

Income Objective

Single Income Family

Based on a Government Study*, the following are typical income objectives in order to permit a family to "maintain their standard of living" after the death of an income earner. Assumption is that the mortgage on residence is paid or that a rent fund has been established and that educational expenses are provided for separately.

| Annual Gross Income | | Percentage of Gross Income Required |
|---------------------|----------|-------------------------------------|
| Up to | \$44,000 | 70% |
| \$44,001 - | \$49,000 | 66% |
| \$49,001 - | \$54,000 | 63% |
| \$54,001 - | \$60,000 | 60% |
| Over | \$60,000 | 57% |

Two Income Family

A Government study has found that two-income households out-spend their one-earner counterparts. Therefore, if both spouses are presently working, 70% of their Total Gross Income should be provided regardless of the Income Level.

* Source: 1960 Bureau of Labor Statistic Consumer Expenditures Survey; updated with Bureau of Labor Statistic Consumer Price Index through August 1995, and converted to Canadian dollar values using Statistics Canada purchasing power parity data (1994).

Income Objective Table

Money required to provide levels of annual/monthly income at various interest rates (simple interest).

| Annual Income | Monthly Income | 4% | 6% | 8% | 10% |
|---------------|----------------|-----------|-----------|-----------|-----------|
| \$12,000 | \$1,000 | \$300,000 | \$200,000 | \$150,000 | \$120,000 |
| 15,000 | 1,250 | 375,000 | 250,000 | 187,500 | 150,000 |
| 18,000 | 1,500 | 450,000 | 300,000 | 225,000 | 180,000 |
| 21,000 | 1,750 | 525,000 | 350,000 | 262,500 | 210,000 |
| 24,000 | 2,000 | 600,000 | 400,000 | 300,000 | 240,000 |
| 27,000 | 2,250 | 675,000 | 450,000 | 337,500 | 270,000 |
| 30,000 | 2,500 | 750,000 | 500,000 | 375,000 | 300,000 |
| 33,000 | 2,750 | 825,000 | 550,000 | 412,500 | 330,000 |
| 36,000 | 3,000 | 900,000 | 600,000 | 450,000 | 360,000 |
| 39,000 | 3,250 | 975,000 | 650,000 | 487,500 | 390,000 |
| 42,000 | 3,500 | 1,050,000 | 700,000 | 525,000 | 420,000 |
| 45,000 | 3,750 | 1,125,000 | 750,000 | 562,500 | 450,000 |
| 48,000 | 4,000 | 1,200,000 | 800,000 | 600,000 | 480,000 |
| 51,000 | 4,250 | 1,275,000 | 850,000 | 637,500 | 510,000 |
| 54,000 | 4,500 | 1,350,000 | 900,000 | 675,000 | 540,000 |
| 57,000 | 4,750 | 1,425,000 | 950,000 | 712,500 | 570,000 |
| 60,000 | 5,000 | 1,500,000 | 1,000,000 | 750,000 | 600,000 |

NOTE: The lower interest rates are used if a person wishes to include an offset for inflation; e.g. 8% interest, 4% inflation: use 4% interest rate.