

How much is enough?

A guide to retirement savings and pension benefits.

How much is enough? As with many questions surrounding your finances, it all depends. Obviously, you can't know exactly what your retirement will look like. But putting some cash aside today for tomorrow is only prudent. It may involve making a couple of small sacrifices — but planning for retirement now, will make your future self much better off in the long run.

In February 2024, the Pensions & Lifetime Savings Association (PLSA) suggests that around 77% of pension savers don't know how much they'll need to retire with, and only around 16% can put an actual value on it. This report helps to picture the lifestyle people aspire to have in retirement.

It shows that single retirees would need:	And those in couples would need:
£14,400 a year for a minimum lifestyle	£22,400 a year for a minimum lifestyle
£31,300 a year for a moderate lifestyle	£43,100 a year for a moderate lifestyle
£43,100 a year for a comfortable lifestyle	£59,000 a year for a comfortable lifestyle

At BHP, we recognise that everyone's lifestyle is unique. Some might dream of jet-setting across the globe, while others may find joy in the simple pleasures of home. Your retirement needs are as bespoke as your aspirations. BHP can help you to **create a financial plan** that is suitable for your situation and helps you to meet your future financial goals.

Setting yourself up for a financially secure retirement is a much bigger endeavour than you might imagine. Bumbling around vineyards in the South of France costs money, and then there's the grandkids' birthdays to consider. Without a regular income coming in, you'll instead need to have saved to fund your well-earned relaxation.

Those retirement savings don't just appear out of thin air: you've got to build them over time. And as we'll explore in this article, the earlier you start saving for retirement, the better. We'll also look at how you can play it smart by taking advantage of tax efficient vehicles like pensions. Maximizing your returns means more Malbec — and fewer migraines.

While it may seem like retirement is years away, planning early can bring substantial rewards to your future.



The art of starting early. Your wealth tends to be saved into property, pensions or investments (and usually all three). Defined contribution pensions are like a savings jar you build up over time, which you can draw from to support your lifestyle once you retire.

When you contribute to a pension, your money doesn't just sit idle; it's actively invested to help it grow over time. Time invested in the markets is a key ingredient when we are considering investing for retirement. This is due to the impact of compounding.



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As you can see, your returns have the potential to grow exponentially over time. Even small adjustments made today can pave the way for impressive financial outcomes once you reach retirement.

But as with anything involving the markets, it's still worth remembering that it carries some risk. When markets collapsed in the last financial crisis, for example, some suddenly found themselves with a much more limited retirement than they'd hoped. The value of your investment can go up and down and it's important to make sure your investments are well diversified and cost effective to meet your goals and objectives, after all, higher charges will only dampen the return you receive. Investing can help your investments outpace inflation, preserving and enhancing their purchasing power over time.

Why use pensions? Pensions offer a range of attractive benefits, all designed to encourage people to save for retirement.

In the UK, you can get tax relief on your pension contributions, which essentially means the Government adds the amount you would have paid in income tax on that sum (the exact mechanics of this depend on the type of pension you have, and there's a £60,000 annual limit on tax-free contributions). If you're a basic rate taxpayer and put £200 in your pension each month, you'll essentially have £50 placed into your pension on top of your £200.

Whilst your funds are invested in a pension, any growth is exempt from Income Tax and Capital Gains Tax (CGT). You also get a tax benefit when you withdraw from your pension: upon retirement, you can typically withdraw 25% of your pension tax-free. Furthermore, after you pass away, the funds within your pension are generally not subject to Inheritance Tax (IHT).

At BHP we believe that making small adjustments today can allow you to live the life you want in retirement, without worrying about running out of the resources you need to live it. Long term investing, having 'time in the market', is a fundamental principle in financial planning as it demonstrates the potential for substantial wealth accumulation over time with a disciplined, consistent investing approach.

What the route is will be different for every person, so the advice we give is entirely personal, focusing on what is important to you.

Compounding is like a snowball rolling down a hill, growing bigger as it picks up more snow. In finance, it means your investment earns returns, and then those returns earn returns too.

The longer you let your investments grow, the more pronounced the effect becomes, turning small savings into a substantial nest egg. It's the magic of letting your money work for you, rewarding patience and foresight. Smaller contributions made earlier in your career can grow significantly by the time you retire.

Imagine your pension is worth **£100,000**, you contribute **£400** into a pension at the end of every month, and your investments grow by **5%** per year. Fast forward 10 years and your original investment will now be worth **£226,813**.

Continue this for another 15 years and your pension is now worth **£586,332**.



We have a talented team of individuals with more than 150 years of experience between them, who can guide you through the complexities of financial planning with clarity and confidence.

Please don't hesitate to get in touch if you'd like to discuss your retirement plans or any other financial matters.



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