

Calculator Assumptions

Calculator Purpose, Assumptions, Methodology and Disclaimer

The calculator aims to help you to estimate potential expenses that life insurance or income protection insurance can help you to cover. These estimates are based on your inputs and the methodologies set out below and are subject to certain assumptions and limitations. Please review these carefully.

Please note that the calculation is performed by reference to a fixed algorithm and only with respect to a limited number of inputs. These inputs are not a full list of factors that you should consider when you decide on a cover amount.

The outputs are only estimates. They are not intended to be relied on for the purposes of making a decision in relation to a financial product and are not a recommendation that the output is a suitable or sufficient amount of insurance for you. You should not make a decision solely in reliance on the results produced by the calculator. Before you make a decision about insurance you should consider obtaining advice from a qualified financial adviser that is tailored to your circumstances, and always read the applicable Product Disclosure Statement, which will help you to decide if the product is suitable for you.

1. Life Insurance

The calculator follows the formula:

$$\begin{aligned} \text{Estimate of life cover} = & \\ & [\text{Outstanding Debt} + \text{Cost of Children} + \text{Funeral Cost}] \\ & + \\ & [\text{Household Expenses per month} - \\ & \text{Other Income per month} - \text{Children Cost Per Month}] \\ & * \text{Twelve Months} * \text{Three Years of Maintaining} \\ & \text{Standard of Living} \end{aligned}$$

The following assumptions are made when estimating your life insurance cover amount:

1.1. Outstanding Debt

The calculator assumes that you would like to unburden your family of your debt upon your passing, as life insurance is commonly used to discharge debt. Therefore, your life insurance cover should be large enough to cover any outstanding debt.

1.2 Household Expenses

The calculator assumes that your ongoing household expenses (such as groceries and utilities costs) will remain the same upon your death, although in reality they may change. The calculator has not factored in inflation or any other future increases to your household expenses, such as increased expenses associated with children growing up. However, this assumption is considered to be reasonable because almost all life insurance policies can be indexed to inflation each year they continue to be held, so the sum insured can keep pace with the rising cost of living.

1.3 Other income

The calculator assumes that your net-of-tax (total amount after tax) supplementary income (such as investment returns or your partner's income) will persist following your death and will be used to help pay for your family's ongoing expenses, although in reality it may change. If you think that a different amount of supplementary income will continue after your death, you can change this input.

1.4 Cost of Children

The calculator assumes the total cost of primary and secondary education is \$68,727 for Government schools, and \$298,689 for Independent (Private) schools. This is in line with the average national cost for Metropolitan areas reported by the Australian Scholarships Group in 2019. The calculator has increased these estimate costs by the Consumer Price Index from December 2018 to September 2023. Therefore, these assumptions are considered to be reasonable.

The calculator assumes that your child will not change between Government school and Private school. The calculator also assumes that the cost of schooling is the same year-by-year. In reality, children may change educational institutions over time, and the cost of education in more senior years may be higher. If you think that your child might change schools, you can perform multiple calculations. You can also alter the assumed schooling cost if you think this will change over time.

The Australian Bureau of Statistics reported that the average cost of childcare is \$110.50 per week for each child in 2017. This figure is outdated due to the introduction of Child Care Subsidy in July 2018. However, due to lack of more recent data, our assumption of current childcare cost is based on this figure adjusted for CPI to September 2023. The calculator assumes that childcare cost is incurred for each child under age 14 only, as after that age children generally will not need childcare. Therefore, these assumptions are considered to be reasonable.

1.5 Funeral Cost

The calculator assumes a funeral cost of \$15,000 to be incurred upon your death. Funerals in Australia may cost anywhere between \$4,000 and \$15,000 according to MoneySmart.

While a funeral cost of \$15,000 is considered to be reasonable based on research conducted into average funeral costs, in reality the cost may be different depending on whether the funeral is simpler or more elaborate.

1.6 Years of Maintaining Standard of Living

The calculator aims to estimate a cover amount that would be enough to support your family for up to three years after your death. This assumption is considered to be reasonable because after three years your family would have had time to adjust their living expenses.

However, depending on your circumstances a different period may be appropriate. Living expenses may change from year to year, however this is not taken into account by the calculator.

1.1.7 Adjustable Assumptions

The calculator provides you with the ability to alter its default assumptions. This will help you to understand the importance and impact of assumptions on the calculation. The changeable assumptions and their input ranges are:

- Cost of Childcare Per Child Per Week: You may select the cost after any applicable subsidies between \$0 to \$500 to more precisely account for the childcare cost for your children.
- Cost of Schooling Per Child Per Year: You may select the cost between \$0 to \$50,000 to reflect your children's school expenses.
- Years of Guaranteed Standard of Living: You may choose from 0 to 5 years to reflect how long you wish to provide for your family after your passing.
- Funeral Cost: You may choose an amount between \$0 and \$15,000 to reflect a simpler or more elaborate funeral.

You can also adjust the calculation by not entering an amount, or entering a partial amount, in any input field.

2. Income Protection

The calculator follows the following formula:

$$\text{Estimated Income Protection Sum Insured} = [\text{Debt Repayment} + \text{Expenses (excl. Debt Repayment)} - \text{Other Income}]$$

The suggested Income Protection Sum Insured is capped at 70% of your Gross Income.

The following assumptions are made by the calculator when estimating a cover amount.

2.1. Debt Repayment

The calculator assumes that you would want your income protection insurance to help meet your debt repayment obligations, should you become unable to work, as this is a common reason for obtaining income protection.

The calculator assumes that if you become unable to work, your debt repayments will remain the same. In reality they may change, for example if interest rates change, or the amount of outstanding debt changes. If you think that your debt repayments may change if you become unable to work, you can change this input.

2.2 Expenses

The calculator assumes that you would want your income protection insurance to help meet your usual expenses should you become unable to work, as this is a common reason for obtaining income protection.

The calculator assumes that your ongoing expenses will remain the same if you are unable to work, although in reality they may change. This is considered a reasonable assumption for example, if you are unable to work due to a disabling sickness or injury you may incur additional expenses such as for medication and care, but on the other hand, some expenses such as transport to and from work may no longer be incurred if you become unable to work. If you think your expenses may change if you become unable to work, you can change this input.

2.3 Other Income

The calculator assumes that your income from other sources will persist even if you are unable to work. However in reality it may change, for example if you require care from a working partner who reduces their working hours to look after you, or you are unable to manage your investments. If you think that your other income may change following your inability to work, you can change this input.

Please note that if your monthly expenses and debt payments are relatively small compared to your supplementary income, the resulting estimated value would be small or even zero.

2.4 Tax treatment and Sum Insured Cap

The calculator estimates the pre-tax Sum Insured needed to meet the expenses set out above, and assumes that your income from other sources will not affect your applicable tax bracket.

The Income Protection Sum Insured estimate is capped at 70% of your pre-tax monthly income, which is a typical maximum sum insured offered under Income Protection products issued in Australia.

2.5 Adjustable Assumption

The calculator allows you to adjust the maximum percentage of your income which you may receive from your Income Protection Insurance. While Income Protection insurance commonly offers up to 70% of your income as monthly benefit, different insurers may offer higher or lower replacement ratios.

3. Limitations:

- The calculator computes an output by reference to a fixed algorithm based on a limited number of factors, which are set out above, and aims to help you estimate potential expenses that life insurance or income protection insurance can help you to cover. It is not a recommendation that the output is a suitable amount of insurance for you, and nor is it intended to be relied on for the purposes of making a decision in relation to a financial product. There are many other factors that may be relevant to determining a suitable amount of cover, such as your savings, superannuation, other insurance, assets and equity, and other expenses, which are not taken into account by the calculator but which you should consider when deciding on an appropriate amount of insurance. You should consider obtaining advice from a licensed financial adviser who can provide you with personal advice, before you make any financial decisions.
- Values upon which the calculation will be based can only be input in certain increments. While these increments are intended to be reasonable, they could vary from specific amounts you may otherwise have planned to enter. This variation may result in an under- or over-estimation in the calculation.
- The estimate produced by the calculator is reflective of your answers at the time you use the calculator. However, your circumstances and insurance needs may change over time. It is important to review your cover regularly to ensure that you and your family are adequately insured.
- The Life calculator does not take into account the effect of any taxes or levies that may be payable with respect to the amounts insured. These may have an effect on the final benefit receivable. The Income Protection calculator takes into account the effect of income tax on the benefit receivable. However, it does assume that your income from other sources would not affect your tax bracket.
- The estimated cover amount may not be available or affordable, now or in the future. And, insurance policies are subject to application and acceptance and you must meet certain eligibility criteria in order to be granted cover.
- The calculator does not take into account any increase in expenses due to inflation over time, which means the outputs are displayed in today's dollars. In reality, the cost of living is likely to increase over time. However, most insurance policies include a feature which allows you to index your cover to inflation each year (up to specified limits), which may help keep the value of your cover more constant.

Disclaimer:

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Outputs provided by this calculator are general guidance and estimates of potential financial expenses only and are based on the limited information that you input into the calculator, and the assumptions and methodology set out in the link above. The calculation is subject to several limitations, and the estimates generated do not take into account all of the circumstances that may be relevant to determining a suitable amount of cover for the insurance types described. The calculations are not intended to be relied on for the purposes of making a decision in relation to a financial product and they are not a recommendation that the output is a suitable or sufficient amount of insurance for you.

Any advice provided in connection with life or income insurance is general advice only and does not take into account your individual needs, objectives or financial situation. Before you make a decision, consider whether the advice is appropriate for you, having regard to those matters, and always read the relevant Product Disclosure Statement. Decisions should not be made solely in reliance on the results produced by the calculator. We recommend that you obtain professional advice from a qualified financial adviser that is tailored to your circumstances before making any decision with respect to selecting a cover amount, and that you continue to re-assess your cover needs as your circumstances change in the future.

TAL Direct have used reasonable endeavours to ensure that the assumptions applied by the calculator are reasonable and clearly explained, but do not guarantee that the assumptions and data used by the calculator are or will remain current. To the extent permissible by law, the TAL Group and all entities of the Suncorp Group disclaim any liability and responsibility to any person who relies upon anything done or not done by the calculator, or for any loss arising from reliance on this calculator. However, nothing in this limitation of liability should be read as derogating from any of your rights under law which cannot be excluded.

Information that you enter into this calculator is anonymous and is not recorded against your customer profile, even if you proceed to request a quote or apply for a policy that is arranged by TAL Direct. It is also not made available to any representatives that you may subsequently speak to.

The calculator, and these terms, were last modified on 4 December 2023.

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