

# Retirement Living Standards: A new target

From Netflix subscriptions to annual holidays abroad, Natalie Tuck looks at what retirees need to save to be able to afford life's luxuries based on the PLSA's updated Retirement Living Standards

The Pensions and Lifetime Savings Association (PLSA) first launched its Retirement Living Standards (RLS) in 2019 to help savers picture what income they would need in retirement to afford life's necessities and luxuries.

Two years later and the association has updated the standards, increasing the annual income needed for all categories. The update is as a result of the PLSA's bi-annual partial review of the standards – it will undertake full reviews every four years.

The updated standards now also take into account the changing attitudes towards lifestyle since the Covid-19 pandemic. The association commissioned the Centre for Research in Social Policy to produce reports on the impact of Covid-19 on people's plans for retirement and the retirement living standards in the UK in 2021; it found that many respondents felt the loss of freedom had highlighted the importance of foreign travel and financial security.

Furthermore, the pandemic has reinforced savers' belief in the importance of having choice and opportunities. The RLS have three tiers – minimum, moderate, and comfortable, with the standards designed to help people understand what they want in retirement and what the cost could be.

The annual budget for minimum RLS has increased by £700 for a single person since they were launched in 2019, up to



£10,900, and by £1,000 for a couple, to £16,700. Much of the increase was due to rising transportation costs, which increased by 10 per cent over the two years, while the minimum tier also now includes a budget for hairdressing and a Netflix subscription.

The moderate level of RLS also increased over the same period, by £600 for a single person to £20,800 and by £1,500 for a couple to £30,600. In the moderate tier, the eating out budget increased, alongside rises in council tax and inflation.

For a comfortable retirement, single people's annual budget has increased by £600 to £33,600, while a couple's budget rose by £2,000 to £49,700. Increases seen at the moderate level were also included in the comfortable tier, while additional costs such as annual maintenance and the servicing of a burglar alarm were included for the first time.

Overall, the PLSA expects around three-quarters of single people are likely to achieve the minimum standard, while it should be achievable for all couples. Around half of single people can expect

to meet the moderate standards, and approximately one in six single workers should achieve a comfortable retirement level.

PLSA director of policy and research, Nigel Peuple, says the standards were updated to ensure they "remain relevant" with the new standards reflecting "real world price changes and real-world expectations about lifestyles in retirement".

"By doing this we hope the updated standards will encourage people to think about whether they are saving enough for the retirement lifestyle they want and, in particular, whether they are making the most of the employer contributions on offer in their workplace pension."

There are 50 pension providers, schemes and organisations making use of the RLS and the PLSA estimates that over 14 million people see them referred to in communications about pensions and retirement planning.

"As seen from our first ever RLS awards, many adopters are using thought-provoking and engaging methods – such as embedding the standards in annual benefit statements and retirement income tools and creating personalised video pension statements – to showcase them to savers and we are looking forward to seeing more take forward our work and use it in new and creative ways," Peuple says.

"Additionally, our Friends of the Retirement Living Standards help fund the necessary further research to ensure the standards remain relevant now and in the future by providing support to the work being undertaken."

Written by Natalie Tuck