

# Raising standards

✔ **Nigel People reveals how savers can picture their future using Retirement Living Standards**



Launching *Hitting the Target* back in 2018, the Pension and Lifetime Savings Association (PLSA) said that it was our ambition for the now-launched Retirement Living Standards to become a widely-adopted industry standard that would help people picture their future.

Now more than 12 months since *Hitting the Target*, and over a month since the new standards were launched, we find ourselves that bit closer to that vision becoming reality.

Launched at our annual conference back in October, the new standards have been designed to help people picture the lifestyle they want when they retire – and, importantly, understand the cost.

They establish three levels of retirement lifestyle: minimum, moderate and comfortable, to provide three points of focus for discussion and the first step of engagement and understanding.

For each level there is a basket of goods and services, and their costs: household bills, food and drink, transport, holidays and leisure, clothing,

helping others. It's worth remembering that this is not a prescriptive definition of what individuals should aim for, more an illustration of the kind of lifestyle each standard could offer. Most people will probably identify with a mixture of

the standards.

At a cost of £10,200 per year for a single person and £15,700 for a couple, the minimum living standard covers all your needs plus enough for some fun – including social participation and social occasions. To put that into some sort of context, savers could holiday in the UK, eat out about once a month and do some affordable leisure activities about twice a week. The good news is that through a combination of the full state pension of £8,767.20 per year, and auto-enrolment in a workplace pension, this level should be very achievable for most people.

The moderate lifestyle – £20,200 a year for singles and £29,100 for couples – provides, in addition to the minimum lifestyle, more financial security and more flexibility. For example, savers could enjoy a two-week holiday in Europe and eat out a few times a month.

At the comfortable level – £33,000 a year for singles and £47,500 for couples – retirees could enjoy some luxuries like regular beauty treatments, theatre trips and three weeks in Europe a year.

Yet the question should be asked; why is there a need for these standards?

Well the truth of the matter is that many people are unable to balance current financial needs with future financial needs.

Our research showed that understanding how much money people need in retirement, and how it compares with their lives now, would help them engage more with pension savings.

Research showed that over half (51 per cent) of people focus on their current needs and wants at the expense of providing for the future, and only 23 per cent of people feel confident they know how much they need to save.

The standards have been designed to fill these gaps in current approaches and act as a practical and meaningful starting point on a saver's retirement journey.

So what next? Well, now that we've launched the Retirement Living Standards, the next step for us is to ensure the pensions sector and the government – including the Money and Pensions Service – adopt them to help many more people plan effectively for retirement. It may seem like a lofty target but we firmly believe it's achievable.

It's our ambition that the Retirement Living Standards become a widely-adopted industry standard – used by schemes representing 90 per cent of active savers by 2025. Practically speaking, we'd want to see schemes using them as part of their general information for their members, in annual benefit statements, or working with savers to develop a more personalised target for the pension planning.

We believe that these standards will support better saver engagement. They use easy to understand and relatable figures that can provide a powerful and immediate reason to encourage saving. They will go a long way to help everyone achieve a better income in retirement.

✔ **Written by PLSA director of policy & research, Nigel People**