Minimum, moderate or comfortable?

Retirement Living Standards

July 2026

The Retirement Living Standards

Earlier this month, Pensions UK updated its Retirement Living Standards (RLS) to reflect changes to the cost of living in the last year.

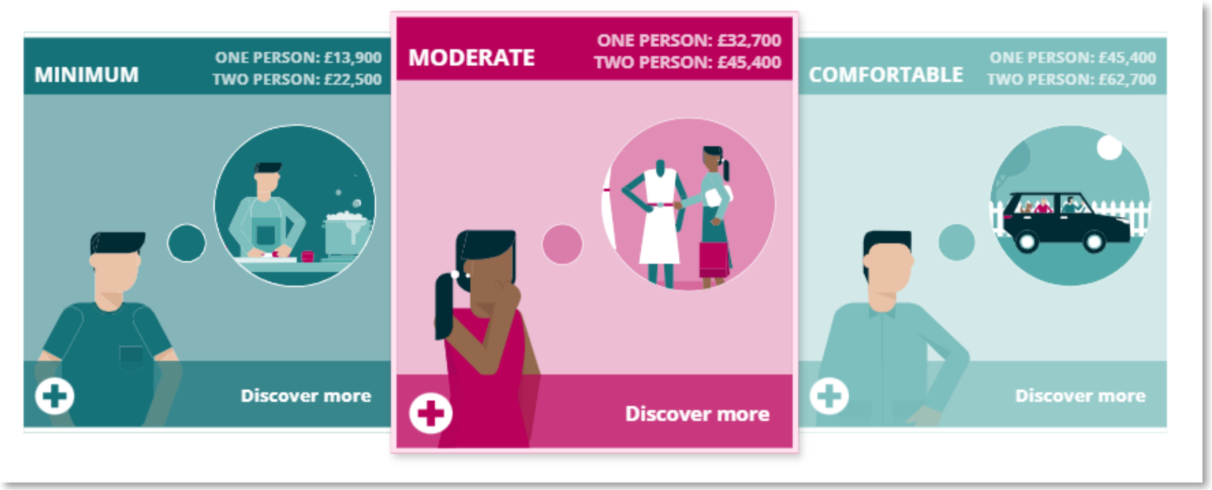
The RLS are levels of expenditure required to achieve minimum, moderate, and comfortable standards of living in retirement. They're derived using a "basket of goods" approach, which reflects the cost of goods and services on which individuals typically spend their retirement income.

How much will I need?

If you're a one-person household, then:

- For a minimum standard of living, you'll need £13,900 pa
- For a Moderate standard of living, which gives you more financial security and flexibility than the minimum, you'll need £32,700 pa
- For a comfortable standard of living, which gives you more financial freedom and money for some luxuries, you'll need £45,400 pa

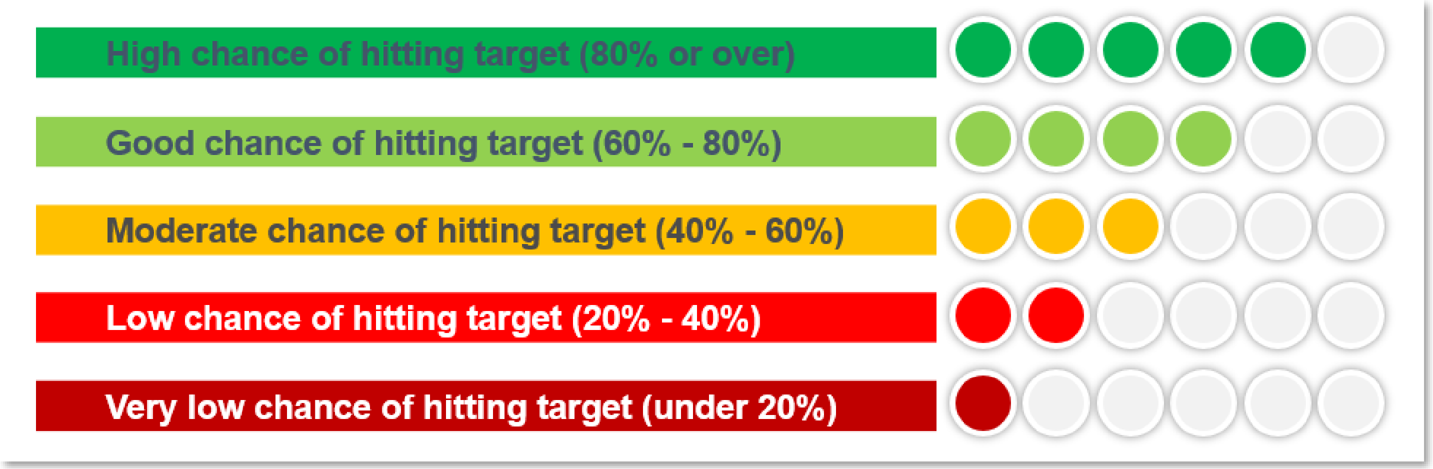
There are also standards for two-person households, which are less than twice the standards for one-person households. So, members of two-person households can achieve a higher standard of living for the same level of contributions as their one-person household counterparts.



What are my chances?

We've used our **Guided Outcomes**™ modelling to determine the chance of meeting the RLS for different combinations of salary and total contribution rate.

We categorise the results using a red/amber/green colour scale, where red means unlikely to achieve the standard and green means likely.



In our modelling, we assume that members are entitled to the full State Pension, which is c.£12.5k pa for the 2026/27 tax year.

Meeting the minimum

The table shows that members who contribute regularly over their working life have a very good chance of achieving the minimum standard of £13.9k pa because they have only a modest level of income to fund beyond the State Pension.

	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
50,000	99%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
45,000	99%	99%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
40,000	99%	99%	99%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%
35,000	*97%*	98%	98%	99%	99%	100%	100%	100%	100%	100%	100%	100%	100%
30,000	*95%*	*96%*	97%	98%	98%	99%	99%	100%	100%	100%	100%	100%	100%
25,000	*92%*	*94%*	96%	96%	97%	97%	97%	98%	98%	99%	99%	100%	100%
20,000	*87%*	*90%*	92%	94%	95%	96%	97%	97%	98%	98%	98%	99%	99%
15,000	78%	*82%*	85%	87%	90%	91%	93%	94%	95%	96%	96%	97%	97%

The 100% figures in the table don't mean the outcome is guaranteed. Rather, there are no scenarios in our modelling for which regular contributions over an entire working life, plus the State Pension, don't result in the member achieving the minimum standard.

So, things look pretty good vs. the minimum. But most people will want to aim for something more than that. How do they get there?

Aiming higher

The next tables show the chances of achieving the moderate and comfortable RLS for the same combinations of salary and contribution rate.

Moderate RLS

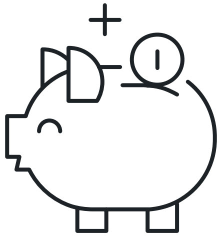
	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
50,000	46%	49%	53%	58%	61%	65%	67%	71%	73%	75%	77%	79%	81%
45,000	41%	44%	48%	52%	56%	59%	62%	65%	68%	69%	72%	74%	77%
40,000	38%	40%	44%	46%	50%	54%	57%	60%	63%	66%	68%	70%	73%
35,000	32%	36%	39%	41%	44%	47%	50%	52%	56%	58%	61%	64%	67%
30,000	26%	30%	34%	36%	38%	41%	43%	45%	48%	52%	54%	57%	60%
25,000	22%	25%	26%	29%	33%	35%	38%	40%	42%	44%	45%	47%	52%
20,000	15%	18%	21%	23%	25%	28%	31%	34%	36%	38%	39%	42%	44%
15,000	11%	13%	14%	16%	18%	20%	22%	25%	26%	28%	30%	33%	35%

Comfortable RLS

	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
50,000	29%	32%	36%	39%	42%	45%	47%	50%	53%	56%	60%	63%	64%
45,000	25%	28%	31%	35%	38%	40%	43%	45%	47%	50%	53%	56%	59%
40,000	21%	25%	28%	31%	34%	37%	39%	41%	43%	46%	48%	50%	52%
35,000	17%	21%	23%	26%	28%	31%	34%	37%	39%	41%	43%	44%	46%
30,000	14%	16%	18%	22%	24%	26%	28%	30%	33%	35%	37%	38%	41%
25,000	11%	13%	14%	16%	18%	20%	23%	25%	27%	28%	30%	33%	35%
20,000	9%	9%	11%	13%	14%	15%	16%	19%	21%	22%	24%	25%	28%
15,000	5%	6%	6%	8%	8%	9%	11%	12%	14%	15%	17%	18%	20%

Unsurprisingly, things are tougher against the higher standards:

- Under the Auto Enrolment 8% minimum total contribution rate, even a £50k pa salary is insufficient to provide a good chance of meeting the moderate standard.
- A young person earning £30k pa would need to contribute 17% pa for their whole working life to have a better than 50/50 chance of achieving the moderate standard.
- The comfortable standard is out of reach for most members. A young person on median earnings would need to contribute more than 20% of salary to have a good chance of a comfortable lifestyle in retirement.

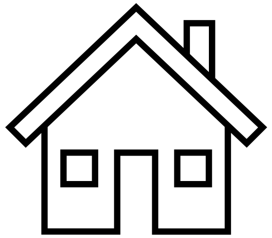


What if I don’t own my home?

A significant assumption in the derivation of the RLS is that members do not pay housing costs during retirement.

So, in the previous modelling, there’s an implicit assumption that the member has set aside enough money to buy a home and pay off a mortgage before retiring. As well as pay the stated level of pension contributions.

But getting a foot on the first rung of the housing ladder is becoming increasingly tough for young people and sacrificing pension contributions in the short term might be the only way to build a property deposit.



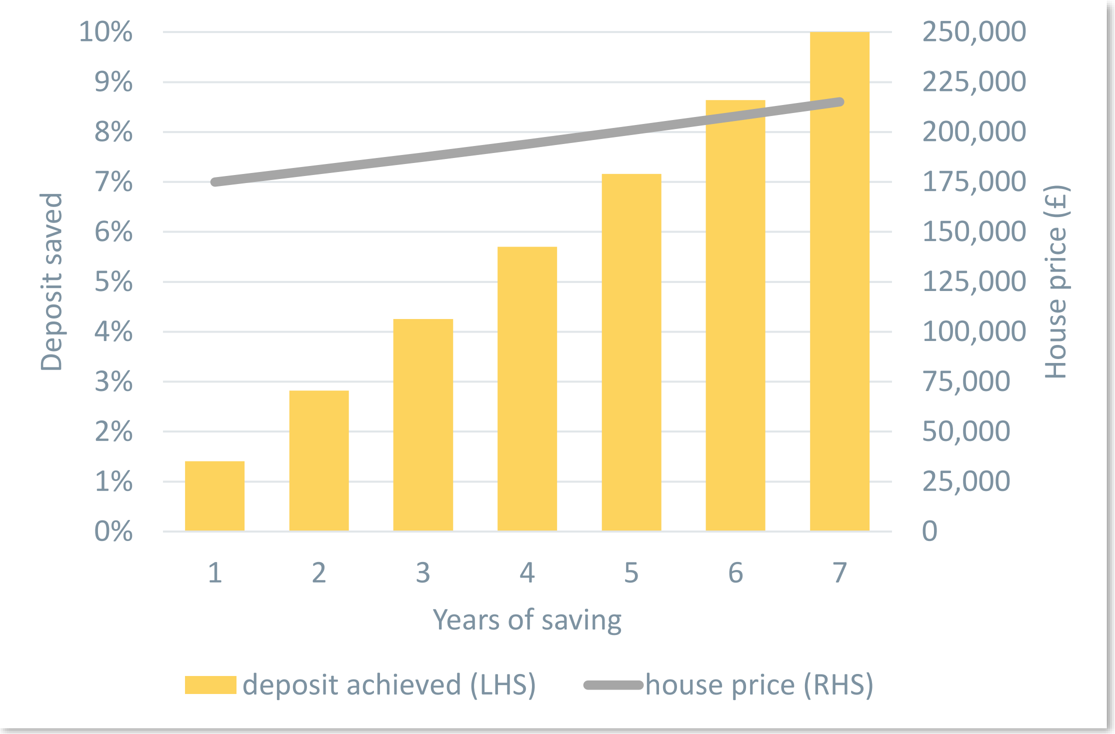
Funding a property deposit

Let's consider the member earning £40k pa with total contributions of 12% pa.

The previous table suggests that this member has a 50/50 chance of achieving the moderate standard, *if they fund their house purchase from non-pension savings.*

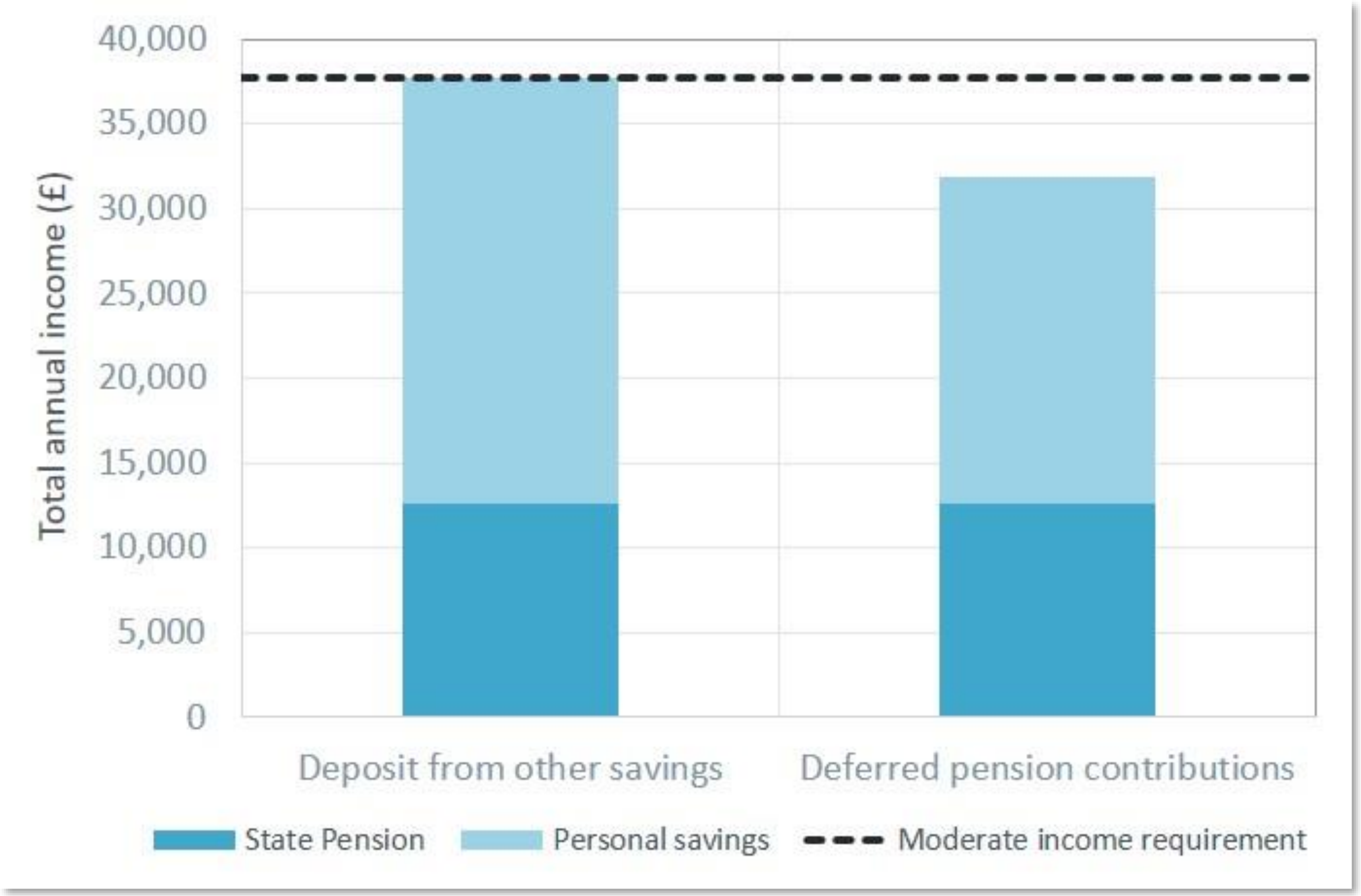
However, if that's unaffordable, the member may choose to defer paying pension contributions until they've saved a property deposit.

In that case, it could be 8 years until they start to build a pension pot:



This is based on saving for a 10% deposit on a property valued at £175k today. House prices are assumed to increase by 3.5% pa and salary by 3% pa

As a result of delaying pension contributions, the member now has only a one in three chance of achieving the moderate standard. As the following chart shows, the cost of deferring contributions could mean that their pension income is c£6,000 lower each year.



The impact of renting for life

If members don't own their own home by the time they reach retirement, they'll face an ongoing rental expense, which isn't captured in the RLS.

To assess the impact of that additional expense, we've adjusted the minimum standard to include rent of £113 per week (based on the median weekly rent for new social housing lettings).

Minimum standard plus housing costs

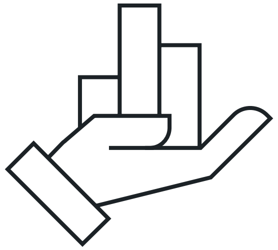
	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
50,000	80%	84%	87%	89%	92%	93%	94%	95%	95%	95%	96%	96%	97%
45,000	77%	81%	84%	87%	90%	92%	93%	94%	94%	95%	95%	96%	97%
40,000	73%	77%	80%	85%	87%	89%	91%	92%	93%	94%	94%	95%	96%
35,000	67%	72%	77%	80%	83%	85%	88%	90%	91%	92%	93%	94%	95%
30,000	60%	66%	70%	75%	78%	80%	83%	85%	87%	88%	90%	91%	93%
25,000	50%	57%	63%	67%	71%	74%	78%	79%	81%	84%	86%	87%	89%
20,000	39%	45%	51%	57%	61%	64%	68%	72%	75%	77%	79%	81%	82%
15,000	33%	36%	40%	44%	49%	53%	56%	59%	62%	64%	67%	69%	70%

Earlier, we showed that, for members who own their own home, the State Pension provides a high level of security in meeting the minimum standard.

However, reflecting housing costs has a significant impact on the ability of some members to achieve even the most basic of living standards in retirement:

- A young person on close to average earnings (currently c.£39k pa) and contributing beyond the AE minimum of 8%, could still face a one in four chance of not meeting the minimum standard.

- And members earning less than £20k pa would need to contribute significantly more than AE minimum contributions (12% vs. 8%) to have just a 50/50 chance of meeting the minimum standard.



Closing remarks

The RLS provide a useful framework for understanding the outcomes members may be able to achieve in retirement. The headline standards aren't perfect (we recognise that not all retirees will own a home) but members, with the right support, can use the RLS basket of goods to think about their retirement spending (including housing costs) and tailor a retirement goal that's right for them.

With increased focus on adequacy, including current Pensions Commission work underway and the launch of dashboards, more members may soon come face to face with the harsh reality of their lack of savings.

As an industry, we can help:

- Trustees to support members by making every pound of contributions work as hard as possible towards good outcomes.

- Employers to think about how their reward offering and scheme design can maximise the benefit to their employees - and avoid the workforce planning challenges that come with large numbers of employee being unable to afford retirement.

- Providers to offer members tooling to help them understand what they'll need to fund their retirement and how to get there.

Get in touch

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Thank you

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