

I'm nearly 60 with £235,000 in my pension - is it enough to retire at 65?

By [Harvey Dorset](#) Updated: 10:58, 28 March 2024

I'm married, mortgage-free and have two adult children and am nearing 60. I hope to retire at 65 as my job is quite high pressure.

I currently have £235,000 in my pension pot, all parked in the default fund and have worked for the same employer since I was 22 – it's a local family run business. I will have a full state pension on top.

Part of me thinks I've built up a retirement pot to be proud of, but another part of me worries I haven't done enough, especially as my wife doesn't have a huge pension pot or savings, but will have full state pension.

I am paying 4 per cent of my £62,000 salary in and my employer also puts in 4 per cent.

I have some small savings pots elsewhere, but most of our money is tied up in property equity and my company pension.

Can you reassure me and should I be paying more into my pension?

Harvey Dorset of This is Money replies: Whether you have saved up enough in your pension really depends on what kind of lifestyle you hope to lead after you retire.

Without a mortgage and childcare weighing on you, your outgoings in retirement will be down to what plans you have for the future, with major costs such as travelling and passing wealth to your children worth taking into account.

That said, it is never too late to increase your pension contribution if you have the funds to spare.

If you are in a position where you have plenty of money put away for a rainy day, or have lower outgoings now that your adult children have flown the nest and your mortgage is paid off, then your free funds would be put to more effective use as part of your pension contribution, maximising the benefits you receive from the Government.

Adding more to your pension pot means that you can increase the amount of tax relief you can get. On top of this, your employer may have a policy that sees them increase their contribution to match your own.

Some employers also offer a salary sacrifice scheme through which you can increase your pension contribution whilst still taking home more of your pay.

Luckily, both you and your wife have full state pensions, both of which will alleviate the pressure on your own pension pot, but with a planned retirement age of 65, you will have to survive for at least a few years solely on your private pension pot. Someone who is 59 now will have to wait until 67 to get their state pension, as [our state pension age guide explains](#).



The Pension and Lifetime Savings Association produces figure for the cost of different retirements: basic, moderate and comfortable. These figures exclude housing costs, as they assume pensioners will be mortgage-free homeowners, and are after tax

I asked two experts for their advice on what you can do to make sure your pension is where you need it to be.

Simon Stygall, chartered financial planner at Flying Colours, replies: One of the most common concerns for those approaching retirement is undoubtedly 'do I have enough?'

A discussion with a financial planner, along with cashflow modelling to consider the position often helps to answer this question and identify areas for improvement.

Considering expenditure will be very important step in this process.

Bucket list: Simon Stygall says pensioners often spend more when ticking off retirement goals
A typical trend for retirees is often slightly lower expenditure in the immediate months that follow, as they adjust to retired life.

This is followed by higher expenditure as they tick off retirement goals such as travel and holidays, with more steady expenditure as they progress through retirement.

We find that expenditure is seldom constant from the point of retirement, and so having a plan in place to assess this is very helpful.

It's also important to have a guaranteed income source(s) to cover the majority of essential retirement expenditure.

Your outgoings in retirement will likely be significantly lower than when working thanks to the mortgage being paid off, and the children having left home.

The fact that both you and your spouse have full state pension entitlement is good news, but please do remember that the state pension age is currently 66 and will be increasing to 67 for those born after 5 April 1960.

Without other guaranteed income sources until the state pension age, you will need to find a way to cover this shortfall.

This can be done in a number of ways, including using some of your pension provision to purchase a fixed term annuity until state pension age, or by flexibly accessing your pension with a combination of tax-free cash and income during this period.

The time between retirement and state pension entitlement, does often bring opportunity for tax efficiency, ensuring that your personal allowance is used by drawing an income from your pension.

However, you still have a few years before you reach 65, so this could be a good opportunity to improve your position, dependent on how much you can afford to add to your pension.

As a higher rate taxpayer, if contributions are paid to the pension from your take home pay, you'll be able to claim back higher rate tax relief on top of the basic rate tax relief collected by the pension provider from HMRC.

This means that every £100 paid to your pension, will only cost you £60. It's also possible to claim back higher rate tax relief that has not been claimed previously over the past four tax years.

If contributions are paid before tax and NI has been deducted (often referred to as [salary sacrifice](#)) then you will have already received the tax saving but will also have received a saving on National Insurance Contributions (NICs).

The employer in this type of arrangement also makes an employer's NICs saving here, with some companies rebating some, or all of this back to the employee.

It's also worth checking whether your employer will increase their contribution if you decide to increase yours.

Shelley McCarthy, chartered financial planner and wealth manager at Informed Choice replies: In terms of whether you have saved enough for retirement, it really depends on what you would like to do in retirement.

What will your lifestyle look like? How much will this cost? Are there other aspirations such as helping children onto the property ladder?

The average private pension wealth in the UK is £111,700 based on information from the ONS in March 2020. It has also been suggested that a couple needs an income of £43,000 of income to have a moderate standard of living in retirement.

I also don't know your exact age, so I'm not sure at what age you will start to receive your state pension, but there is likely to be a gap between retirement at age 65 and receipt of the state pension.

The state pension for the 2024/25 tax year is £221.20 per week, which will provide an income of £11,502.40 per annum.

Between you and your wife, this could generate £23,004.80 per annum.

In terms of your pension pot, you have a number of options in respect of how you generate an income in the future.

You are able to take up to 25 per cent of your pension pot tax-free, although if you have no need for a lump sum, you can take this in tranches.

You can draw an income from your pension.

A general rule of thumb is that an income of circa 4 per cent per annum is likely to be sustainable. Based on your current pot, this could generate £9,400 per annum.

Another option is to purchase an annuity. This provides a guaranteed income for life. Currently the best rates on the market for a 65 year old are:

Single life, level in payment, 5 year guarantee - 7.48 per cent

Single life, RPI escalation, 5 year guarantee – 4.89 per cent

Single life, 3 per cent escalation, 5 year guarantee – 5.36 per cent

Joint life, 50 per cent widows, level, no guarantee – 6.87 per cent

Joint life, 50 per cent widows, 3 per cent escalation, no guarantee – 4.83 per cent

An annuity dies with you, so if you have no widow's benefit included, there would be nothing payable to you wife on your death. If you have any health issues, you may be entitled to a higher annuity rate.

Annuity rates could be higher or lower than this at the point of retirement. If you take a level income, the value of this will be eroded over time by inflation.

Based on your current pension pot, assuming you took 25 per cent tax free (£58,750) the remaining fund could provide an income of between £8,513 and £13,183 per annum.

From a pure tax perspective, if you could afford to pay additional pension contributions, you could avoid paying higher rate tax.

If you were able to pay an additional £7,400 net per annum into your pension, you would significantly reduce the income tax burden on your current income and bring your income below £50,270.

This way you would get a full £9,250 invested in your pension, rather than receiving £5,550 net.

In respect of relying on equity in your home to provide additional income, you have to be comfortable with downsizing in the future or indeed releasing equity by taking out some sort of equity release/lifetime mortgage.

Neither of these may be palatable options.