



Looking at when you want to retire and how much you might need

Podcast transcript

00:00:01 Richard

Welcome back to the USS podcast.

00:00:03 Richard

Once again, I have Sophie, Neal, Corinne and James with me to talk about the retirement lifestyles they're aiming for, and Pete's back to keep us on the straight and narrow. So, let's get straight into it with you, Neal. It would be interesting to get your take on this as someone younger, but really quite intellectually invested in the scheme.

00:00:23 Neal

Yeah, I actually find this really tricky. I've done, I wouldn't say research, more like frantic Googling, I guess around the topic. And I feel like probably the minimum age at which you can retire will have gone up by the time I get there, and I think you'll probably be at least 60, so I guess my attitude is kind of like hope for the best plan for the worst.

So, if I were to plan for, you know, imagine I wanted to retire at 60, what would I need to get there. Then, if I don't reach that, at least it's only a little bit further on that that this would happen. But then you look at some of the like values to how much you would need for a comfortable retirement, and they calculate things like £1500 worth of clothes a year and I don't think I would spend that in my entire lifetime on clothes. So, I find it really tricky to know how much you'll need.

I'm kind of like guessing and probably not doing a good job.

00:01:11 Richard



Which is a fair point. So, you've done a bit of Googling. Have you looked at the PLSA, the Pensions and Lifetime Savings Association, retirement living standards? They do a similar thing to that which you've just suggested. Sort of based on expenditure they come up with three different levels if you like in retirement ranging from kind of basic to comfortable and I think that it's really useful information. And Corinne, you're sort of further down the journey than Neal, so when do you think you'll retire and what kind of lifestyle are you hoping for?

00:01:45 Corinne

Well, I only came across the Retirement Living Standards website earlier this year, and actually I found out about it through the USS member forum. Another member had posted on there. Even though we've been starting to educate ourselves about this, myself and my husband, for the past few years, I found the Retirement Living Standards website really helpful.

Because the amount that we're aiming for is around the moderate retirement it immediately kind of sent up warning flares to us that, that actually wasn't where we wanted to be, and we've had a financial adviser for the past couple of years. So, when we had our annual meeting with him, which was a few weeks ago, we said to him right, we're a bit concerned that we're aiming too low.

So, he's been running some scenarios for us based on my USS pension, because I've been in USS for 23 years now and my husband has DC and also, he has a DB pension as well, but has also had periods of unemployment. So, I feel like, well, there are tools out there to allow you to do this for yourself.

I'm a data analyst and my husband is a software tester. We're both used to working with spreadsheets, but we didn't have the confidence that the projections that we were doing ourselves were actually going to be a huge amount of use. And, as Neal said, you know, some of the stuff that they provide on these websites about how you're going to spend your money didn't really fit in with our idea of how we spend our money.

You know, but again the amount of money they say people spend on clothes, we always find hilarious because we definitely don't spend that much money. But for us, because we've paid off our mortgage, we're now in the position to be able to look into the investments we have. We're lucky to be able to have a financial adviser. I think we would be struggling a lot more with planning for retirement if we weren't able to afford that. Our starting point for retirement was 60. Our financial adviser thinks we may be able to push it a bit earlier than that. So, if we can do that, it would be absolutely fantastic.

00:03:36 Richard

That's brilliant and it does sort of mark out that seeking professional advice is a good thing to do. So yeah, absolutely, I agree with that.

Sophie, you're sort of at the other end of the spectrum, if you like, you've got some pressing priorities now. You mentioned earlier sort of house and life and everything else and so you've probably not given as much thought to that retirement lifestyle because of those priorities. But if you were to try to put a number on the age at which you'd like to retire, what do you think that might be?



00:04:12 Sophie

Well, I have actually looked at the PLSA on the USS website just to have some sort of vague idea, but in terms of the age, I've always just assumed I'll work until the maximum not necessarily working full time but definitely having some form of employment until I get booted out.

00:04:36 Richard

Absolutely. Yeah, I mean there are other options, obviously subject to employers agreeing with them, like in USS flexible retirement and things, which I think really do play into that attitude, that a lot of us have these days.

00:04:52 Sophie

Yeah, I think it's still working for almost as long as I can, if I am, you know fit and well enough which again, who knows what life brings you. But again not 9 till 5, hopefully just reducing it, but still keeping in the sector.

00:05:11 Richard

Absolutely. Corinne, you mentioned earlier, financial advice which you've taken. I wonder if that's helped you with things outside of the pension and helped that sort of transition from work into retirement and if you've got anything else in place, that might do a bit more to sort of help your plans.

00:05:36 Corinne

Yeah. I mean, certainly if you actually look into how much you spend a year, that was one of the things we had to do as preparation for pursuing the financial adviser, you don't have to see an IFA to do that you can do that yourself. In particular, one thing we have done for the IFA was to actually, look at our monthly budget. We tend to look at stuff at on a yearly basis and actually to look in detail as to how much all the direct debits are was really helpful because I think there is a tendency when the money is just coming out of your account, for you to kind of not really know how much there is sometimes.

00:06:09 Corinne

So that's been really, really helpful. And I think for me, just kind of getting my head in the game and starting to think about it. So, the USS Forum, online videos, the Open University courses, anything I can kind of get my hands on just to allow it to kind of start going through my brain, I suppose.

What we'd like to do, we definitely want to do is a lot of international travel. So that's part of the reason we recently spoke to our financial adviser about upping our contributions, because we do want to be able to do those really big holidays when we retire and we don't want to get to retirement and find out that we could have put an extra £5 in every month, you know for 10-15 years previously and that would have helped us get to that point, so I suppose that's the other thing, it's a little and often and starting early does seem to be the better way than trying to leave it until later. It's hard because obviously everyone has so many financial issues they're grappling with, no matter what your age, whether it's your mortgage, your



rent, the debts that you have, what you need to do to support your family, your children, your elderly parents. So, it's really, really hard to find the time to think about it sometimes. But I think even just a little and often is probably the biggest tip I would give to anybody who wants to start getting involved in learning about their pension. It makes it a lot less scary if you tackle it in small chunks.

00:07:33 Richard

Absolutely.

00:07:33 Pete

I think that, that really hits on a key thing with pensions and it it's nice to see someone the sort of the younger end like Neal and Sophie on here. The earlier you start saving into a pension scheme has a massive effect later in life, but it feels so far away when you start your first job. That later me can wait, I've got like student debt, I might be paying rent and bills, and I might be saving up for a deposit on a house and all of that. But if people get into the habit of that money going out and not seeing it, never seeing it, it just goes and then your employers paying into the pension scheme as well and the government is through tax relief as well and all of that starts early and builds up all your lifetime. The sooner you start that extra £5 like you said Corinne, it just snowballs over your lifetime. So yeah, it's never too late to start but the earlier you start the better it is.

00:08:33 Richard

Absolutely, Peter. I was going to say on that point, actually, you developed the Benefit Calculator for our members late last year, which is sort of the flip side of what Corinne was talking about, so looking at what you want and then the Benefit Calculator can help you project what you may get if you like. So, can you sort of run us through the Benefit Calculator piece and how that might play into this element of planning?

00:08:57 Pete

Yeah. So, we did a Contributions and Tax Calculator, which basically lets you understand if you pay a certain amount into the pension scheme, how much tax relief would you save on that, but also, how much would your employer pay into that that as well. So that's really useful. And then the Benefit Calculator, which is like the flip side of it, which is okay, so now you're paying into the pension scheme how much are you going to build up over your lifetime.

The idea is that once you open up the Benefit Calculator, it just tells you what a projection of your benefits is at your pension age. So, just open it up, you don't need to do anything. Open it up and it tells you that projection. So, it's really useful for that but then if you want to go into the detail you can change certain things and model things like if you were taking a career break or if you think you might leave the scheme in the future, or transfer some benefits in, or pay additional contributions, you can open up the additional modelling on that first page and start putting those options in and recalculate, so you could see what effect that could have on your benefits in the future.



And then if you want to, you can go forward to the next step. I'm now actually thinking of taking those benefits what does that look like? Well, if I just take my Retirement Income Builder only, I could go through on that basis, or I'm taking all my benefits at the same time and go through on that basis or I'm just taking my DC pot and so on.

You mentioned earlier James, you might start using your DC pot to sort of plug the gap well the calculator has an option to let you look at what that could be as well. Then sort of the third step, it lets members play around with things like how much tax-free cash they take and if you take less tax-free cash, how much does your pension buy? Also, there are some of the DC modelling options as well, so. There are options there as well, there's loads but I've not got time here to cover everything.

00:10:52 Richard

Pete, so when ideally should members be using the Benefit Calculator is there a sort of critical point or is this something that we should be doing sort of throughout our pension journey?

00:11:05 Pete

Yeah. Any point of someone's life to get an idea of what your projected benefits could look like.

00:11:13 Richard

Absolutely. Thanks, Pete. Sophie, I know you're sort of in the earlier stages of the retirement journey. Have you had a look at things like the Benefit Calculator and if so, has that sort of helped inform any of your decision making?

00:11:31 Sophie

I've only really started getting a bit more interested in it. I think after hearing what Peter had to say, I'm going to check that again, but it sounds a very useful tool.

And it's good that it's there because I think I would definitely start using it as I approach the age.

00:11:46 Richard

Absolutely.

Yeah, and Neal, for you, I mean, especially since you sort of make additional contributions and things is it something that's helped you to determine the level at which you contribute to the DC section and things like that.

00:11:59 Neal

Yes, so I've played around with the Benefit Calculator quite a bit, probably too much and I was doing a bunch of calculations like if I put this much into the calculator, looking at the optimistic returns and the less optimistic returns how much does that help me to decide kind of the amount I was putting in. I check it on like a weekly basis, which is ridiculous because so many of the assumptions, especially at my age, like



what pay rise you're going to get, I might leave academia again, you know, or a bunch of other things. So, it's a really useful tool but I'm probably not using it in the best way.

00:12:37 Richard

There is no right or wrong way.

00:12:39 Pete

Yeah, there is no right or wrong way. If you get any use out of it at all, it's the right way to use it. I'd say, I think for someone your age in particular, Neal, you've made the first step, you've joined the pension scheme. You've not left and you're paying into it. That at your age is important as anything.

It's starting early and staying in the scheme.

00:13:03 Richard

Thanks, Pete. I think that's a really good point to end on. Thanks to everyone for taking part and thanks to everyone that's listened. I hope you'll join us next time to hear what members like you wish they'd done at the start of their pension journey and their thoughts about retirement planning. In the meantime, if you want to have a play with the Benefit Calculator or any of our tools and resources, go to uss.co.uk and log in to My USS.