

# Guide to Retirement

Whilst the thought of retiring may seem daunting, particularly as many believe they cannot afford to do so, part of a modern financial planner's role is not just helping those already wealthy or managing investments, it is devising a strategy to first reach this milestone. This will be followed by a plan that will allow you to enjoy your retirement, with the flexibility to cater for all manner of scenarios that you may encounter in your later years.



## What does retirement look like?

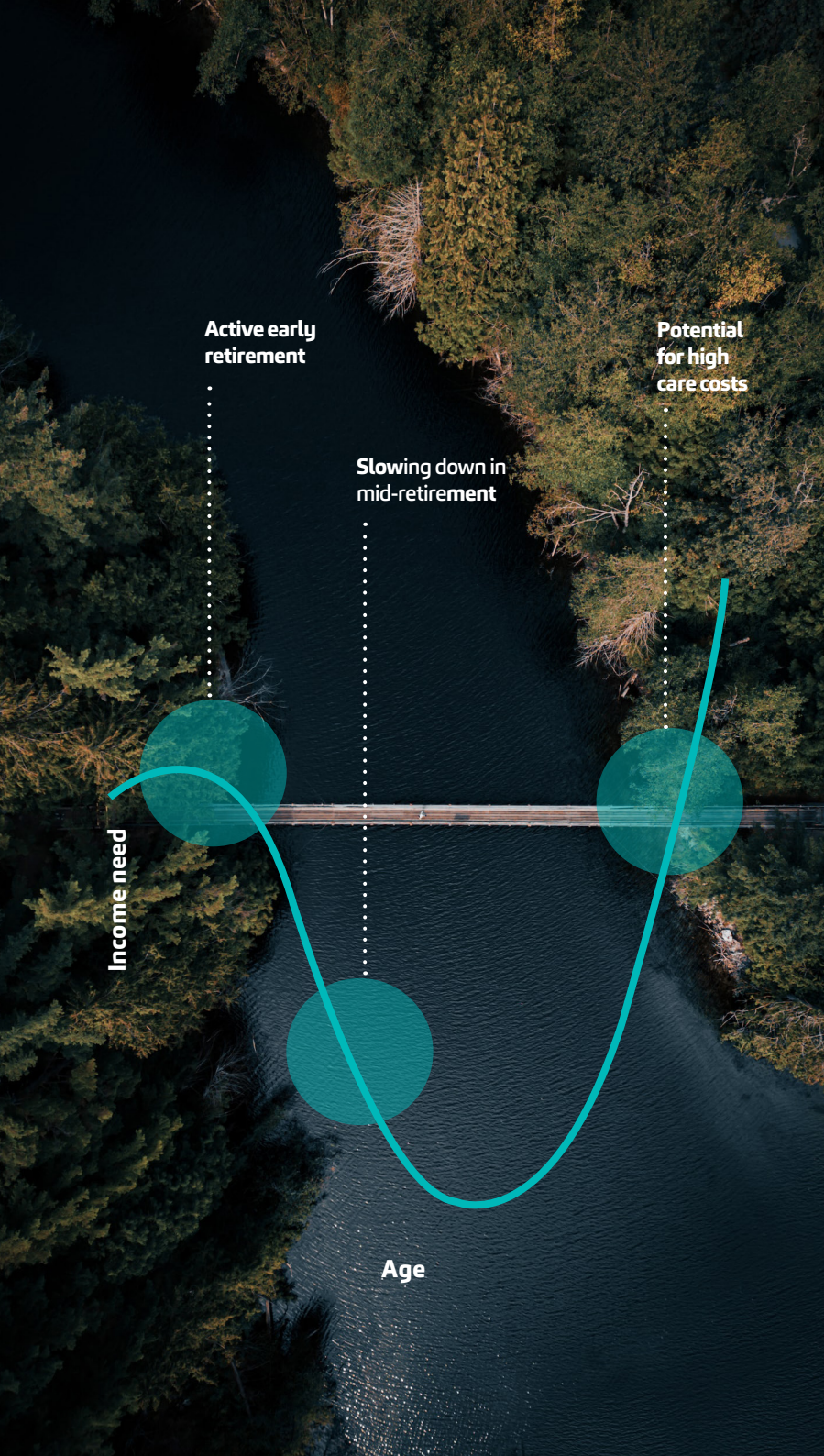
Without understanding what type of lifestyle you wish to lead in retirement, it is difficult to establish what assets or income you might need. Current estimates show that a 'comfortable' retirement could cost around £60,600 per annum per couple (in today's money), which is well in excess of what the current state pension provides. So, whether you are thinking of retiring tomorrow, or trying to understand what you need to save for your retirement today, it is important to consider how much you are likely to spend.

Source for table: [Supporters - Pensions UK - Retirement Living Standards](#)

\* These amounts would fund these lifestyles for people living outside London

	Minimum	Moderate	Comfortable
Couple	£21,600 a year *	£43,900 a year *	£60,600 a year *
Food	A meal out and a £12 takeaway once a month. Approx £55 weekly food shop at a major supermarket, with mainly supermarket own label goods. A £6 bottle of wine each week.	Dine out at a restaurant and enjoy a £11 takeaway once a week. Approx £56 weekly food shop at a major supermarket, with own label and branded goods. A £8.50 bottle of wine and 3 cans of beer each week. Take family members out for a monthly meal.	Dine out at a restaurant weekly and enjoy a £21 takeaway once a week. Approx £75 weekly food shop at a major supermarket, with own label and branded goods. A £11 bottle of wine and 3 cans of beer each week. Take family members out for a monthly meal.
Transport	Use your free bus pass for most journeys, and £30 per month for taxi journeys. Approx £180 a year for rail journeys.	One car per household (three years old, replaced every 7 years). £104 budget to cover one or two longer distance train journeys to visit friends and family. £22 per month for taxi journeys.	A 3-year-old small car replaced every five years. £208 a year for longer distance train journeys to visit friends and family plus a railcard. Taxi journeys of £22 a month.
Holidays & Leisure	About £489 for a one-week, half-board coach holiday, plus approx. £70 spending money. Basic TV and broadband, plus a streaming service subscription with ads. £20 a week for two or three leisure activities.	Approx £1,500 for a 14-night all-inclusive holiday abroad each year in a 3* hotel and a long weekend in the UK with B&B accommodation. Basic TV and broadband plus two streaming services, and two or three weekly activities.	A 14 night 4* half board hotel abroad, for around £2,200 and 3 long weekend breaks in the UK. Extensive bundled broadband streaming and TV subscription. Three weekly activities totalling £54 per week.
Clothing & Personal	Approx £450 a year on clothes and shoes. Up to £30 hair dressing every eight weeks, NHS dental care and £200 for glasses every 2 years.	Approx £1,550 a year on clothing and footwear. Up to £100 hair dressing and £50 beauty treatments every six weeks, NHS dental care and £230 for glasses every 2 years.	£1,550 a year on clothing and footwear. Up to £100 hair dressing and £60 beauty treatments every six weeks, NHS dental care and £230 for glasses every 2 years.
Helping others	About £20 each for 12 birthday and 12 Christmas gifts a year.	About £30 each for 12 birthday gifts and 12 Christmas gifts plus £1,000 a year for helping family members.	About £50 each for 12 birthday gifts and 12 Christmas gifts plus £1,000 a year for helping family members.





Naturally, your expenditure will differ throughout retirement as your income needs fluctuate. With different sources of income, some providing fixed pay outs and others more variable, meeting specific income requirements at different times can be challenging. Regular meetings and openlines of communication can help us to ascertain if you have the funds in place to meet your financial obligations (and in the right environment, given that we can look to structure assets and income in a tax efficient manner), which can be reviewed on a continual basis utilising available software packages.

### How can I access my pension pot?

- Keep your pension pot where it is and do not touch it.
- Withdraw your tax-free cash only, with the remainder left invested.
- Purchase a guaranteed income for life (annuity).
- 'Flexibly' taking regular or ad-hoc withdrawals.
- A combination of the above.
- Take your whole pension pot in one go

### How else can I supplement my income?

Pensions only comprise part of what potentially makes a 'retirement income' and you may wish to consider the following:

- State Pension
- ISAs
- Onshore/Offshore Bonds
- Rental Income
- Investment Income

### So how much do I need to retire? ... well, that depends.

Unfortunately, there is no straightforward answer, as it all depends on your personal circumstances, life expectancy, the level of investment risk you are willing to take, the rate of inflation, and any ongoing costs and charges.

As a rule of thumb, it is reasonable to expect to generate a sustainable level of investment income in the region of 3-4% per annum. This means that you would need a pot of around £350,000 to generate an income of £10,000 per annum (in today's terms). Before reaching state pension age, this would mean to achieve the £60,600 a year 'comfortable' retirement, an overall pot of more than £1m is required. Many are simply unaware of how much is needed to retire comfortably, and therefore it is better to start planning now rather than later, even if this means just putting a small amount away each month initially.

## The effect of inflation over time

Inflation is defined as “a general increase in prices that reduces the purchasing power of money”, therefore inflation over time essentially erodes the value of your money.

To give an example of the effect that inflation can have, we have detailed below the amount you would need in today's terms, which equates to £100 at the start of each decade over the past 50 years:

Year	Value in that year	Today's equivalent	Inflation Average
2010	£100	£131.13	2.7% p.a.
2000	£100	£172.13	2.8% p.a.
1990	£100	£232.44	2.9% p.a.
1980	£100	£438.53	3.8% p.a.
1970	£100	£1,581.94	5.7% p.a.

As you can see, inflation can play a huge part in not only increasing the cost of goods and services but, in turn, reducing the purchasing power of your money and potentially impacting on your standard of living. Using the past as a guide, if we project forward over a 30-year period (which could be the length of your retirement), £100 in today's money will need to more than double to maintain the same level of purchasing power and thus potentially maintain the standard of living

enjoyed at the start of retirement. When interest rates are low, any funds that are left in cash for a prolonged period (which people typically see as a “safe” option) risk not keeping pace with inflation, practically guaranteeing a loss in real\* terms!

*\*Real = after adjusting for inflation*

## Reviewing your investments & cash savings

With inflation in mind, it is therefore important to review any investments, as well as any large cash balances (over and above what you would like to keep as an emergency fund), on a regular basis.

Many consider holding cash or deposit-based accounts as the safe option for their money and, whilst this is correct in terms of investment risk, at present it is guaranteeing a loss in real terms. With inflation eating into the purchasing power of cash funds, it is worth considering whether your savings would be better off invested, providing the potential of capital growth above inflation, and maintaining both the purchasing power of the funds, as well as your potential standard of living throughout retirement.

By regularly reviewing your investments, you can monitor their performance and benchmark them against the rate of inflation to track whether your funds are increasing in value in real terms. We have a team of highly qualified investment managers who can help provide advice on how your money is invested, to help you achieve your objectives over the longer term.

## Why should I take advice?

- ✓ Help identify your objectives, as well as any potential problems or tax issues that you may have.
- ✓ Help you to set priorities and create a financial plan.
- ✓ Research the open market (as we are not tied to any provider).
- ✓ Preserve / grow wealth and generate an income.
- ✓ Avoid common financial mistakes.
- ✓ Help you plan for, and enjoy, a comfortable retirement.

## Risk Warnings

This guide has been produced for educational and information purposes only and should not be regarded as a substitute for investment advice. The information in this guide does not constitute legal, tax, or investment advice.

If you have any questions related to your investment decision or the suitability or appropriateness for you of the products described, please contact your adviser/investment manager.

The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

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