



Retirement Living Standards: 2022 update

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1 Introduction

The past year has been an enormously challenging one for many households in the UK. While the uncertainty and constraints associated with Covid-19 have disappeared, we have emerged into an unstable and uncertain political and economic climate, both within the UK and globally. In the UK, inflation has risen to its highest rate in 40 years with the cost of essentials and domestic fuel soaring, putting substantial pressure on incomes for working age and retired households, particularly those whose incomes are already incredibly stretched (Hill and Webber, 2022). The suspension of the triple lock last year – through which increases in the state pension are dictated – means that the value of the state pension has not kept pace with inflation and it remains unclear whether or not this will be reinstated or remain frozen for another year.

Within this context, planning and saving for retirement may understandably not have been a high priority, with households facing more immediate pressures on their finances. However, present economic uncertainty arguably reinforces the need to work towards ensuring future financial security in retirement, posing a challenge for government – in ensuring the adequacy of the state pension in meeting minimum needs (see PLSA, 2022) – *and* for individuals and households in planning and saving for retirement.

The Retirement Living Standards, first published in 2019 (Padley and Shepherd, 2019), set out what the public agree is needed to retire at two living standards above a minimum standard of living, based on extensive research with members of the public. The research uses the established approach to defining minimum living standards pioneered at the Centre for Research in Social Policy (see Davis et al, 2022), and describes in detail what the public agree single and partnered retirees need in order to retire at a moderate and a comfortable living standard. The Retirement Living Standards (RLS) capture public expectations about what retirement could look like at different living standard levels, establishing a 'budget' that would enable people to live at either a moderate or comfortable level in retirement without being prescriptive about how this resource should be used. In this way the RLS provide individuals with evidence-based, detailed descriptions of living standards which can act as a starting point in thinking about, planning and saving for retirement.

The RLS published in 2019 reported what was needed *at that point in time* for a minimum, moderate and comfortable standard of living in retirement. In 2020, we updated the moderate and comfortable RLS budgets, based on changes in prices (captured through CPI) between April 2019 and April 2020. In 2021, the RLS were reviewed and updated (Padley and Shepherd, 2021) in order to reflect public views and consensus around living standards. These regular updates, particularly those involving new research with members of the public, are critical in ensuring that the RLS capture changes in society and any changes in shared conceptions of living standards. In 2023, the RLS will be 'rebased' – this means starting from scratch, with groups of members of the public, to establish what the public agree is needed for a moderate and a comfortable standard of living in retirement.

The report this year updates the RLS to 2022, based on changes in prices in the year to April 2022. This follows the approach established in the ongoing Minimum Income Standards (MIS) research and that used to update the RLS in 2020. Table 1 sets out the sequence of updating since the RLS were first established in 2019.

Table 1 RLS updating sequence

Year 1 (2019)	Year 2 (2020)	Year 3 (2021)	Year 4 (2022)
RLS rebase: new research with groups of members of the public, detailing and describing living standards 'from scratch'	Inflation uprating	RLS review: new research with groups of members of the public, reviewing living standards	Inflation uprating

What are Retirement Living Standards?

The Retirement Living Standards (RLS) set out three budgets for single and partnered retirees, detailing the expenditure needed to reach three different levels of living standard: minimum, moderate and comfortable. Each living standard specifies baskets of goods and services required by retirees in **London** and in **Urban UK outside London** in order to meet these levels. The RLS have been developed in order to help people understand how much money they will need to live the lifestyle they want in retirement.

The three different levels are described as:

*A **minimum** standard of living in the UK today includes, but is more than just, food, clothes and shelter. It is about having what you need in order to have the opportunities and choices necessary to participate in society.*

*A **moderate** standard of living in retirement in the UK is about more than just meeting your basic needs. It means being able to access a range of opportunities and choices, having a sense of security and the option to do some of the things that you would like to do.*

*A **comfortable** standard of living in retirement in the UK is about more than just meeting your basic needs; it is about having a broad range of opportunities and choices, peace of mind and the flexibility to do a lot of the things that you would like to do.*

How are they arrived at?

The minimum RLS is produced through ongoing research, funded by the Joseph Rowntree Foundation, on Minimum Income Standards (MIS).

The moderate and comfortable RLS are arrived at through a sequence of groups of members of the public, who have detailed discussions about the things a household would need in order to achieve a given living standard. Groups discuss all aspects of the budget, in terms of what goods and services would be needed, of what quality, how long they would last and where they would be bought. Groups usually comprise eight to ten people from a mixture of socio-economic backgrounds, both of retirement age and approaching retirement (over 55). Following the approach developed through MIS, RLS groups are aimed at developing a negotiated consensus among these socially mixed groups. The groups use a method of projection, where participants are asked not to think of their own needs and tastes but of those of hypothetical individuals (or 'case studies'). Participants are asked to imagine walking round the home of the individuals under discussion, to develop a picture of how they would live, in order to reach the living standards defined above.

What do they represent?

The RLS represent the expenditure that individuals and couples would need in order to be able to retire at either a minimum, moderate or comfortable retirement living standard.

Who produced them?

The RLS are produced by the Centre for Research in Social Policy at Loughborough University, for the Pensions and Lifetime Savings Association.

How are they being used?

The Retirement Living Standards are being used across the pensions industry in the UK, helping savers to understand what they'll need in retirement and how this compares to projected pensions income.

2 Updating the Retirement Living Standards budgets

As noted above, the 2021 RLS have been updated using the Consumer Prices Index for the year up to April 2022, which captures changes in prices over this period. In order to ensure consistency between updates of the RLS and MIS, the moderate and comfortable living standard budgets have been updated to April 2022. This means that comparisons between the three different Retirement Living Standards – minimum, moderate and comfortable – are comparing the impact of changes in prices over the same period.

Within each of the RLS, the individual goods and services that make up the budget are assigned to the most appropriate division, group and class within the Consumer Prices Index (CPI). For the majority of items within the budgets this is a straightforward process of matching budget items to CPI categories: for example, 'Food' within the RLS budgets comprises 'food' within CPI (1.1) and 'catering services' (11.1), which applies to food bought and consumed outside the home. When budget items have been matched, it is possible to apply the inflation rate from April 2021 – April 2022 to individual goods and services which are then aggregated into the broad RLS budget categories and ultimately the necessary weekly expenditure needed to reach each living standard level.

While the majority of items within the budgets have been updated in this way, there are exceptions this year. The most significant of these relates to the cost of domestic fuel. In April 2022 the cost of domestic fuel rose substantially, as the cap that had previously been in place ended and a new higher cap was introduced. This resulted in significant increases in the daily standing charge for gas and electricity, as well as higher prices per kilowatt hour for both. In order to reflect these changes, the domestic fuel element of all of the RLS was repriced. The impact of this on what is needed for a minimum, moderate and comfortable standard of living in retirement is explored in the section that follows. As well as repricing domestic fuel, water rates were repriced across all three living standards.

3 Changes in the Retirement Living Standards

The minimum retirement living standard

In 2022, the Minimum Income Standard (MIS) for single and partnered retirees was rebased, through new research with groups of members of the public across the UK. This latest research was undertaken at a time of uncertainty and change. It began as the UK was emerging from Covid-19 restrictions, and was undertaken across a period when the war in Ukraine was impacting global supply chains and the availability of some goods, when the impact of Brexit was beginning to bite, and when the cost of living started to rise at its fastest rate for many years. As it has since 2008, the MIS research over the past year has established and described public consensus regarding minimum needs for retired households, but this has happened at a unique point in time. Fieldwork with single and partnered retirees took place as Covid-19 restrictions were lifting, but before the full extent of the cost-of-living increases started to take hold in early 2022.

The research at the heart of MIS captures the effects of changes in social norms and expectations, in prices, and in policies that affect service provision. The weekly MIS budgets – setting out what is needed for a minimum standard of living – are the result of hours of group deliberation, during which participants negotiate and reach consensus on the goods and services that individuals and households need both inside and outside the home for this living standard. These include tangible items such as furniture, bedding and clothing, as well as the resources needed to feel able to participate in society – such as being able to travel to visit relatives and meeting up with friends to socialise.

The latest research on minimum needs with pensioners corroborates much of what has been established in previous research: the core of the basket of goods and services that people identify as required to meet a minimum standard of living in retirement remains stable. However, there are some areas where higher budgets and/or different needs have been agreed by the public. The amount included in a minimum budget for food, consumed both in and outside of the home, has increased significantly in the last year. Being able to eat outside the home has always been an important element of a minimum budget and this continues to be the case. In 2022, pensioners specified a higher budget than previously, in part a consequence of price increases, but also reflecting a change in the perception of eating out as a 'special' activity. Part of the change over and above the CPI impact is a change in how the food budget is constructed as part of the MIS basket. In 2022, we revised the method used to put together the food basket for the MIS rebased groups, to take into account that the UK population as a whole has increased in weight since the first iteration of MIS research published in 2008. In addition, the nutritional analysis software used in the 2022 research is more sophisticated than that available previously. Our analysis compared the average weight and height of both men and women using more up-to-date values, and assumed moderate activity and exercise levels. Based on these updated averages, the calorie intake required for adequate nutrition was higher than in previous MIS calculations, which explains why the food baskets contain more items than in former iterations. In combination, the changes to a minimum budget, alongside increases in prices, means that the cost of what is considered essential has increased substantially between 2021 and 2022

and this has had a significant impact on what is needed to reach this minimum living standard.

The MIS rebase groups of pensioners agreed that people may have become accustomed to having their groceries delivered during lockdown periods, when people were urged to stay at home unless strictly necessary, and that they should be able to continue to have this option. Each household therefore includes a low-cost, off-peak delivery subscription (£36 per year for mid-week deliveries with a minimum spend of £40).

MIS Groups agreed that the cost of going for a haircut had increased. There was less choice as some hairdressers had gone out of business during the pandemic. The salons still open needed to increase prices to cope with the loss of revenue during 2020 and 2021, and to compensate for having to operate at reduced occupancy in order to maintain social distancing.

The MIS budget includes the cost of a smart TV. MIS Pensioner groups in 2022 said that prices for larger screen TVs had decreased over time, and that older people were more likely to need a larger screen for a clearer picture, and to make it easier to read subtitles and onscreen displays. Consequently, groups included a 43-inch smart TV for single and couple pensioners. All TVs are expected to last for 10 years because although technology is changing rapidly, groups agreed that the item would still be functional for this long. As in 2020, MIS groups agreed that an entry-level, single screen Netflix subscription should be included for all households, to reflect changing social norms in terms of what people watch and how they access entertainment. There were several references to the effect of the pandemic when access to additional content had compensated for not being able to go out.

The amounts included for birthday and Christmas presents at the MIS increased reflecting a convergence between pensioner and working-age expectations as has been seen in previous years, and reflecting an overall perception that it is harder now than previously to find acceptable gifts for less than £20.

Retirement living standards in 2022

The amount needed to reach the retirement living standards has increased substantially in 2022. In the year to April 2022, the Consumer Prices Index rose by 9%, but as Table 2 below shows, the minimum, moderate and comfortable RLS all increased by more than the headline CPI rate between 2021 and 2022.

Table 2 Annual % increase in retirement living standards

Single retiree	Annual % increase		
	2019 to 2020	2020 to 2021	2021 to 2022
Minimum RLS	2.4%	1.0%	17.8%
Moderate RLS	1.1%	3.7%	12.0%
Comfortable RLS	1.9%	1.9%	11.2%
Retired couple			
Minimum RLS	2.5%	1.0%	19.0%
Moderate RLS	1.2%	3.8%	10.9%
Comfortable RLS	2.1%	2.1%	9.6%

The minimum RLS has increased at the fastest rate over the past year. As indicated above, some of this increase is a result of changes within the goods and services that make up a minimum budget; some is a consequence of increases in prices.

The annual increase in what is needed to reach each living standard level over the last year is by far the largest since the retirement living standards were first established in 2019 (see Figures 1 and 2). Across all of the RLS, the increase in the price of domestic fuel has been the most significant factor in increasing what is needed overall. Between 2021 and 2022, the weekly cost of domestic fuel for a single retiree has increased by 133% at the minimum, 134% at the moderate and 131% at the comfortable. For a retired couple, the cost of domestic fuel has increased by 127% at the minimum, 136% at the moderate and 130% at the comfortable level. The increase in the weekly cost of domestic fuel accounts for between 30-40% of the increases in the overall budgets for a minimum, moderate and comfortable living standard in retirement between 2021 and 2022.

Figure 1 Weekly Retirement Living Standard budgets for single retiree, 2019-2022

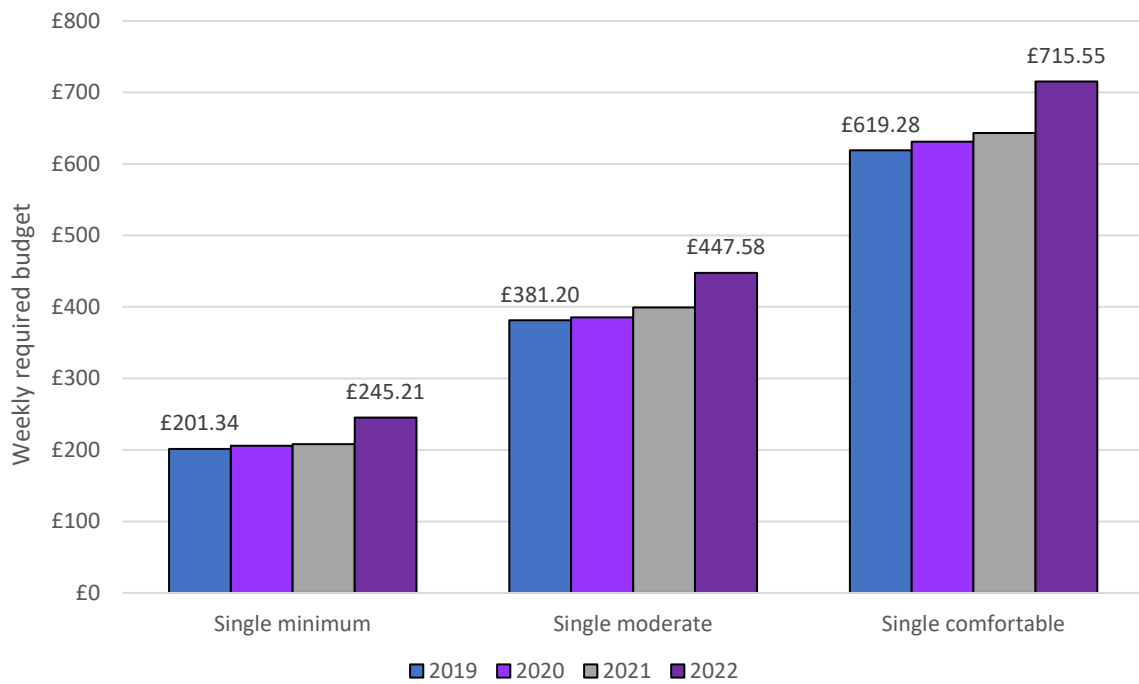
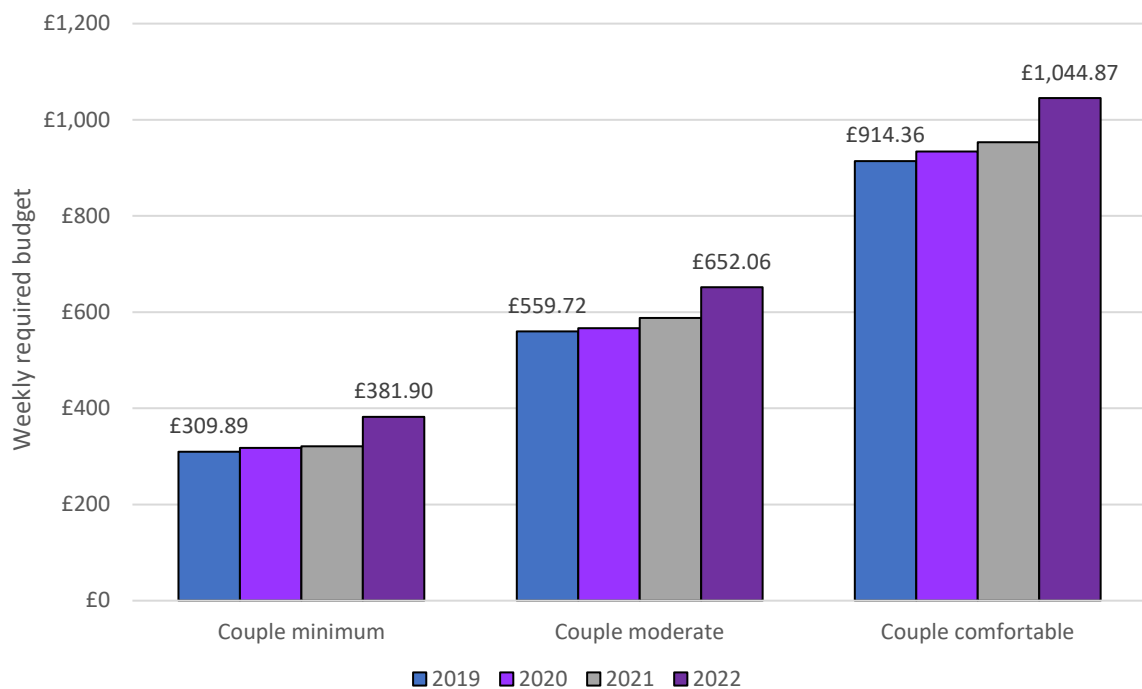


Figure 2 Weekly Retirement Living Standard budgets for retired couple, 2019-2022



Increases in the costs associated with motoring at the moderate and comfortable RLS over the past year – driven by increases in the cost of second hand cars *and* in the cost of petrol/diesel – have resulted in this element of the budgets increasing by 16%.

Table 3 sets out how much the weekly expenditure needed for a minimum, moderate and comfortable RLS has changed, year on year, since the RLS were established in 2019. In combination, the increases in prices across the baskets of goods and services needed at each level mean that the annual amount needed to cover expenditure at a minimum RLS (excluding rent) has increased by an average of around £2500 a year; at the moderate RLS, this has increased by an average of around £3000 a year; at the comfortable RLS, this has increased by an around £4300 a year. This is a substantial increase in the required expenditure needed to reach each described living standard in retirement and shows the impact of high inflation on the cost of reaching each RLS.

Table 3 Increase in retirement living standards (£ per week)

Single retiree	Increase (£ per week)		
	2019 to 2020	2020 to 2021	2021 to 2022
Minimum RLS	£4.76	£2.08	£37.03
Moderate RLS	£4.06	£14.27	£48.05
Comfortable RLS	£12.06	£12.09	£72.11
Retired couple			
Minimum RLS	£7.76	£3.21	£61.04
Moderate RLS	£6.63	£21.43	£64.28
Comfortable RLS	£19.34	£19.37	£91.81

Tables 4 and 5 set out in detail the Retirement Living Standard budgets for 2019 to 2022 for the UK for a single retiree and retired couple.

Table 4 Single RLS budgets 2019-2022

	Minimum				Moderate				Comfortable			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Food	46.57	47.26	47.10	58.14	64.17	65.28	70.29	74.28	131.07	135.74	136.85	146.23
Alcohol	7.80	8.00	8.05	6.17	9.50	9.72	9.79	9.91	12.70	12.96	13.07	13.22
Tobacco	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Clothing	7.50	7.62	7.91	8.68	14.38	13.94	13.99	15.17	23.97	22.88	22.74	24.59
Water rates	6.19	5.98	6.09	7.44	4.27	4.13	4.20	7.44	4.27	4.26	4.34	7.44
Council tax	17.28	17.96	18.68	16.55	23.35	24.27	25.24	25.24	23.35	25.41	26.43	26.43
Household insurances	1.51	1.58	1.48	1.47	2.70	2.84	2.66	2.97	2.70	2.86	2.68	2.99
Fuel	11.54	10.75	11.01	25.71	14.54	13.54	13.87	32.42	19.25	18.42	18.86	43.58
Other housing costs	2.91	2.95	2.99	1.92	16.03	16.26	16.46	17.71	23.70	24.08	24.39	26.23
Household goods	14.75	14.84	15.39	19.65	24.91	24.98	25.88	28.89	78.59	79.05	82.06	91.63
Household services	8.24	8.58	8.84	10.02	7.77	8.05	7.95	8.34	36.72	38.18	37.47	38.36
Personal goods and services	16.75	18.20	18.52	28.35	27.18	27.91	28.51	29.44	34.72	35.96	37.95	39.26
Motoring	0.00	0.00	0.00	0.00	39.72	38.38	40.67	47.37	46.75	44.67	47.32	55.12
Other travel costs	14.58	14.69	15.42	12.37	13.20	13.22	14.43	15.00	4.60	5.02	5.21	5.45
Social and cultural participation	45.71	47.68	48.20	48.74	119.47	122.74	125.57	133.40	176.87	181.86	184.07	195.01
Total (excluding rent)	201.34	206.09	209.68	245.21	381.20	385.25	399.53	447.58	619.28	631.34	643.43	715.55

Table 5 Couple RLS budgets 2019-2022

Couple	Minimum				Moderate				Comfortable			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Food	74.45	75.53	75.25	96.35	108.26	110.22	120.34	126.97	213.72	221.41	222.69	238.20
Alcohol	11.99	12.28	12.37	12.07	19.00	19.44	19.59	19.82	25.40	25.93	26.13	26.44
Tobacco	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Clothing	14.73	15.23	15.82	17.36	28.77	27.88	27.99	30.35	47.95	45.76	45.48	49.17
Water rates	7.30	7.06	7.18	8.78	7.41	7.16	7.29	8.78	7.41	7.39	7.51	9.18
Council tax	23.06	23.96	24.93	23.05	31.14	32.36	33.65	33.65	31.14	33.88	35.24	35.24
Household insurances	1.57	1.65	1.55	1.69	2.55	2.68	2.51	2.80	2.55	2.69	2.53	2.82
Fuel	15.80	14.72	15.07	34.18	21.31	19.85	20.33	48.00	21.31	20.38	20.87	48.00
Other housing costs	2.91	2.95	2.99	1.92	16.03	16.26	16.46	17.71	23.70	24.08	24.39	26.23
Household goods	16.79	16.90	17.55	22.61	28.61	28.70	29.79	33.33	78.59	79.05	82.06	91.65
Household services	10.04	10.46	10.77	12.32	14.25	14.74	14.47	15.19	45.96	47.89	49.13	50.32
Personal goods and services	35.08	38.02	38.67	53.60	55.12	56.61	57.83	59.70	67.69	70.10	74.07	76.64
Motoring	0.00	0.00	0.00	0.00	39.45	38.12	40.39	47.04	70.76	67.60	71.62	83.42
Other travel costs	18.12	18.25	19.16	19.73	16.41	16.50	17.83	18.55	9.01	9.84	10.20	10.66
Social and cultural participation	78.04	80.64	81.56	78.24	171.42	175.84	179.32	190.16	269.19	277.69	281.13	296.89
Total (excluding rent)	309.89	317.65	322.87	381.90	559.72	566.35	587.78	652.06	914.36	933.70	953.07	1044.87

4 Conclusion and next steps

The high rate of inflation this year across budget areas has resulted in a large increase in what is needed to reach each of the retirement living standards. Incorporating the substantially increased cost of domestic fuel, following the higher price cap introduced in April, has also driven the significant increase in the RLS.

While inflation is unlikely to remain at this level in the medium term, the rebase of the retirement living standards next year will help to reveal whether the cost of living crisis has had an impact on public views and expectations of what is needed in retirement. Have expectations of what it is reasonable to expect at a moderate or comfortable standard of living in retirement been affected by the prolonged squeeze on living standards? Or have expectations remained broadly similar despite the current financial and broader economic challenges?

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