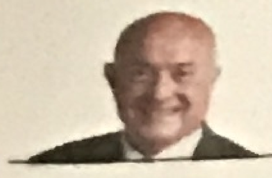
# Taken in Tassie

## Blurred lines of advice deprive widow of husband's life legacy



Nick Bruining

A gaping hole in consumer protection legislation, designed to protect investors from poor financial advice, has been revealed as a result of a widow's battle with a major financial advice firm.

The woman, Cindy Parker, whose husband Michael died from cancer, is fighting to obtain compensation from her financial adviser after the couple were told to invest into a rural Tasmanian property development.

With more than $326,000 in loans to be repaid, the Tasmanian property has been on the market for $249,000 since Mr Parker died two years ago.

He had been diagnosed with a rare form of cancer in 2012 and met their financial adviser in 2013.

"Mike wanted to make sure we would be all right financially," Mrs Parker said.

"The mortgage payments had previously been suspended while he was receiving chemotherapy and, with everything that was happening in our lives, we were relieved when our adviser assured us that the investment property would be worth more than half a million dollars in 10 years time."

The Parkers were advised to borrow $300,000 using their family home as security. The loan was facilitated through a mortgage broking firm associated with the financial advising firm responsible for their adviser's conduct.

The same bank that had agreed to suspending the mortgage payments also lent the Parkers the additional $300,000.

The funds were used to purchase a property in Smithton, Tasmania, recommended by the adviser and in turn, construct a home with a builder, also recommended by the adviser. The builder appears to be associated with the financial advisory firm.

"He said that I could negatively gear the investment and that with the tax breaks, I would be able to afford the repayments," Mrs Parker said. "I work in aged care as a nursing assistant and earn less than $40,000."

**Cindy Parker and her late husband Michael were caught in a crook investment.** Picture: Mogens Johansen

> **THE EFFECT OF THE ADVICE WAS TO SELL A HOUSE AND LAND PACKAGE TO A HIGHLY VULNERABLE COUPLE.**

She now uses the remainder of her husband's life insurance and superannuation to service the debt.

Mrs Parker has engaged a lawyer who specialises in poor financial advice to pursue the company concerned.

The lawyer, David Huggins, described the case as one of the worst examples of financial advice that he has seen.

"The effect of the advice was to sell a house and land package to a highly vulnerable couple," Mr Huggins said.

"The one-stop shop provided the financial advice, organised the loan through an associated mortgage broker and had an associated company build the house."

The case highlights a deficiency in financial advice legislation which is regulated by ASIC. Under the definition of financial products covered by the law, real estate investments are excluded.

In the late 1990s, ASIC recommended that real estate agents providing investment advice be brought under the umbrella of financial advice laws and subject to the same rules and regulations as someone recommending an investment in shares, superannuation fund or a savings plan.

The move was resisted by the real estate industry which was regulated by State governments at the time.

"ASIC simply does not have jurisdiction so unless it is a financial service, it is unlikely to involve ASIC," an ASIC spokesman said.

The Financial Planning Association's head of policy and government relations, Benjamin Marshan, said: "The provision of advice around investing in property absolutely should be regulated under the Corporations Act to better protect consumers.

"The FPA has been actively lobbying for further reform."

# Invest with clarity, sense

Neale Prior

There's an old investment [...] that if something is too good [...] true, it probably bloody we[...] giant lie.

Our investment history ha[...] littered with financial sc[...] where vulnerable Australian[...] been separated from the[...] savings by promises that [...] good to be true.

Occasionally those p[...] have involved big returns o[...] investments, such as the[...] boom and the elevator pi[...] became the dot.com del[...] 2000.

But more often than not [...] fat porkies have involved [...] ing the nation's almost [...] belief in the safety of [...] investment.

We believe there is [...] especially secure about [...] in a bit of Aussie dirt [...] some bricks or in fi[...] transaction that inv[...] and/or bricks and mor[...]

While most of us [...] explain the difference [...] green title, purple titl[...] title, we believe that [...] paper provides so [...] protection than a [...] recorded in an electr[...] somewhere in cybers[...]

And the idea tha[...] property developer [...] backed" provides a [...] will get our money [...] thing goes wrong.

This belief sys[...] particularly vulne[...] demagogues, ch[...] prophets, predator[...] hope pedlars wh[...] relative impunity [...] property investm[...]

These people pr[...] about having e[...] retire on and our [...] ing we can pro[...] ourselves but [...] grandchildren [...] golden pond.

Our hope and [...] can blind us [...] property inve[...] another financ[...] all the levels of [...] good as the und[...]

For a proper[...]