Super chiefs warn bigger nest eggs needed as cost of retirement climbs

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SUPERANNUATION

THE amount couples need to spend every year for a comfortable retirement has climbed more than $1000 over the past 12 months, new research shows.

And singles need to spend almost $800 more every year, according to the Association of Superannuation Funds of Australia. Australians will need bigger pools of savings as a result of the rising costs of living, the association says.

Its latest research shows Australian couples over 65 hoping for a "comfortable" retirement will need to spend about $58,330 a year.

That is an increase of 0.3 per cent over the past quarter and $1131 — almost 2 per cent — over the past year.

It would require couples to amass a joint superannuation balance of about $510,000. Singles would need about $430,000 to provide $42,600 in annual spending money — an increase of $767 over the past year.

Association chief Pauline Vamos said the increases should highlight to Australians that they could not rely solely on the aged pension once they stopped working.

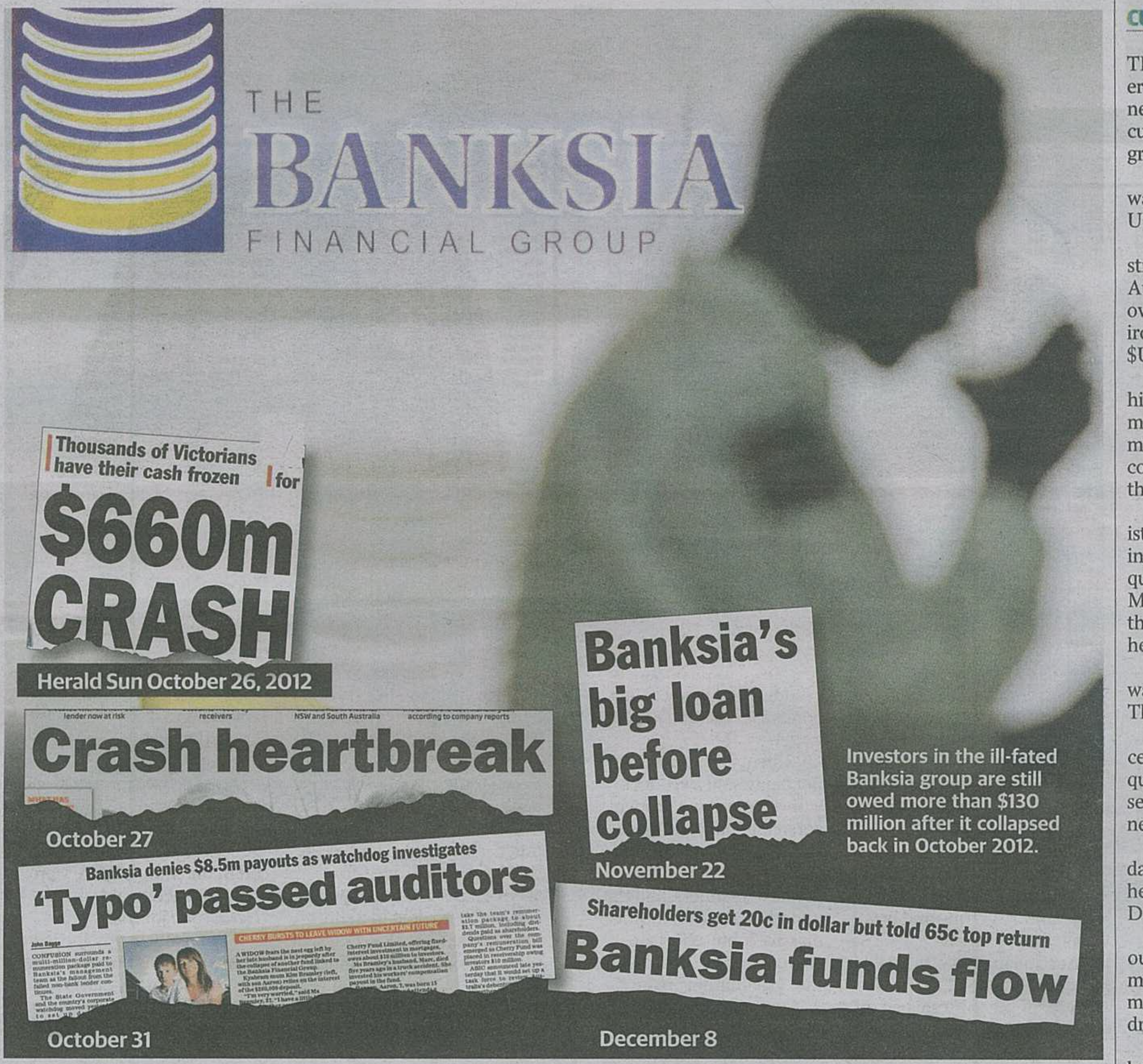
AustralianSuper's group executive of membership, Paul Schroder, said people wanted a more comfortable retirement and planning was critical.

"The fact that it is costing more in retirement says it's a bad time for the government to freeze super increases, people will have to put more money in themselves," Mr Shroder said.

"The earlier the people put a little more in the greater the amount they will have to live on."

Banksia's bluff

Court documents allege Banksia was hiding the fact it was on the brink of collapse two years before it failed, writes **John Dagge**



Investors in the ill-fated Banksia group are still owed more than $130 million after it collapsed back in October 2012.

KEY directors of the failed Banksia group cooked the books to hide the fact it was trading while insolvent for at least two years before it finally collapsed, court documents show.

The Kyabram-based investment company should also have been put in receivership by June 2010 — a move that would have seen it trade on a far more conservative basis and minimise any losses to investors, the documents say.

The allegations are made in a 178-page statement of claim lodged this month by receivers winding up the group in the Supreme Court.

It says Banksia's auditor and trustee The Trust Company — charged with protecting investors — was negligent in carrying out its duties.

McGrathNicol is suing the parties claiming $150 million in damages.

BusinessDaily can reveal separately that Banksia directors tripled their professional indemnity insurance in the financial year when the group collapsed. The move is laid bare in accounts lodged by parent company Securities Holdco.

McGrathNicol's statement of claim details the downfall of the non-bank lender's key subsidiary, Banksia Securities Limited.

Banksia Securities collapsed in October 2012, owing about 16,000 mainly rural investors some $663 million.

McGrathNicol's statement of claim makes it clear Banksia's downfall began with the ill-fated move to buy fellow Kyabram-based non-bank lender Statewide Secured Investments in March 2009. That acquisition was spearheaded by Banksia founder Pat Godfrey.

Banksia continued to take investors' money from this time up until its collapse.

The purchase of the loss-making business doubled the group's funds under management but handed it a loan book that Banksia's then chairman, Ian Hankin, described as "sh--house".

"If we're going to be wrong on this we know why we'll be wrong — it will be the state of the loan book," Mr Hankin told directors at a board meeting on March 13, 2009, according to minutes from the meeting obtained by McGrathNicol.

The board approved the takeover at that meeting.

Mr Hankin, who died in 2012, stood down as Banksia chairman a short time later.

The statement of claim reveals Banksia's directors were torn by the move on Statewide — troubled by its loan book but excited about the opportunity to expand their business.

They were also scared that the collapse of a fellow non-bank lender only doors down from Banksia's Kyabram headquarters would spark a run on their deposits.

"Do we pump this semi-sh--house loan book for this terrific opportunity," Mr Hankin asked at the March 13 meeting, according to receivers.

Fellow director Nicholas Carr observed: "Given a choice there's no way I would take them (Statewide) over".

"I just think it's too risky," he said.

DUE diligence of Statewide's loan book was completed in eight hours and consisted of reviewing 30 randomly selected loans from a portfolio of close to 700. Repayments were more than 30 days overdue on 20 per cent of Statewide's $311.5 million loan book — yet it only had $4.3 million in write-off provisions.

Mr Godfrey led the due diligence session.

Banksia company secretary Wesley Santilla — its most senior financial officer — did not attend, receivers say.

Banksia's board also failed to commission new valuations for Statewide's properties despite the global financial crisis having crunched values.

Receivers allege the Statewide purchase is likely to have automatically breached two of the most important safeguards in Banksia's agreement with its trustee.

These were that it maintained a minimum capital adequacy ratio of 97 per cent — that is, the value of its tangible assets had to be 3 per cent higher than its liabilities — and not invest in any loan with a loan-to-valuation ratio higher than 70 per cent.

What is clear, receivers say, is that by June 2010, Banksia was in breach of its capital adequacy ratio safeguard.

It is then that Mr Godfrey and Mr Santilla began manipulating the company's financial accounts, receivers allege. They did this by adding provisions for bad debts on to Banksia's asset base, ensuring the company stayed within the 97 per cent target.

"This removed one of the most important protections and safeguards under the Trust Deed and was disadvantageous to BSL (Banksia Securities Limited) and prejudicial to its debenture holders," the statement of claim says.

This occurred without other directors being told or Banksia's trustee notified, receivers say.

To date, investors have received 80c for each dollar they invested, meaning they are still owed more than $130 million. Banksia investors were not covered by the government's deposit guarantee.

The parties being sued by McGrathNicol are yet to respond to the claim.

Lawyers for Mr Godfrey and The Trust Company declined to comment to *BusinessDaily*.

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Dollar gets a leg up

CURRENCY

THE Australian dollar is higher thanks to the stronger Japanese yen, giving the local currency a leg up against the greenback.

Late yesterday, the Aussie was fetching US86.3c, up from US85.93c on Thursday.

Westpac senior currency strategist Sean Callow said the Australian dollar got a boost overnight on Thursday as the iron ore price stabilised around $US70 per tonne.

But it reached its intraday high of US86.52c after comments from Japanese finance minister Taro Aso expressed concern about the rapid fall of the yen, Mr Callow said.

"The Japanese finance minister said the yen was weakening too fast so there was a quick response to buy the yen," Mr Callow said. "That knocked the US dollar lower, which helped the Aussie."

Late yesterday, the Aussie was buying ¥101.61, down from Thursday's close of ¥101.94.

Australian bond futures prices were mixed following a quiet trading session in the absence of any key economic news.

"It's been a relatively quiet day in the local market," CBA head of debt research Adam Donaldson said.

"We had no domestic data out, the currency has been a bit more stable and so have commodity prices, so without those drivers it's been much quieter."

Late yesterday, the December 10-year bond futures contract was trading at 96.715, up from 96.700 on Thursday.

TIGER DEAL APPROVED

DEALS

FOR a third of the price of a cafe latte, Virgin Australia's $1 buyout of budget carrier Tigerair Australia has gained Foreign Investment Review Board approval.

Virgin plans to snap up the remaining 40 per cent stake in the loss-making budget flyer after buying 60 per cent for $35 million last year.

Its $1 deal with Singapore's Tiger Airways was struck in October. More conditions need to be met but Virgin expects the transaction to be complete before the end of the year.

Virgin shares were unchanged at 40.5c.