

Retirement planning

Video transcript

In this section, we'll highlight some general guidance on key things to think about as part of any retirement planning.

Your retirement income does not all have to come from your workplace pension. You might be eligible for a State Pension from the government too. And you might have other sources of income or savings that could be could supplement your retirement income. And you might want to take this into account as part of your overall planning, as it could form part of your income in retirement.

There's lots of things to think about for your retirement and much of it's going to be very personal to you. But I'm going to mention three key areas of planning today.

So firstly, reviewing your finances, budget planning and target setting. In brief, what I mean by reviewing your finances, it's looking at what you have. Budget planning is about how much you think you'll need, and target setting is about when you might want to take your benefits and what actions you might need to do to achieve your target. And I'm going to look at each of these now and show you where you can get some extra information to support your planning.

When reviewing your finances and thinking about what you have in the way of benefits, here's some things that you could consider. Do you know what benefits you've built up in USS and what you're likely to build up? You can find out by logging on to My USS to help you with that. Are you going to be receiving any state benefits and how much will they be? The full rate of State Pension is currently £230.25 a week, or £11,973 a year. However, your amount could be different.

Another thing to think about, do you have any other pensions from previous employments or personal pensions? You would need to contact the administrators of any other schemes that you have that you were a member of, to gather details of your benefit entitlement from them. Or if you insure what you have, you can use what's called the Pensions Tracing Service. There's more information about that on the USS website.

What about any other income or savings that you have, such as property or investments? And if you have a partner, it's also important to consider what income, savings and pension entitlements they might have and when they may come into payment.

Next we're going to have a look at budget planning.

A useful starting point for you might be to think about what sort of lifestyle you want when you retire. That could be anything from going on holiday a couple of times a year, to simply paying your bills and having an occasional treat.

The Pension and Lifetime Savings Association, or PLSA, has created these retirement living standards to give you an idea of what life could look like at three different levels of expenditure, with an overview of how spending habits might be covered. Everyone's retirement will be different though, and other costs might be needed to be factored in, depending on your circumstances and living arrangements. You'll be able to access the Retirement Living Standards at www.retirementlivingstandards.org.uk.

I'll show you what those living standards look like, those living standards that PLSA use. What they do is they look at the amount of spend needed to provide a particular living standard.

The minimum level of expenditure is estimated to be £14,400 a year for a single person and £22,400 for a couple. This level of expenditure is expected to cover your basic needs, with a little leftover for socialising and extras, such as a UK holiday each year, dining out once a month and affordable leisure activities around twice a week.

A moderate level of expenditure is estimated to be £31,300 a year for a single person and £43,100 for a couple. This is expected to lead to more financial security and the flexibility to do more, such as an annual holiday abroad, and dining out a few times a month.

Then a comfortable level of expenditure is estimated to be £43,100 a year for a single person and £59,000 for a couple. This is expected to offer opportunities for more spontaneous spending and luxuries, with a foreign holiday and UK mini breaks each year, subscription to a streaming service and regular beauty treatments. These figures are the amount of expenditure estimated to be required to achieve a given living standard.

And finally, looking at target setting. Once you've reviewed your finances, worked out what you have and how much you think you'll need, what's your plan to actually make it happen? It's important to think about when you want to retire. So will you have enough at the point that you would like to retire for your plans? And if not, could you consider the age that you plan to retire and whether you might take all benefits at the same time or over a period of time? And you could consider further building up your benefits by paying additional contributions to help you reach your target, for example. And additional contributions could benefit from tax relief. Or you could build up other non-pension savings.

There's a number of tools and resources available on the USS website that you can use to help with your planning, including the Contributions & Tax Calculator.

In the Contributions & Tax Calculator, you can factor in any additional contributions you're thinking of paying into the Investment Builder and estimate how much you'll contribute and how much you save in tax, and see how much you could save in National Insurance with salary sacrifice, if your employer offers this.

And you can use the Benefit Calculator to help you estimate your benefits in retirement and see how your benefits might look if you access them at different ages, or use any of the flexible options with your Investment Builder pot, for example. You can use that estimate that you get from the Benefit Calculator, alongside your State Pension forecast and other savings and income detail to help with your retirement planning.

You can also look at the government's Midlife MOT tool. What this tool does is it asks you a series of questions about your finances and budgeting plans, and provides guidance on potential next steps appropriate for your answers that you have given.

And if you are not sure what is right for you or you want to check your plans with someone, then you should think about taking independent authorised financial advice. USS does recommend that you seek guidance and/or take financial advice to work out what is best for you. And you can find out more about guidance and financial advice on the USS website.

And finally, there are other things that might impact when and how you retire, and you might find other websites useful. The **Approaching retirement** webinar goes into more detail about your retirement options and the retirement process, which might be helpful for those members who are nearer to accessing their benefits.

There is also a webinar specifically about **taking savings from the Investment Builder**. And there is the **Tax and your pension** webinar, which provides information on how tax relief is applied to pension savings and when benefits might be subject to income tax.