

Storm Financial / Colonial Enquiry

I was one of many burnt by Storm and Colonial fiasco. With the benefit of hindsight I can see many faults with the financial advice industry.

I recently approached a bank regards a loan. The lady asked heaps of questions about me, my general day to day expenses, and my cash flow. She also wanted to see my last 3 years tax returns. I asked why all the questions? she explained if she lent my money and I did not have sufficient cash flow to make repayments, she would be negligent in her duty towards me.

I was with Storm/Colonial for 11 1/2 years and was never asked any questions of this nature. Storm engendered a false sense of security by the way they reported each years results. They would tell you how much the fund had grown as a percentage but not take off interest and commissions. I took the trouble, once things had gone bad, to calculate each year the actual income in dollars and outgoings. The results were some what alarming, for 10 years out of 11, more cash went out as interest and commissions than came in as dividends. So not only did the system take all the cash generated, they also claimed some of the inflation factor. With the money I was advised to borrow, I was never going to win, the fund was only working for the bank, they took the lions share compared to Storms cut. Over the 11 1/2 years I only redeemed \$11,500.

I feel the industry should be made to report each year showing cash in and out, current system is misleading at best. Also because of my on paper wealth Centrelink severely reduced my age pension, so I was being hit from both sides. If the finance industry reported a yearly profit/loss statement it would allow Centerlink to see what was actually happening at ground level. I also feel in margin lending the borrowings should not exceed 40% of the asset to stop the banks claiming all the income.

Hope this information is of some use to your enquiry.

John C Christie