Many Misjudge How Much Money They Need for Retirement

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- £15,000pa needed to fund holidays, motoring and hobbies in retirement
- Three in ten over 40s have no plans in place to fund their retirement
- Six in ten wish they had started to put money aside for their retirement earlier

A study of the over 40s found that two thirds already have some idea of how they would like to spend their retirement years and an income of around £15,000 a year is needed to sustain their planned lifestyle. For a couple, this means nearer £30,000 a year is needed for the ideal retirement.

Researchers found that after finishing work, the average Brit intends to go on three holidays a year, one of which is abroad, run a car and also fill their time with a host of new hobbies and activities.

But with bills and day-to-day living expenses to cover as well, that means the average pensioner needs to have almost £1,200 coming in each month to have the kind of retirement they are looking forward to.

That amounts to a total of £14,185 for every year of their retirement. Clive Bolton, Managing Director of Retirement Solutions Director at Aviva, said: "For many, their retirement is a time they are looking forward to, whether it's to get away from the pressures of work or simply having more time on their hands.

"Most people, even those who still have a few years to go until they retire, have got some idea of how they would like to spend their retirement.

"But whether those plans are travelling the world, starting a new hobby or simply visiting friends and family more often, it all costs money.

“It's all very well to have an idea of what you want to do after you finish working, but many people underestimate how much money they will need. Your state pension is unlikely to cover everything you want to do during your retirement, so it's important to have some kind of financial plan in place to provide additional funds.

"The change to pensions and annuities announced in this year's budget now mean you can spend your pension pot how you want, but given we're all living longer too, it's still important to make sure you have enough put by to cover your annual costs for the long term."

Holidays form a big part of those plans with over 40s planning at least one trip abroad each year, costing around £950 a time.

As well as jetting abroad, they also intend to go on two breaks within the UK during that time with each trip setting them back an average of £317 – or £634 in total.

A further three weekend trips or mini-breaks each account for another £177 or £532 a year.

Filling their new-found spare time with hobbies and activities, such as starting a new class or club, playing golf or joining a gym will need an average of £176 a month.

That's a total of £2,114 over a year.

Visiting family and treating children and grandchildren with presents or days out will also require just under £100 per month, or £1,156 each year.

Of top of that, pensioners will need just over £537 a month - £6,447 a year - to cover essentials like bills, utilities and food.

Running a car will also see £170 spent each month or £2,044 over 12 months, while private health care or insurance will account for more than £25 a month or £308 a year.

But researchers found that around three in ten over 40s have no plans in place to fund their retirement.

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And even of those that have a financial plan, 64 per cent admit it's probably not going to be enough to do everything they want to do.

More than three quarters of over 40s even said they are worried about being able to afford all they have already planned during their retirement.

And another 64 per cent are concerned about simply paying for day-to-day living costs.

It also emerged that more than six in ten wish they had started to put money aside for their retirement earlier.

But more than half don't really have any idea what sort of sum they need to save in order to be able to achieve the kind of retirement fund they are hoping for.

Clive Bolton from Aviva continues: 'It's quite conceivable that people could live for 30 years in retirement, so it's important that they have funds available to support them, especially if they want to have an active and full lifestyle. It's good to see that over two thirds of those surveyed have plans in place to fund their retirement, albeit some are concerned that it's probably not going to be enough. Others don't have any idea of how much they need to save in order to have enough in retirement.

“Aviva's new retirement planning tool can help people assess the estimated future value of their personal pension plans and how much income they might provide them with in retirement. It can also give them an indication of how much more they can accumulate if they change the amount they save each month.”

See:

Top twenty hobbies and activities to do in retirement

- Cooking/baking
- Take up a new class
- Photography
- Research your family tree
- Go to the gym
- Book club
- Go to antiques/vintage fairs
- Knitting
- Golf
- Yoga
- Writing
- Fishing
- Learn a musical instrument
- Dance classes
- Art class
- Go back to college
- Join a sports club
- Fix/build cars
- Skiing
- Poker/bridge club

- Ends -

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