

WiseRetire AI

# UK Retirement Readiness Guide 2025

Everything you need to know about retiring confidently in Britain

FREE GUIDE | PLAIN ENGLISH | UK-SPECIFIC | 2025 EDITION

## WHAT'S INSIDE THIS GUIDE

Chapter 1 — Understanding the UK State Pension .....	2
Chapter 2 — How to Calculate Your Retirement Income .....	3
Chapter 3 — ISAs, SIPPs and Pension Drawdown Explained .....	4
Chapter 4 — Closing the Retirement Income Gap .....	5
Chapter 5 — Using AI Tools for Smarter Planning .....	6
Chapter 6 — Your 12-Month Retirement Action Plan .....	7

Prepared by WiseRetire AI. This guide provides general educational information about retirement planning in the United Kingdom. It does not constitute regulated financial advice. Please consult a qualified independent financial adviser for personal guidance.

### What Is the State Pension?

The UK State Pension is a regular payment from the government that you receive when you reach State Pension age. It is funded through National Insurance (NI) contributions made during your working life. As of 2025, the full new State Pension is **£221.20 per week** (£11,502 per year).

**Key Insight:** You need at least 35 qualifying years of National Insurance contributions to receive the full new State Pension. You need a minimum of 10 years to receive anything at all.

### State Pension Age

The current State Pension age in the UK is 66 for both men and women. It is scheduled to rise to 67 between 2026 and 2028, and to 68 between 2044 and 2046 under current government plans.

### How to Check Your State Pension Forecast

You can check your State Pension forecast online via the government's "Check your State Pension" service at gov.uk. This shows:

- How much State Pension you could receive
- When you can claim it
- How you can increase it if you have gaps in your NI record

**Key Insight:** You can pay voluntary NI contributions to fill gaps in your record and boost your State Pension. This can be a very cost-effective way to increase your retirement income.

## The Three Sources of Retirement Income

Most UK retirees draw income from three main sources:

Source	What It Is	Average Amount
State Pension	Government payment based on NI record	Up to £221/week
Workplace Pension	Employer and employee contributions	Varies widely
Personal Savings	ISAs, SIPPs, property income	Varies widely

## How Much Will You Need?

The Pensions and Lifetime Savings Association (PLSA) publishes annual "Retirement Living Standards" to help people understand how much they might need. As a rough guide for 2025:

Standard	Single Person	Couple
Minimum	£14,400/year	£22,400/year
Moderate	£31,300/year	£43,100/year
Comfortable	£43,100/year	£59,000/year

**Key Insight:** The State Pension alone provides a "minimum" standard for a single person. Most people will want additional income from pensions and savings to maintain their pre-retirement lifestyle.

## Individual Savings Accounts (ISAs)

An ISA is a tax-free savings or investment wrapper. In 2025, you can save up to **£20,000 per year** into ISAs. Any growth and income within an ISA is free from UK tax — you do not pay income tax or capital gains tax on money taken out.

## Self-Invested Personal Pensions (SIPPs)

A SIPP gives you greater control over your pension investments. Key features:

- You receive tax relief on contributions (basic rate taxpayers get 20% relief added automatically)
- Your pension pot grows free of income tax and capital gains tax
- From age 55 (rising to 57 in 2028) you can access your pension
- You can take up to 25% of your pot as a tax-free lump sum

## Pension Drawdown

Drawdown allows you to keep your pension pot invested and withdraw money as and when you need it, rather than buying an annuity (a fixed income for life). This gives you flexibility but requires careful management to ensure the pot lasts throughout retirement.

**Key Insight:** Many people use a combination of both approaches: taking a tax-free lump sum, buying a small annuity to cover essential costs, and using drawdown for the rest. A qualified financial adviser can help you decide what works best for you.

### What Is the Retirement Income Gap?

The retirement income gap is the difference between the income you expect to have in retirement and the income you will actually need to maintain your desired lifestyle. Closing this gap is the central challenge of retirement planning.

### Five Ways to Close the Gap

#### 1. Save more now

Even modest increases in monthly contributions can make a significant difference over time due to compound growth.

#### 2. Delay retirement

Working a few extra years dramatically increases your retirement pot and reduces the number of years it needs to support you.

#### 3. Fill NI gaps

Paying voluntary National Insurance contributions can boost your State Pension by up to £5.29 per week for each additional qualifying year.

#### 4. Consolidate pensions

If you have multiple old workplace pensions, combining them may reduce fees and make them easier to manage.

#### 5. Consider part-time work

Many retirees continue working part-time in the early years of retirement, reducing the pressure on their pension pot.

## How AI Is Changing Retirement Planning

Artificial intelligence is making it possible for everyday people to access the kind of sophisticated financial analysis that was previously only available to those who could afford expensive financial advisers. AI retirement tools can:

- Analyse your complete financial picture in seconds
- Model different retirement scenarios and show you the outcomes
- Identify gaps in your planning and suggest specific actions
- Explain complex financial concepts in plain, everyday language
- Keep your plan updated as your circumstances change

## What AI Cannot Replace

AI tools are powerful for analysis and education, but they are not a replacement for regulated financial advice. For major decisions — such as when to take pension benefits, how to structure your drawdown, or inheritance tax planning — a qualified independent financial adviser (IFA) remains essential.

**Key Insight:** Use AI tools to educate yourself and identify the right questions to ask. Then take those questions to a qualified adviser who can provide personalised, regulated advice.

### Take Control — One Step at a Time

Use this 12-month action plan to make meaningful progress on your retirement readiness. You do not need to do everything at once — small, consistent steps make a big difference.

<b>Months 1-2</b>	<b>Get the full picture</b> Check your State Pension forecast at gov.uk. Gather details of all your existing pension pots. Calculate your current monthly income and expenditure.
<b>Months 3-4</b>	<b>Understand your gap</b> Use the PLSA retirement standards to estimate how much income you will need. Compare this to your expected income. Calculate your monthly shortfall.
<b>Months 5-6</b>	<b>Take action on pensions</b> Contact old employers about workplace pensions you may have lost track of. Ask about consolidating small pension pots. Consider whether your current contributions are sufficient.
<b>Months 7-8</b>	<b>Boost your savings</b> Review your ISA contributions. Consider whether a SIPP makes sense for your situation. Look for expenses you can redirect into savings.
<b>Months 9-10</b>	<b>Fill NI gaps</b> Check for gaps in your National Insurance record. Consider whether paying voluntary contributions is worthwhile for your specific situation.
<b>Months 11-12</b>	<b>Seek professional advice</b> Consult a qualified independent financial adviser for personalised guidance. Review your plan annually and adjust as your circumstances change.

**Next Step:** Our retirement planning advisor will be in touch shortly to walk you through this guide personally and answer any questions specific to your situation. We look forward to speaking with you.