



How Much Money Will You Need for Retirement?

How much money will you need when you retire? For years, one common rule of thumb has been that retirees should plan on replacing about 80 percent of their pre-retirement income. That remains a useful starting point, but it should not be mistaken for a magic number.

Your actual needs could be considerably lower—or higher. Housing expenses may decline after retirement, commuting and work-related costs disappear, and you will no longer be setting aside part of every paycheck for retirement. On the other hand, travel, hobbies, home repairs, health care, and helping children or grandchildren can push expenses upward.

So instead of asking, “Is 80 percent enough?” ask a better question: **How much will my retirement lifestyle actually cost?**

The 80 Percent Rule Is Only a Starting Point

Current retirement-planning estimates often suggest replacing somewhere between 55 and 80 percent of pre-retirement income. The percentage varies because people with different incomes and lifestyles spend very differently.

Someone who has paid off the mortgage, drives relatively little, and prefers inexpensive hobbies may need substantially less than 80 percent. Someone planning extensive travel, maintaining an expensive home, or anticipating significant health-care expenses could need considerably more.

Your retirement budget—not somebody else's percentage—is what matters.

Know What You Will Have

Once you have estimated what you expect to spend, take inventory of the income available to pay those expenses.

Start with predictable income such as Social Security and any pension or annuity payments. Then add retirement assets such as 401(k)s, 403(b)s, traditional and Roth IRAs, savings accounts, CDs, taxable investments, and other assets you intend to use.

The distinction between **income** and **savings** is important. Social Security and a traditional pension can provide continuing monthly income. A savings or investment account is a pool of assets from which you withdraw money. Unless investment earnings replenish what you take out, withdrawals gradually reduce the balance.

Retirement planning therefore involves more than accumulating a large nest egg. You also need a reasonable plan for turning that nest egg into income that can last.

Plan for a Long Retirement

One of the biggest uncertainties is how long retirement will last. Planning for exactly 15, 20, or 25 years can be risky because no one knows his or her expiration date.

The Social Security Administration provides a life-expectancy calculator, but even that is only a statistical estimate. Some retirees will live considerably longer than the average.

That means a sound retirement plan should not simply divide accumulated savings by an estimated number of months remaining in your life. Your money may continue earning investment returns, inflation will change your expenses, and spending patterns may change as you age.

The real objective is to create a plan flexible enough to keep providing income even if you live longer than expected.

Your 50s Can Be Valuable Saving Years

If retirement is still several years away, those remaining working years can be especially valuable. You may be earning more than you did earlier in your career, while some major family expenses may have declined.

Federal tax law also provides opportunities for older workers to accelerate retirement savings. In 2026, the basic employee contribution limit for a 401(k), 403(b), or similar workplace plan is **\$24,500**. Most workers age 50 or older can contribute an additional **\$8,000**, while employees ages 60 through 63 can qualify for a higher catch-up limit of **\$11,250**.

The 2026 combined contribution limit for traditional and Roth IRAs is **\$7,500**, with an additional **\$1,100** available to eligible savers age 50 and older.

If you are behind on retirement savings, those catch-up years can make a meaningful difference.

A Nest Egg Is Only Part of the Plan

It is tempting to look at a retirement account balance and decide that a large number means you are ready. But \$500,000, \$750,000, or even \$1 million means very little without knowing how much you expect to withdraw from it.

A retiree spending \$30,000 a year from investments has a very different situation from someone withdrawing \$80,000.

The same applies to Social Security. Your monthly benefit depends on your earnings history and the age at which you claim. The Social Security Administration provides personalized estimates for claiming at different ages, making it possible to include a much more realistic Social Security figure in your retirement plan.

The objective is to match your expected **income plus sustainable withdrawals** against your expected expenses.

Start With a Retirement Budget

The foundation of retirement planning is still the same as it was when this article was originally written: **make a budget**.

Begin with 6 to 12 months of actual bank, credit-card, and household records. That is much more reliable than trying to remember where your money went.

Separate your spending into several useful categories. Essentials include housing, food, utilities, transportation, insurance, and taxes. Discretionary expenses include restaurants, entertainment, subscriptions, hobbies, and travel. Then identify irregular expenses such as property taxes, insurance premiums, car repairs, appliance replacement, and home maintenance.

Those irregular bills deserve special attention. They may not arrive every month, but they still have to be paid.

Don't Underestimate Health Care

Health-care planning has changed considerably since this article was first written.

Someone retiring before age 65 generally needs health coverage until becoming eligible for Medicare. Depending on the retiree's circumstances, that could mean coverage through a spouse, COBRA, an Affordable Care Act marketplace plan, or another source.

Medicare does not make health care free after age 65, either. Retirees may have premiums, deductibles, copayments, prescription-drug expenses, supplemental coverage, dental care, hearing aids, and vision expenses.

For 2026, the standard Medicare Part B premium alone is **\$202.90 per month**, with higher-income beneficiaries paying more. Health expenses therefore deserve their own line in a retirement budget rather than being buried under miscellaneous expenses.

Budget for the Retirement You Actually Want

Retirement is supposed to provide time to do things you could not do while working. Budget for them.

If you plan to travel, estimate the cost. If you want season tickets, include them. If golf, gardening, woodworking, theater, restaurants, or visiting grandchildren will be part of your life, give those activities a realistic number.

You may also discover trade-offs. Someone planning to travel extensively might decide that maintaining a large house no longer makes sense. Downsizing could reduce taxes, utilities, insurance, and maintenance while freeing home equity for other purposes.

A retirement budget should describe the life you intend to live, not merely the minimum amount required to survive.

Don't Forget Inflation

A retirement budget prepared today will not remain accurate forever.

Even relatively modest inflation gradually reduces purchasing power. Food, utilities, insurance, property taxes, travel, and medical care are unlikely to cost the same 10 or 20 years from now.

Social Security benefits receive annual cost-of-living adjustments when applicable, but not every retirement-income source automatically keeps pace with inflation. A pension paying a fixed amount, for example, may buy considerably less late in retirement than it did when payments began.

Your plan therefore needs room for expenses to increase.

Compare Income With Expenses

Once you have estimated your monthly retirement expenses, compare them with reliable monthly income from Social Security, pensions, annuities, and other predictable sources.

Suppose you estimate that retirement will cost \$5,000 per month and Social Security plus a pension will provide \$3,500. You have a **\$1,500 monthly gap**, or \$18,000 per year, that must come from savings and investments.

That is a much more useful number than simply deciding that you need 80 percent of your former salary.

You can then ask whether your retirement assets can reasonably support that annual withdrawal while allowing for inflation, taxes, market fluctuations, unexpected expenses, and a potentially long life.

Adjust While You Still Have Choices

If the numbers do not work, finding out before retirement gives you options.

You might save more, reduce expenses, work somewhat longer, postpone a major purchase, downsize the house, or reconsider the retirement date. Delaying Social Security can also increase the monthly benefit for people who can afford to wait, with delayed retirement credits available until age 70.

None of those choices has to be made in isolation. Sometimes several modest adjustments are enough to close the gap.

Do Your Own Math

The familiar 80 percent rule remains useful because it gives retirement planning a place to start. It should not be where the planning ends.

Your retirement will have your house, your health-care costs, your travel plans, your Social Security benefit, your savings, your family obligations, and your idea of what constitutes a comfortable life.

Start by estimating what that life will cost. Add the reliable income you expect to receive. Determine how much of the difference must come from savings and investments, and allow enough flexibility for inflation, unexpected expenses, and a longer life than you anticipated.

Then ask the question that really matters—not **“How much money does the average person need to retire?”** but **“Will the resources I have support the retirement I want?”**

That is a question worth answering before the last paycheck arrives.