



Forensic & Valuation Services, PLC

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Fo-ren-sic adj \fə-'ren(t)-sik, -'ren-zik\ Accounting & Economics Note Card

The Numbers, Studies and Statistics Behind a Personal Injury or Wrongful Death Economic Damages Analysis

Note Card # 4 - January 2013

If you missed a previous Note Card, email us and we will be happy to forward you a copy: rvance@forensicval.com

In Note Card #1, we listed the **Essential Elements** of a WD/PI Economic Damages Analysis:

- 1) **Loss of Earning Capacity** that would have been earned as occupational compensation, less mitigating earnings still able to produce, if any
- 2) **Loss of Fringe Benefits** that are part of the occupational earning capacity
- 3) **Loss of Household Services** that would have been performed, less the value of services still able to perform
- 4) **Medical & Rehabilitation Bills** incurred in the past plus estimates of future bills from a Life Care Plan
- 5) **Discount** all four loss elements to present value, usually to the Trial or Mediation Date

In Note Card #2, we covered the general steps to figure Essential Element 1, Loss of Earning Capacity.

In Note Card #3, we covered the general steps to figure Essential Element 2, Loss of Fringe Benefits

This Note Card covers Essential Element 3, Loss of Household Services

Household Services are those uncompensated tasks that maintain and enhance the lives of those in the household that can no longer be

performed due to the permanent injury or death of the subject person. Examples of tasks include: cooking, cleaning, lawn care, child care and transportation, home and vehicle maintenance, repairs, gardening, shopping, etc.

The loss of the services can be applied to "unemployed" homemakers as well as to employed persons. Even though the subject is not directly compensated for the services as with regular employment, the loss of the services has value to the family nonetheless since the tasks will:

1. Not be done at all or not as often
2. Be done by someone else in the household (at the expense of other activities the "someone else" might have been doing, such as working an overtime shift)
3. Require outside assistance that may have to be compensated at market rates


Most people do not keep a log of hours spent on household tasks; therefore, forensic economists often use a resource known as "The Dollar Value of a Day" produced by Expectancy Data www.expectancydata.com. The data contain an estimated number of hours listed by service category along with the average hourly rates these services cost in the open marketplace. The tables are segregated by gender, working status, age and number of children in the household.

The loss is calculated over the life expectancy of the subject and can often amount to a significant damage figure. For example, the table below from "The Dollar Value of a Day," represents that of a male, active in the workforce, with no children under the age of 18. As you can see, the value of lost services is \$23.21 per day, or \$8,472 per year, if the subject's impairment is 100%. If the impairment is not 100%, then the value of the services the subject can still perform is subtracted from the loss calculation. Assuming the male was age 41 at the time of the injury and has a remaining life expectancy of 38 years, the damage could have a present value of **\$345,000**.

Time Use Category	Weekly Hours	Hourly Value	Dollar Value of a Day
Inside Housework	1.27	10.33	1.88
Food Cooking & Clean-up	1.76	9.86	2.47
Pets, Home & Vehicles	5.64	12.11	9.76
Household Management	1.15	15.02	2.47
Shopping	1.97	11.46	3.23
Obtaining Services	0.16	13.18	0.30
Travel for Household Activity	1.81	11.96	3.10
Household Production	13.76	11.80	23.21

***More on each one of the remaining elements in future
Forensic Accounting & Economics Note Cards***

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