

Essential personal expenditure

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Summary

This note uses 1998-99 Household Expenditure Survey data to estimate essential personal expenditure for an adult member of a family as about \$157 per week. This estimate may provide a starting point for assessment of the deduction from earnings losses after a presumed date of death.

The definition of "essential" derives from the New South Wales Court of Appeal finding in *James Hardie & Coy Pty Limited v Roberts & Anor* (1999) NSWCA 314 (13 September 1999). Sheller JA quoted the Court's view in *Commonwealth of Australia v McLean* (13 December 1996) that

"...it was well established that, in awarding damages for loss of earning capacity during the lost years, it was necessary to deduct some expenditures which no longer had to be made because the plaintiff would be dead, but only to the extent of the plaintiff's ordinary living expenses which did not include his expenditure on personal pleasures such as entertainment. Expenses such as rent, food, clothes, fares, gas, electricity and other accommodation expenses were items to be deducted, being expenditure necessary for the plaintiff to exploit his earning capacity."

Sheller JA quoted Judge Curtis in *McLean*:

"A distinguishing feature of the cost of maintenance ... is that it is a constant sum independent of the income of any particular plaintiff."

We have estimated the average cost of maintenance of an adult family member by comparing the average expenditures of one-adult and two-adult families. Assumptions have been made about the essential proportions of different expenditure types, and about increases in expenditure from 98-99 to 00-01.

Table 1 : 1998-99 Household Expenditure Survey data

| Expenditure type | Couple only \$ pw | Couple + 2 dependent children \$ pw | Lone person \$ pw | Adult + dependent children \$ pw |
|-----------------------------------|-------------------------|--|-------------------------|---|
| Current housing costs | 86.40 | 124.17 | 70.98 | 106.10 |
| Domestic fuel and power | 16.85 | 22.67 | 11.59 | 16.79 |
| Food & non-alcoholic beverages | 117.50 | 173.90 | 59.02 | 101.95 |
| Alcoholic beverages | 20.78 | 19.35 | 10.82 | 8.52 |
| Tobacco products | 8.49 | 9.10 | 6.62 | 12.87 |
| Clothing & footwear | 25.99 | 50.09 | 11.72 | 21.96 |
| Household furnishings & equipment | 47.94 | 55.24 | 23.19 | 23.92 |
| Household services & operation | 35.68 | 58.74 | 23.75 | 42.09 |
| Medical care & health expenses | 37.28 | 41.58 | 17.63 | 15.60 |
| Transport | 111.13 | 159.86 | 52.73 | 74.79 |
| Recreation | 89.62 | 113.96 | 46.72 | 54.05 |
| Personal care | 13.77 | 16.82 | 6.54 | 10.22 |
| Miscellaneous goods & services | 47.66 | 81.31 | 28.77 | 39.40 |
| Total goods and service | 659.09 | 926.79 | 370.08 | 528.26 |

The above figures are from Australian Bureau of Statistics "1998-99 Household expenditure survey Australia - summary of results" catalogue no 6530.0, 28 June 2000, pages 16-17.

Table 2 : Expenditure reductions from death of partner

| Expenditure type | Couple with children \$ pw | Couple without children \$ pw | Average reduction \$ pw | Assumed percent essential | Estimated essential costs \$ pw |
|-----------------------------------|-------------------------------------|--|-------------------------------|---------------------------------|--|
| Current housing costs | 15.42 | 18.07 | 16.75 | 100% | 16.75 |
| Domestic fuel and power | 5.26 | 5.88 | 5.57 | 100% | 5.57 |
| Food & non-alcoholic beverages | 58.48 | 71.95 | 65.22 | 100% | 65.22 |
| Clothing & footwear | 14.27 | 28.13 | 21.20 | 50% | 10.60 |
| Household furnishings & equipment | 24.75 | 31.32 | 28.04 | 50% | 14.02 |
| Household services & operation | 11.93 | 16.65 | 14.29 | 50% | 7.15 |
| Medical care & health expenses | 19.65 | 25.98 | 22.82 | 100% | 22.82 |
| Personal care | 7.23 | 6.60 | 6.92 | 50% | 3.46 |
| Total of above | 156.99 | 204.58 | 180.81 | | 145.59 |

Expenditure reductions arising from the death of a parent with a partner and children were estimated from Table 1 by comparing the expenses of a couple with two children and a sole parent with children. Expenditure reductions arising from the death of an adult with a partner but no children were similarly estimated by comparing the expenses of a couple without children with those of a sole person. The two sets of reductions were averaged, and assumptions made about the percentages of different types of expenditure considered essential:

- current housing costs, domestic fuel and power, food & non-alcoholic beverages, medical care & health expenses were assumed to be 100% essential
- clothing & footwear, household furnishings & equipment, household services & operation and personal care were assumed to be 50% essential
- alcoholic beverages, tobacco products, transport, recreation and miscellaneous goods & services were assumed not to be essential.

Although cost of travel to work are essential, these costs were assumed to have already been deducted from gross income.

Allowance for price increases from 98-99 to 00-01

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|---------------------------------------|--------|
| Estimated maintenance cost in 98-99 | 145.59 |
| times CPI index in December 2000 | 131.3 |
| divided by CPI index in December 1998 | 121.9 |
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| Estimated maintenance cost in 00-01 | 157 |

The above CPI figures are from Table G2 of the Reserve Bank of Australia's Bulletin, March 2001. They are the all groups consumer price index.