

**Senate Select Committee on  
Superannuation and Financial Services**

**Main Inquiry  
Reference (a)**

**Submission No. 128**

**Submittor: Name withheld**

## THE INVESTMENT EXPERIENCES OF A RETIRED COUPLE.

When inflation was substantially reduced circa 1996 my wife and I found that our shares were no longer increasing in value as they had been doing, and the yield in blue chip shares was between 2% and 4%. Certainly we had franking credits that reduced our tax liability; and we had split our income, so each of us had the minimum tax liability.

However interest rates at the time were around 10%-12% and it was a simple calculation to conclude that we would be better off taking the going rate on a fixed interest investment, and paying whatever tax was due. It was another simple calculation to arrive at the optimum percentage of capital to allocate to fixed interest, in order to preserve enough franking credits to keep income tax to a minimum.

Having made that decision, we sought a safe investment medium. The logical choice was the legal firm of Piggott Wood and Baker, who for many years had handled what little legal work we required, mainly conveyancing. Furthermore we count one of the partners a friend; we have children the same age who have remained close friends with this partner since school days at Waimea Heights Primary and Hutchins.

When we invested money with the firm they gave us a one page analysis of their investment philosophy, (photocopy attached) assuring us that our investment was secured by first mortgages and loans were limited to a safe percentage of the valuations of the properties concerned.

PWB's interest rates have dropped markedly along with general trends but are and always were about one per cent above the bank rate; when interest payments ceased in August 1998 they were 7.25%. We consider this is NOT a speculative investment.

It is distressing to learn, as we have learned in recent years, that

- A. Some valuations were based on projected earnings of a resort yet to be built; earnings failed to eventuate and valuations that have been called wildly optimistic seem to us to be fraudulent.
- B. Until August 98 the firm's partners paid us quarterly interest when due and added penalty interest rates to the mortgage total. It is difficult to establish whether partners paid this interest from their own pockets or allocated other investors' funds for this purpose. However we have written evidence that at least one investor's funds were lent out on a mortgage in default. In either case this practice increased the amount that was owing on the property concerned, beyond the limit advised to investors.
- C. That our funds are NOT secured by first mortgage. Only the FIRM'S or PARTNER'S funds are secured and we are disgusted to learn that we are merely unsecured creditors of the firm.

HOBART. 4TH MAY, 2001.



PIGGOTT WOOD & BAKER  
*Barristers & Solicitors*

*May 3, 1996*

## PWB MORTGAGE REGISTER INFORMATION SHEET

*Piggott, Wood & Baker runs one of the largest Solicitors' Mortgage Registers in Tasmania. Piggott, Wood & Baker lends monies on your behalf secured by way of first mortgage over real estate in Tasmania in accordance with the provisions of the Rules of Practice of the Law Society of Tasmania.*

### INTEREST RATE

*Our interest rate is determined by market forces and is subject to variation during the term of the loan. Interest is payable on or about the 20th of February, May, August and November each year. Investors are notified in writing of changes in interest rates.*

*Our current net interest rate is 10.08% per annum with F.I.D. payable by the investor.*

### MORTGAGE SECURITY

*A registered first mortgage over real estate in Tasmania.*

### SECURITY VALUATIONS

*First Mortgage advances are limited to:*

- 66% of the security valuation if the mortgage is not insured.*
- 80% of the security valuation if the mortgage is insured.*
- 50% of Government valuation if there is no independent security valuation.*

PARTNERS *John Turner, Peter Hill, Michael Foster, Grant Kench, Audrey Mills, Leigh Sealy, Peter Wood*  
ASSOCIATES *Craig Rainbird, Christine Schokman, Olivia Garrott, Glenn Turner, David Smith*  
CONSULTANT *Bruce Piggott C.B.E.*

TO:

Piggott, Wood & Baker,  
128 Macquarie Street,  
HOBART, TAS. 7000

I/We hereby make application to deposit the following in mortgage investment with your firm.

PRINCIPAL TO BE INVESTED: \$.....

CONDITIONS OF INVESTMENT:

- (a) If the principal sum or part thereof cannot immediately be placed in mortgage investment or from time to time becomes surplus, I/We authorise you to place same at call with your Trust Account with \* to be transferred as and when mortgage investment is available.
- (b) I understand that if I request a total withdrawal of my investment, you are prepared to, on my request, consider advancing me the interest which has accrued to the date of withdrawal.
- (c) Overdue interest —  
I further acknowledge that in some instances payment of interest is not received by your office on the due date. To cover the contingency of late payment of interest to me, I request you to consider advancing, in that event, the amount of interest due.
- (d) Withdrawal of Investments —  
One month's notice must be given for both partial and total withdrawal of funds.

In the case of both (b) and (c) above, I accept you will receive interest from the borrower in due course together with any penalty interest which may be retained by you. However, you will retain the option not to make an advance of interest in either circumstances.

\* Trust Bank — Westpac Bank — Perpetual Trustees — Bass & Equitable B/Soc (Please indicate choice).

NAME & ADDRESS

(Mr/Mrs/Mr & Mrs/Miss)

SURNAME: .....

CHRISTIAN NAMES: .....

ADDRESS: .....

POSTCODE: .....

TELEPHONE: (Home)..... (Business).....

TFN DETAILS

I = Individual    J = Joint    P = Partnership    C = Company    T = Trust/Estate    E = Exempt

FOR .....

REASON FOR EXEMPTION: .....

DATE OF BIRTH IF UNDER 16 YEARS OF AGE: .....

APPLICATION OF INTEREST PAYMENTS

QUARTERLY CHEQUE DIRECT     CAPITALISED     DEPOSIT AT CALL

OTHER — PLEASE DETAIL: .....

SIGNED: ..... DATE: 14/2/96

FOR OFFICE USE ONLY

CLIENT ID..... INVESTMENT MATTER No..... BANK MATTER No.....