Santander

Think Investments

Winter 2025

Together with Santander Asset Management

Welcome

Think Investments helps you keep in touch with and navigate your way around the world of investments.

The start of a new year is traditionally a time for making plans, or at least resolutions. By the time you're reading this you might have made resolutions that have already fallen by the wayside. That's a familiar feeling for most of us.

One of the problems with resolutions is they can lack the structure and solidity of a well thought out plan. A resolution is essentially a wish to do or be something. Without backing that up in a practical way, it's unlikely to achieve what you hoped or expected.

A plan is a structured set of steps with purpose, accountability, timescales and check points to monitor progress. Your resolution might be to visit some far-flung location on your bucket list, but it won't happen unless you go online or visit a travel agent, buy your ticket and get on the plane.

It's the same for making sure you have a comfortable retirement. You might be aware this is something you need to think about, and your resolution was to sort it out this year. The sooner you have a plan in place the more likely you are to achieve it.

A big part of retirement planning is working out what you might need to live the lifestyle you want when you retire. In this edition we're delving into what the costs of retirement might look like depending on your personal goals and expectations. Once you know what you're aiming for, you can check whether you're on track to achieve this or if you need to take action. This is something a financial adviser can help you with.

We look at some customer examples and explore how the timing of when you start planning for retirement can affect the cost of your pension and how much you need to save over time.

As always, we hope you find Think Investments an interesting and helpful read.

Nick Kelly
Head of Propositions
Retail Investing

How much will you need to live on in retirement?

Knowing what your retirement goal is.

A comfortable retirement where you can spend your time as you choose is a common goal. Setting up and contributing to a pension is the best way of getting there.

Getting into the details of retirement living

You may have a pension set up already and you probably have ideas of what you want to do in retirement (travel, spend time with your grandchildren or home improvement projects for example). But have you thought in detail what that might look like? And more importantly what it might cost?

Retirement Living Standards

The Retirement Living Standards from Pensions UK are backed by independent research into the annual cost of living in retirement based on common expenses. They cover three levels – minimum, moderate and comfortable – for individuals and couples, but don't include mortgage or rent costs or any care costs that might be needed.

It's natural to think about the things we can do in retirement that time constraints and family or work commitments currently rule out. That's one of the great things about planning; anticipation can be just as enjoyable as the event itself. But it's also vital to think about the day-to-day, the things you do now that you'll still have to fund. Things like household bills, running a car, replacing items around the house like a laptop or washing machine, new glasses, charity donations, helping your family and giving gifts for birthdays and Christmas.

All of these and more are included in the Retirement Living Standards. Everyone's lives and priorities are different, but the standards are based on common costs and offer a helpful start to get you thinking.

Minimum: £13,400 a year (£21,600 a year for a couple)

The basics of day-to-day living are all covered, with some money left over to enjoy life.

These might include: £200 each year for DIY and home repairs, £55 each week on groceries and £450 annually on new clothes and shoes. It doesn't allow for a car but does include two taxi trips each month. You can afford one week long holiday in the UK and £20 for a Christmas and birthday gift for 12 of your friends and family.

Moderate: £31,700 a year (£43,900 a year for a couple)

More flexibility with greater scope for leisure time and holidays.

There's more to spend on the house each year - £500 - with £300 in reserve for emergencies. There's more scope to eat out and have takeaways on top of £56 each week for groceries. A small car replaced every seven years is included alongside £104 a year on trains. A fortnight in the sun each year is in addition to an off-peak long weekend break in the UK. There's also provision for supporting charity with £200 a year for donations as well as £1,000 to treat grandchildren or pay for their activities.

Comfortable: £43,900 pa (£60,600 a year for a couple)

Greater financial freedom with money for luxuries. One luxury is more travel, with three UK long weekend breaks, as well as a fortnight abroad.

There's a good deal of similarity with moderate living – the same type of car but replaced every five years, the same clothes budget and family support.

The extras give a greater degree of freedom and choice. Things you might currently take for granted such as a comprehensive broadband and streaming package, more spending money while on holiday and greater scope for socialising and gifting.

Things to consider

These figures are all based on how much you might need to spend for the lifestyle you want. Remember that income tax is taken from your pension which isn't shown in these figures. You'll also need to consider any other income you receive and be careful you don't move into a higher tax bracket. Most people will receive a State Pension – the full State Pension for 2025/26 is £11,973 a year – from age 66 (rising to 67 between 6 April 2026 and 6 April 2028). If you plan to retire earlier, you'll need to make up the difference.

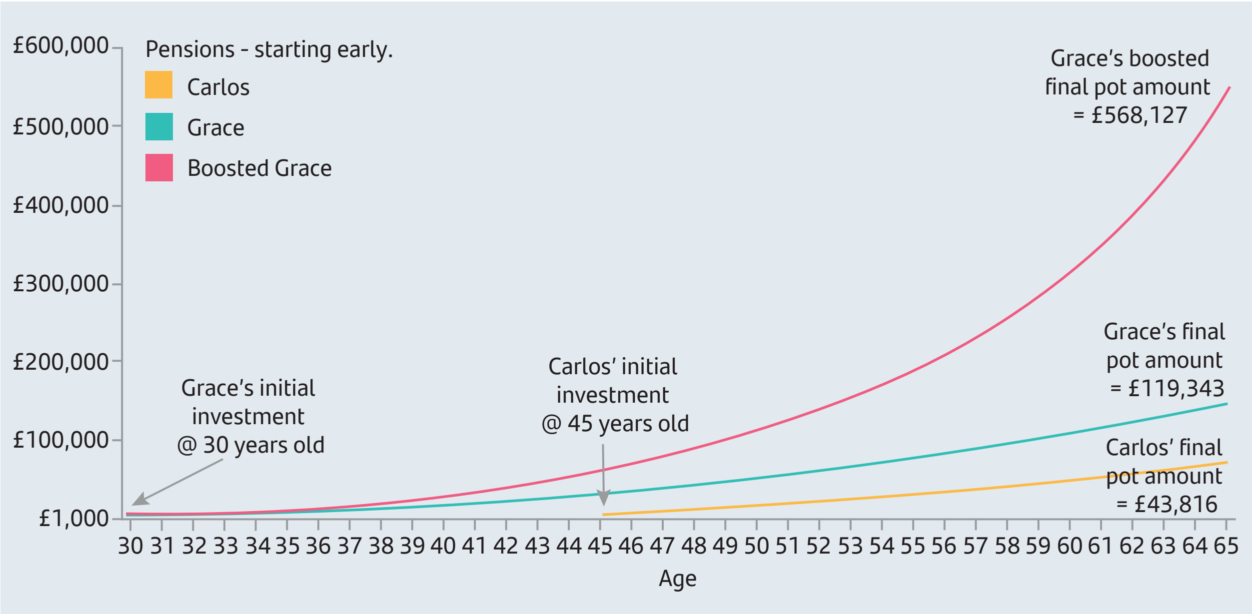
There's a lot to think about when it comes to retirement planning. Everyone's retirement is unique; our lifestyles and priorities are our own. Taking time to think about what your retirement might look like day-to-day, how long you want your money to last and how much that might cost, is an essential part of a clearly defined plan for retirement.

You might find it helpful to speak with a financial adviser. They can help you set out your plan and then work towards it, checking on progress to keep you on track for the lifestyle you want.

Source: https://www.retirementlivingstandards.org.uk/

Time is your greatest asset when saving for your pension

So far, we've looked at how much you might need for the retirement you want and why having a clear plan matters. Now, we'll look at some customer examples that show how the timing of when you start saving can affect your pension.



Example 1

Carlos starts thinking about his pension at age 45. He starts with an initial investment of £1,000 and decides to pay in an extra £100 every month. By age 65, Carlos' pension could be worth almost £44,000. This is a nice sum of money, but it's worth remembering it might have to last 20-30 years or more. Carlos could use his fund to buy a regular income for life, which is called an annuity. He might get around £2,700 per year after tax, which may not be enough to live on alone without any other source of income. If Carlos' total income from all sources is lower than the personal allowance, he won't have to pay income tax, and he might get around £3,200 per year.

Example 2

Meanwhile, Grace wants to get a head start on setting money aside for her future. Starting at age 30, she pays in the same amount as Carlos. Yet by age 65 Grace's pension could be worth almost £120,000. That's a difference of around £75,000, all by starting a pension that bit earlier. Grace might get around £7,350 after tax per year from an annuity, considerably more than Carlos (or around £8,700 if her total income from all sources is lower than the personal allowance).

Example 2 boosted

Grace could also boost her pension by regularly increasing her monthly payments over time. For example, by saving an extra 10% each year (an extra £10 a month at the end of year one, an extra £21 a month at the end of year two, and so on) this would take her potential pension value to over £568,000. This would also make a real difference to Grace's annuity income, increasing it to around £35,000 after tax.

The above examples highlight a clear message - the earlier you start, the more time your money has to grow. This can make reaching your retirement goals much easier.

These examples assume no tax-free cash has been taken.

Notes: Calculations for investment growth are based on a 5% return annually and with monthly compounding – this is the return based on the original investment plus investing growth.

Annuity calculations are based on a 7.7% annuity rate, with no guaranteed period, on a single life basis with no inflation protection and assuming 3% inflation. 'After tax' figures assume that income is above the personal allowance and annuity payments are taxed at the basic rate.

Amounts shown are examples only and are not guaranteed returns. The minimum pension age is increasing from 55 to 57 from 6 April 2028.

As with all investments, your capital is at risk, and you may get back less than you invest.

Source: https://www.thecalculatorsite.com/finance/calculators/compoundinterestcalculator.php

Source for annuity calcs: https://over50calculators.co.uk/free-pension-calculators/pension-annuity-calculator/

Santander Market Review

18 August – 19 November 2025

Global stock markets were more unpredictable than usual over the past three months. After a strong summer, investors became more cautious. This was due to new political tensions and changes in central bank policies. Some markets kept their earlier gains, but others fell slightly as people worried about the future.

Geopolitical factors

A fragile ceasefire between Israel and Iran lasted for most of this period. However, fighting continued in Gaza and Ukraine, which made investors nervous. In October, new conflicts in Eastern Europe caused energy prices to rise and European shares to fall. The US government kept most of its trade tariffs in place, which continued to affect global trade.

Interest rates and inflation

Central banks were careful with their decisions. The US Federal Reserve kept interest rates steady at 4.25%–4.50%. During the time of the market review the Bank of England also left rates unchanged at 4.00%. The European Central Bank paused after its June rate cut, keeping its main rate at 2.15%. Inflation stayed above target in many countries, including the US and UK, where it was over 2.5%. Tariffs continued to push up prices for consumers, making it harder for inflation to return to normal.

Market performance

Stock markets had several short drops, especially in late September and mid-October. These were caused by worrying news about world events and weaker economic data from the US and China. Still, strong company profits and hopes for more government spending in Europe helped limit losses. US shares stayed about the same, while European markets did a bit better, helped by defensive sectors and plans for more spending in Germany.

Bond markets were also unsettled. Yields changed often as investors reacted to news about inflation and central bank plans. US Treasury bonds lost some of their summer gains, while European government bonds benefited as investors looked for safer options. Portfolios with more shares had mixed results. Those with more bonds and defensive assets did a little better.

Article provided by Santander Asset Management UK for Santander Investment customers.

Santander Market Outlook

Our view is that the global economy will keep growing, but inflation may take longer to fall back to normal levels. This is because tariffs and higher costs are still affecting prices. Even so, strong government and central bank support, along with healthy businesses and households, should help the economy stay on track.

What does this mean for investors?

We are slightly more positive about riskier assets like shares, as company profits are holding up well. While shares are not cheap, their prices reflect the potential for steady growth and a low risk of a sudden downturn.

We prefer shares in the US and Japan. US companies are showing strong profits, helped by new investments in artificial intelligence. Japanese shares are also attractive, with lots of interest from foreign investors and good value compared to other markets. On the other hand, Europe and the UK are facing more challenges, such as political uncertainty and a lack of clear reasons for growth.

We like corporate bonds more than government bonds. Many companies are in good financial shape, and there is strong demand for bonds that offer higher returns.

In commodities, we continue to favour gold. Gold is in demand as a safe place to invest during uncertain times.

What are the risks?

There is still a lot of uncertainty. Tariffs and their effects on supply chains could slow growth and keep inflation higher for longer. High levels of government debt in countries like the US, Japan, the UK, and France are also a concern, especially as interest rates remain high. Finally, a lack of economic data during the US government shutdown makes it harder to see the full picture.

Article provided by Santander Asset Management UK for Santander Investment customers.

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