

Judge finds financial adviser negligent

Marsha Jacobs

A Queensland court has found a financial adviser who recommended investments in failed property finance group Westpoint to have been negligent and ordered that investors get their money back.

Paul Brannelly, his firm Brannelly Financial and licensee Deakin Financial Services were successfully sued on Friday by six clients who invested more than \$850,000 in Westpoint.

The case is the second in which a court has found Mr Brannelly, Brannelly Financial and Deakin to have been negligent.

Retired federal public servant

James Delmenico last year recovered the \$100,000 he invested in Westpoint after being told by Mr Brannelly that one of the "highlights" of the investment was the "guarantee" provided by Westpoint.

Investments in Westpoint were in unsecured promissory notes and when the group collapsed in late 2006, it left 4300 investors \$350 million out of pocket.

Deakin, a subsidiary of the DKN Financial Group, went into voluntary administration in November 2006 after claims were lodged by clients who invested \$23 million in Westpoint products on recommendations from its financial planners.

Slater & Gordon lawyer Graeme Hancock said yesterday the Queensland District Court decision meant financial advisers needed to be careful when promoting products.

"Advisers need to scrutinise such products very carefully and ensure the smart, glossy brochure is all it seems," he said.

He noted the judge said investors could not be criticised for relying solely on financial advice rather than going through the information memorandum with a fine-tooth comb and making their own assessments.

Mr Hancock said Slater & Gordon represented about 100 Westpoint investors who intended to

sue 10 planners who advised on the product. Three major claims – against Masu, PIS and Quantum, are worth more than \$18 million.

The judge, John McGill, said that on examination of the investment documents "it ought to have been apparent to a reasonably careful investment adviser there were very serious problems... so it presented real and immediate rather than merely theoretical risks".

"Yet none of this was communicated to the plaintiff; rather, the defendants spoke in glowing terms of this as an investment opportunity. The kindest thing that can be said about that is that it was very serious

negligence," Judge McGill said. Litigation funder IMF has previously said that dozens of other firms which sold Westpoint products were passed over because they had inadequate insurance or assets to make a lawsuit worthwhile.

In November last year, the Australian Securities and Investments Commission said it would launch a series of civil suits against financial planners to recover \$63.2 million.

It has filed paperwork in court in its cases against Masu Financial Management, Bongiorno Financial Advisers, Professional Investment Services, Strategic Joint Partners and State Trustees Ltd.

Poor students reap rich rewards in the long term

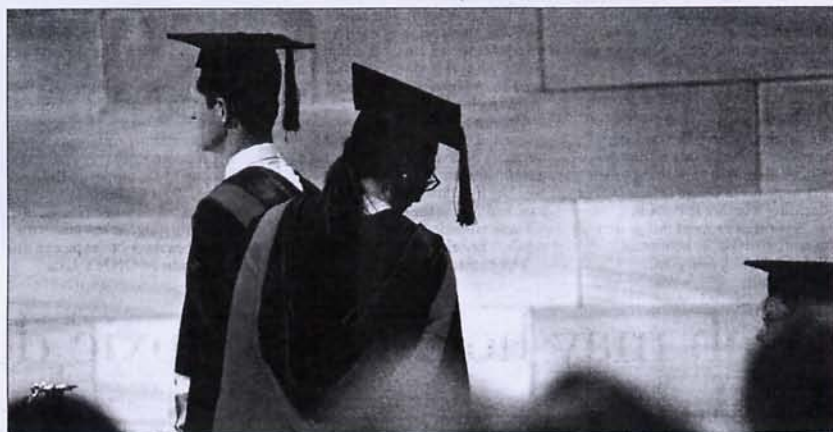
Alexander Symonds

University graduates earn about \$1.5 million more over their lifetimes than people who have completed only high school, although students have the same living costs as workers and face some of the highest fees in the Organisation for Economic Co-operation and Development, research has found.

The federal government's Bradley review of higher education is considering the state of university funding, the ability of students to access higher education and the delivery of greater income support for students.

A report by AMP and the University of Canberra's National Centre for Social and Economic Modelling (NATSEM), to be released today, says that the generally greater earnings of university graduates "add up substantially".

"Even after factoring in the cost of forgone earnings while studying, meeting the cost of living and the fact that on average, university students are left with a HECS debt of \$20,579, the economic returns over a lifetime for a university graduate are difficult to ignore,"



Allowances paid to students have failed to keep pace with living costs.

Photo: LOUISE HENNERLEY

AMP Financial Services managing director Craig Meller said.

"What's interesting is that a generation known for instant gratification is clearly willing to forgo income while studying, in recognition of the long-term financial gains."

The report cites research in train by Australian National University academics Bruce Chapman and Kiatanantha Loukaew, which estimates the average financial gain from a university degree is more than \$1.5 million.

This takes into account the earnings of university and year 12 graduates across a lifetime, in addition to the earnings forgone while they study.

"It is estimated that the lifetime earnings of a university graduate are

about 70 per cent greater than those whose highest qualification is year 12," the report says.

The AMP/NATSEM research found full-time university students earned an average of \$308 a week, including \$192 from a job and \$45 from government benefits. Forty per cent of full-time students worked between one and 19 hours a week.

In comparing the incomes of workers and full-time students, those in full-time employment and not studying earned three times more than students on average.

But the groups' living expenses were similar and students had higher housing costs, because of their concentration in capital cities and levels of student support that had barely moved.

"While Youth Allowance provides a level of income support to full-time students, its indexation has not kept pace with increases in many of the costs of living in our capital cities and most students source their income primarily from earnings," the report says.

The findings add to pressure on the Rudd government's review, which is due to report before the end of the year, to recommend substantial changes to student income support.

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