

How to Calculate your Future Economic Loss in 10 Minutes.

CASE STUDY

John was walking to the shops one afternoon. When he left the footpath to cross the road an out of control car hit him. The car sped off following the accident, leaving John behind. He was left with extensive injuries including a broken pelvis, broken ribs and extensive bruising to his right side.

John is a 40 year-old Senior Accountant, with a net annual income of \$78,000.

His supervisors say he was on the path to become the Finance Manager within 5 years, and the Chief Executive Officer within 10 years. John would receive a considerable pay rise following his promotion of \$500 per week.

As a result of the accident, John can only work 4 days a week as he finds it difficult to sit for long periods of time.

This means he is unable to put in the hours required for promotion to Finance Manager. He may even be forced to retire years earlier than anticipated.

John's future economic loss and ultimately what he claim might be worth will now be calculated using the worksheet below.

STEP 1: WORKING OUT YOUR DIMINISHED EARNING CAPACITY

1. What were your net weekly earnings at the time of the accident?
John was earning \$1,500 net per week.
2. Your current wage (after the accident)?
Because John had to quit and change to a role that allows him to sit, his weekly earnings after the accident have dropped to \$1,300 net per week.
3. When were you planning to retire?
John had planned to retire at 70 years old.
4. What is the difference between your age now and the age you planned to retire?
In John's case, 30 years.
5. Were you on the path to promotion or would you expect an increase in your wages? Yes
John likely wasn't due for promotion, so would not have expected an increase in wages. No
6. What is your diminished earning capacity?

This is the **estimate** of the \$ value you would be losing every week from your change in working circumstances and duties as a result of the accident.

This is calculated by adding together your answer to Q1 and Q5 then subtracting your answer to Q3.

As a result of the accident, John lost weekly income. His weekly diminished earning capacity is estimated to be \$500.

$$\$1,500 - \$1,300 + \$500 = \$700$$

$$\$ \quad - \quad \$ \quad + \quad \$ \quad = \quad \$$$

STEP 2: CALCULATE YOUR FUTURE LOSSES

Your diminished earning capacity must then be multiplied by the relevant multiplier (available [here](#)). In Queensland, we use the 5% multiple column.

As John is 30 years from retirement, we multiply his diminished earning capacity by 822.

Select the multiplier based on the number of years away from retirement you are.

$$\times \quad \$ \quad = \quad \$$$

STEP 3: ADD A GLOBAL BUFFER

You may also be entitled to a global buffer.

This amount reflects the risk that you will not be able to continue to work, will be forced into an earlier than expected retirement, and to allow for the lost opportunity to have gained further promotions.

We will assume that John is entitled to a \$50,000 global buffer, because he may be forced to leave the workforce earlier than his 70th birthday and may not be promoted to a managerial position.

STEP 4: ADD YOUR LOSS OF SUPERANNUATION

You may also receive a sum for loss of future superannuation.

What percentage of your earnings does your employer make to your superannuation fund?

Typically this figure is around 12%.

Now you need to calculate this as a dollar figure.

$$\% \quad \times \quad \$ \quad = \quad \$$$

For John, his loss of superannuation would be 12% x (\$575,400 + \$50,000) = \$45,984

Tip: Turn your percentage into a decimal place (i.e. 12% = 0.12) before calculating.

STEP 5: ADD IT ALL TOGETHER

To calculate your total future earnings loss you need to add together your future losses, global buffer, and loss of future superannuation.

$$\$ \quad + \quad \$ \quad + \quad \$ \quad = \quad \$$$

This total is your future earnings loss. The total will indicate the **minimum amount of compensation you deserve** to cover your lost work capacity in the future. But there is more...

NEXT STEPS

On top of the amount you have calculated, you may also be entitled to compensation for:

- general damages (pain, suffering and loss of enjoyment of life)
- past economic loss (calculated from the date of the injury to the date of settlement)
- special damages (medical and out of pocket expenses)
- gratuitous and paid care damages

If you would like further information on what your next steps should be, please contact the team at MCW Legal on 1300 855 103.