

## HOW MUCH IS ENOUGH?

Lifewise.org.au suggest the following equation to help you determine how much life insurance you might need:

$$\text{Current and future financial obligations} - \text{Existing resources including survivors earnings, savings and investments and life insurance that you already own} = \text{Life insurance needed}$$

Use our table below to help you take the first step towards identifying how to protect you and your family.

Income	Monthly	Example
Salary (after-tax)		\$4,600
Bonuses		\$420

  

Fixed expenses	Monthly	Example
<b>Housing</b>		
Mortgage or rent		\$1,000
Child support/maintenance payments		\$0
Gas		\$60
Electricity		\$70
Water		\$25
Council/Rates		\$0
Food		\$400
Home phone/Mobile		\$100
Home and contents insurance		\$70
Repairs or maintenance		\$100
<b>Total</b>		<b>\$1,825</b>
<b>Transport</b>		
Petrol		\$350
Oil		\$50
Registration		\$80
Insurance		\$50
Maintenance		\$50
Public transport		\$0
Other		\$0
<b>Total</b>		<b>\$580</b>
<b>Healthcare</b>		
Insurance		\$100
Medical (including prescriptions)		\$50
Dental		\$50
Optical		\$50
Other		\$0
<b>Total</b>		<b>\$250</b>
<b>Education</b>		
School fees		\$100
Uniforms		\$20
Books		\$20
Extra tuition		\$50
Courses		\$50
Other		\$30
<b>Total</b>		<b>\$270</b>

Variable expenses	Monthly	Example
<b>Lifestyle</b>		
Pets		\$100
Eating out		\$100
Shopping (clothes, luxury items etc.)		\$100
Movies		\$50
DVDs and/or CDs		\$100
Music events/theatre/other events		\$50
Pay TV		\$0
Internet access		\$0
Magazine subscriptions		\$0
Travel		\$100
Hair/beauty		\$50
Other		\$850
<b>Total</b>		<b>\$1,500</b>
<b>Other</b>		
Credit card payments		\$100
Gifts		\$50
Other		\$0
<b>Total</b>		<b>\$150</b>

In the event of your death, injury or illness, there are additional expenses to take into account.

Expenses		Example – death	Example – disablement
<b>On illness, injury or death</b>			
Funeral expenses		\$5,500	\$0
Pay off mortgage		\$200,000	\$200,000
Settle all other debts		\$50,000	\$50,000
Remodel home for disabled access		\$0	\$100,000
Purchase vehicle for disabled use		\$0	\$50,000
Home help		\$0	\$40,000
Emergency cash supply		\$50,000	\$50,000

Summary		Example – death	Example – disablement
<b>Total monthly income</b>			
<b>Total income</b>		<b>\$5,020</b>	<b>\$5,020</b>
<b>Total monthly expenses – fixed</b>		<b>minus</b>	<b>minus</b>
Housing		\$1,825	\$1,825
Transport		\$580	\$580
Healthcare		\$250	\$250
Education		\$270	\$270
<b>Total monthly expenses – variable</b>		<b>minus</b>	<b>minus</b>
Lifestyle		\$1,500	\$1,500
Other		\$150	\$150
<b>Total Surplus (without death, illness or injury specific expenses)</b>		<b>\$445</b>	<b>\$445</b>
<b>Death, illness or injury-specific expenses</b>		<b>minus</b>	<b>minus</b>
		\$305,500	\$490,000
<b>Total Deficit</b>		<b>-\$305,055</b>	<b>-\$489,555</b>

As you can see in the example, the individual has a general budget surplus of **\$445 per month**. However, were this person to become ill, injured or die, not only would their monthly income disappear – meaning almost no money to meet the monthly **fixed expenses** of almost **\$3,000** – but additional costs in relation to their circumstances could run to the region of between **\$300,000-\$500,000! Insurance is CRITICAL!**