Why retirement planning feels harder now

Over the last couple of years, I've found myself spending more and more time thinking about retirement.

Part of that has been driven by my work with financial planning firms—particularly following the work of the Financial Conduct Authority on retirement income and the wider shift under Consumer Duty. But if I'm honest, part of it is more personal.

I'm now at the stage where retirement is no longer a distant concept. It's something that starts to feel real.

And when you begin to think about it properly, you quickly realise how much has changed. Retirement in the UK has shifted from being something that largely “happened to you” to something you now have to actively design.

The introduction of pension freedoms in 2015 gave people far more flexibility. That's a positive step. But it also means more decisions, more responsibility, and more uncertainty—often at exactly the point people feel least confident.

The FCA has highlighted this repeatedly. The “access point” into retirement—when you first start taking money from your pension—is one of the most complex financial decisions most people will ever make.

And increasingly, the focus is not just on whether advice has been given—but whether it leads to good outcomes.

For me, this is where the idea of a *retirement runway* becomes important.

Retirement is no longer a switch you flick. It's a transition that needs to be managed—financially, emotionally, and practically.

How much is enough in retirement

This is one of the most common questions—and one of the most misunderstood.

From a marketing perspective, it's fascinating.

If you write “it depends”, no one clicks.

If you write “you need £1 million”, everyone clicks.

But the reality sits somewhere in between.

I've sat with people who need £1,000 per month in retirement, and others who need £5,000. The difference is not the pension—it's the life behind it.

There are some useful benchmarks.

The Retirement Living Standards from Pensions UK suggest that for 2025/26:

- Around £13,000–£14,000 per year provides a minimum lifestyle (single person)
- Around £31,000 provides a moderate lifestyle
- Around £43,000+ supports a more comfortable retirement

Helpful—but only to a point.

Because these figures assume:

- You receive a full State Pension
- You have no rent or mortgage

For many people, those assumptions simply don't hold.

The bigger issue with headline numbers is that they focus on a pension pot and ignore everything else:

- The State Pension
- Other savings and investments
- Housing position
- Whether retirement is gradual or immediate

And perhaps most importantly—what retirement actually looks like for you.

So rather than chasing a number, the better question is:

What does your retirement actually look like—and what will it cost to live it?

How retirement is changing

There is a brilliant piece of work from the Pensions Policy Institute that brings this into focus.

A whole generation—what you might call the “golden generation”—benefited from defined benefit pensions. These provided:

- A guaranteed income for life
- Often linked to inflation
- Spouse protection

Today, that world has largely disappeared.

We’ve moved to defined contribution pensions, where:

- The outcome depends on contributions
- Investment returns matter
- Timing matters
- Decisions matter

The responsibility has shifted from employer to individual.

At the same time, automatic enrolment has brought millions into pensions, with minimum contributions of 8% of qualifying earnings.

That’s a strong foundation—but for many, it may not be enough to support the retirement they expect.

Alongside this, another structural shift is happening.

More people are likely to carry housing costs into retirement. The proportion of people renting later in life is rising, which means retirement is no longer free from one of the biggest monthly expenses.

So we are asking people to take on more responsibility, with more uncertainty, at a time when financial pressure is already high.

That’s not a criticism—it’s just the reality.

And it explains why retirement planning feels harder than it used to.

The earlier you start, the more time does the heavy lifting

One of the simplest ways to understand this is through time.

Saving £200 per month doesn't sound like much. But given enough time, the impact is significant:

- Start at 20 → £877,000 (at 7%)
- Start at 30 → £419,000
- Start at 40 → £191,000
- Start at 50 → £78,000

These are only illustrations—but they highlight a simple truth:

Time matters more than most people realise.

But even here, the fund is only part of the story.

When you reach retirement, the real questions are:

- Will it last?
- Will it keep up with inflation?
- What happens if markets fall early in retirement?

This is where retirement becomes more complex than simply building a pot.

How health is changing

Retirement is not just a financial journey—it's a health journey.

We are living longer. At age 65, life expectancy in the UK is now around 19–21 years depending on gender.

But healthy life expectancy is lower.

In simple terms, people are living longer—but not necessarily spending all of those years in good health.

Data from sources like Our World in Data shows that in higher-income countries, a large proportion of deaths are linked to long-term conditions such as heart disease, cancer, and neurological illnesses.

The implication is not just medical—it's financial.

A longer life increases the likelihood of:

- Periods of ill health
- Reduced independence
- The need for care

And care is expensive.

Typical care home costs are often quoted at around £1,000 per week or more. For many people, that is more than their entire retirement income.

Very few plans properly account for this.

But it is one of the biggest risks in retirement—and one of the least talked about.

A different mindset in retirement

This is where the biggest shift happens—and where many people struggle.

During your working life, the focus is simple:

Grow your money.

In retirement, the focus changes:

Turn your money into a sustainable income.

Those two objectives are not the same.

You can aim for growth.

You can aim for stability.

But achieving both at the same time is difficult.

This is where the conversation changes.

It moves away from:

“What should I invest in?”

And towards:

“How do I build an income that can last—and adapt?”

There are different approaches:

- Natural income (dividends and interest)
- Selling units to generate income
- Holding cash reserves
- Using annuities for guaranteed income

Each comes with trade-offs.

For example:

- Selling investments during a market fall can put pressure on sustainability
- Holding too much cash can erode value over time through inflation

In reality, most good strategies are a blend.

And underpinning all of this is behaviour.

Because retirement is not just about what works on paper—it’s about what you can stick with when markets move and life changes.

The questions to ask

When you strip everything back, retirement planning is about asking better questions.

These are the ones that really shape outcomes:

1. What does an average day, month, and year in retirement actually look like?
2. Is your retirement a gradual transition—or a full stop?
3. What really matters to you and your family?
4. What is your current health—and how might that change?
5. What are your essential costs, and how do they evolve over time?
6. Do you understand your State Pension position?
7. What assets do you have beyond pensions?
8. How would you feel if your income had to reduce for a period?
9. If you are working with an adviser—why is a particular strategy being recommended?

These are not complicated questions.

But they are the ones that turn a plan into something real.

A final thought

This is not meant to be a technical guide.

It's a starting point.

A way of stepping back from the headlines, the noise, and the “one-size-fits-all” answers. Because retirement is not a number.

It's a period of life that needs to be thought about properly.

And the more clarity you can build now—around what it looks like, what it costs, and how it might change—the better placed you will be to navigate it with confidence.

Disclaimer

This guide is intended for general information and educational purposes only. It reflects current understanding of retirement planning in the UK and aims to help you think more clearly about your own situation.

It does not constitute financial advice or a personal recommendation.

Retirement planning is highly individual. The information in this document does not take into account your personal circumstances, objectives, or financial position. Before making any decisions about your pensions, investments, or retirement income, you should consider seeking regulated financial advice.

The value of investments can fall as well as rise, and you may get back less than you invest. Past performance is not a reliable indicator of future results.

Tax rules, pension legislation, and regulatory frameworks may change over time and depend on individual circumstances.

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