

TABLE 1 Percentage of Dependency for Two-Parent Families by Income Quintile

| Income of spouse as % of income of deceased | Weekly household Income (before tax) | Number of Children | | | | | | |
|--|---|--------------------|-------|-------|-------|-------|-------|-------|
| | | 0 | 1 | 2 | 3 | 4 | 5 | |
| 0% | 1st Quintile | \$464 | 70.8% | 75.2% | 77.9% | 79.9% | 81.4% | 82.5% |
| 0% | 2nd Quintile | \$962 | 69.6% | 74.1% | 76.9% | 78.8% | 80.3% | 81.5% |
| 0% | 3rd Quintile | \$1,612 | 69.3% | 74.2% | 76.8% | 78.8% | 80.2% | 81.3% |
| 0% | 4th Quintile | \$2,481 | 69.2% | 74.2% | 76.8% | 78.6% | 80.0% | 81.1% |
| 0% | 5th Quintile | \$4,928 | 67.1% | 72.3% | 74.8% | 76.5% | 77.9% | 78.9% |
| 0% | All households | \$2,086 | 68.6% | 73.5% | 76.1% | 78.0% | 79.4% | 80.5% |

| Income of spouse as % of income of deceased | Weekly household Income (before tax) | Number of Children | | | | | | |
|--|---|--------------------|-------|-------|-------|-------|-------|-------|
| | | 0 | 1 | 2 | 3 | 4 | 5 | |
| 100% | 1st Quintile | \$464 | 41.5% | 50.4% | 55.9% | 59.8% | 62.8% | 65.1% |
| 100% | 2nd Quintile | \$962 | 39.1% | 48.2% | 53.7% | 57.7% | 60.6% | 62.9% |
| 100% | 3rd Quintile | \$1,612 | 38.6% | 48.3% | 53.7% | 57.5% | 60.4% | 62.6% |
| 100% | 4th Quintile | \$2,481 | 38.3% | 48.4% | 53.6% | 57.3% | 60.0% | 62.2% |
| 100% | 5th Quintile | \$4,928 | 34.3% | 44.6% | 49.5% | 53.1% | 55.8% | 57.8% |
| 100% | All households | \$2,086 | 37.3% | 47.1% | 52.3% | 56.0% | 58.8% | 61.0% |

Notes to Table 1:

The dependency percentages in Table 1 above are an update to Table 9.1 of the fourth edition of *Assessment of Damages for Personal Injury and Death* by Prof Luntz ("Previous Table"), and have been prepared on a similar basis to the Previous Table. These dependency percentages are for a 2-parent family and are to be applied to a deceased's after-tax income, by reference to the percentages applicable to the relevant household income (before tax) quintile.

There is no need to deduct an any amount for the deceased's personal consumption in retirement because the approach (shown with worked example at page 4 below) assumes that the dependents and the deceased would have benefited from the deceased's superannuation and savings in the same ratio as defined by the dependency percentage.

The differences between the methodology used to create the Previous Table and Table 1 above are:

1. Table 1 is based on data from the ABS Household Expenditure Survey, Australia: Summary of Results, 2015–16 (Cat. No. 65300DO004_201516), whereas the Previous Table was based on much older ABS data.
2. The allocation of expenditure to personal or fixed household expenses is based on 6-digit expenditure categories from the ABS Household Expenditure Survey data. The expenditure allocations are made at a more segregated level than in the Previous Table, and in some cases differ from the Previous Table. A detailed list of expenditure allocations are on this website.
3. The dependency percentages are calculated for households of different income quintiles. The Previous Table was based only on an average of all income quintiles. The notes to the Previous Table stated that there was little difference between the quintiles. Similarly, the difference in dependency percentages is not particularly large across the various household income levels using the data from the 2015-16 ABS survey. Therefore, average dependency percentages could be still be used, however a somewhat more precise dependency would be calculated if dependency percentages relating to the income quintile closest to the subject household's income are chosen.

TABLE 2 Allocation of Dependency between Dependents

| <u>Number of children</u> | <u>Allocation to spouse</u> |
|---------------------------|-----------------------------|
| 0 | 100.0% |
| 1 | 61.3% |
| 2 | 48.1% |
| 3 | 40.8% |
| 4 | 36.2% |
| 5 | 32.9% |

Notes to Table 2:

After ascertaining the dependency percentage of the total household from Table 1, the percentage in Table 2 should be applied to derive to portion of the total dependency percentage which is applicable to the surviving spouse. The balance of the dependency percentage is to be split amongst the children (as shown in the worked example at page 4 below).

The above allocations to the surviving spouse have been calculated on a similar basis to those made in the Previous Table. The underlying assumption regarding the allocation is that any expenditure that has not been allocated to the spouse, deceased or children directly (such as non-divisible housing costs) is to be allocated to the remaining family members on an equal basis. These calculations are based on the expenditure of the average of all households, rather than by income quintile. The allocations across individual income quintiles generally differ by less than 1% and can usually be disregarded.

Single parent families:

Due to the rare and unique nature of claims by children in single parent families where the deceased was the sole parent, we have not calculated a set of dependency percentages for this circumstance. The data in Table 1 should not be used in the circumstance of only child dependents. The specific circumstances of the particular case should be considered.

Simplified worked example

| | |
|---|------------------------------------|
| Deceased's weekly income, before tax | \$1,000 |
| Spouse's weekly income, before tax | \$700 |
| Household income weekly, before tax | \$1,700 (3 rd quintile) |
| Deceased's weekly income, after tax | \$800 |
| Deceased's weekly superannuation, after tax | \$80 |
| Spouse's weekly income, after tax | \$560 |
| Household composition | Couple with three children |

The tax allowed for is hypothetical, and some figures have been rounded for simplicity.

Step 1: Add the deceased's and spouse's weekly incomes (before-tax) to arrive at the weekly household income (before tax). Use this to select the most relevant income quintile from Table 1, in this case, the 3rd quintile.

Step 2: Divide the spouse's income by the deceased's income (after tax) to arrive at the spouse to deceased income ratio ("**the Ratio**"). In this case, $\$560 \div \$800 = 70\%$.

Step 3: Multiply the Ratio by the dependency percentage in the 3rd quintile of the 100% spouse to deceased income section of Table 1. In this case $70\% \times 57.5\% = 40.3\%$.

Step 4: Multiply {1 minus the Ratio} by the dependency percentage in the 3rd quintile of the 0% spouse to deceased income section of Table 1. In this case, $30\% \times 78.8\% = 23.6\%$.

Step 5: Add the amounts calculated at Steps 3 and 4 to arrive at the dependency percentage. In this case, $40.3\% + 23.6\% = 63.9\%$.

Step 6: To calculate the weekly loss of income support, multiply the deceased's weekly income, after tax, by the dependency percentage at Step 5. In this case, $\$800 \times 63.9\% = \511 .

Step 7: To calculate total loss of dependency on income, multiply the amount calculated at Step 6 by the relevant number of weeks or the relevant multiplier.

Step 8: To calculate the deceased's superannuation benefit, but for the death, first multiply the deceased's weekly superannuation contribution, after tax, by the number of weeks in the loss period.

Step 9: To calculate the spouse's loss of dependency on the deceased's superannuation, multiply the amount derived in Step 8 by the dependency percentage applicable to a spouse with no children, calculated following Steps 1 to 5 above, and discount that lump sum amount to the present value date. This loss is usually attributed to the surviving spouse (as opposed to any child dependents).

Step 10: Allocate the loss calculated in Step 7 to each of the dependants using Table 2. In this case, assuming a total loss of dependency on income of \$50,000, 40.8% (Table 2, 3 children percentage) relates to the surviving spouse, being \$20,400. The remaining loss is divided by the number of children. In this case, $\$50,000 - \$20,400 = \$29,600 \div 3 = \$9,867$ (per child).