Winter 2025

We hope this communication finds you and your family warm, safe & well.
With Winter now upon us, it's time to embrace the joys of the cooler months of the year.

Now that the federal election is out of the way, and another financial year is drawing to a close, it's a perfect time to look back at all you've achieved over the past 12 months and focus on a fresh start for the financial year to come.

While market volatility continued, markets largely recovered from April's losses in May. However, the legal and economic uncertainty of US tariffs remain a key concern for global and local markets.

The end of the month saw the S&P/ASX 200 react positively at first to the news that a US federal judge had blocked the tariffs. When an appeals court temporarily stayed the tariffs hours later, a mini sell-off followed. The index has jumpstarted its way to a three-month high, not quite back to its best in February.

There was a sigh of relief all round when the Reserve Bank lowered interest rates in May by 25 basis points to 3.85%. The RBA's move came with a caveat that, while domestic demand "appears" to be recovering and real household incomes have picked up, the outlook is unclear because of both local and international developments.

Inflation was slightly higher than expected for the 12 months to April, but it remained within the RBA's target range and many economists are predicting another rate cut in July.

We hope you find the attached articles both interesting and useful. If you would like to discuss any of the topics covered, please don't hesitate to contact me.
Stay warm & safe, and I look forward to our next catch up.
Kind regards,
Scott.

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SMART MOVES before THE FINANCIAL YEAR ENDS

The end of the financial year is an opportunity to optimise your financial strategy, take advantage of tax deductions, and set yourself up for the new financial year.

Whether you're looking to maximise tax benefits, rebalance your investment portfolio, or to simply ensure you're ticking all the right boxes, smart end of financial year (EOFY) planning can make a big difference.

So, to finish the financial year on a high note, start by mapping out your finances and investment portfolio and collect all the relevant documents. It can be a tedious task if your filing isn't up to scratch, so it can be useful to set up a system as you go to make it easier for the next financial year.

You will need your bank statements, superannuation fund statement, self- managed super fund (SMSF) paperwork if relevant, a record of any capital gains or losses from the sale of assets such as shares or property, details of share dividends including any dividends earned through a Distribution Reinvestment Plan, and records of any other investments or income received.

Looking for deductions

On the other side of the ledger, there are limits on deductions for most categories of expenses but it's a useful exercise to gather the evidence of all costs associated with employment and income-producing investments – whether or not they're tax deductible.

For the most part at least, some deductions are allowed for certain work-related costs, donations over $2 to approved not-for-profits, the costs of managing your tax affairs, eligible investment property expenses, income protection insurance premiums (if the premiums are paid outside of your super fund), and expenses linked to a financial investment – such as attending a seminar directly related to the investment or the cost of account keeping fees on bank accounts used only for investment.[i]

The ATO is keeping a close eye on work-related expenses and working from home deductions this year, saying there must be "a close connection to your income earning activities, and you should be prepared to back it up with records like a receipt or invoice".[ii]

Get ahead with early payments

One way of maximising deductions in this financial year is by paying early deductible expenses due next year such as insurance premiums, subscriptions, or business rent if applicable. But remember to check first to see which expenses may be eligible to prepay.

Small businesses also have access to an instant asset write-off for the business portion of assets under $20,000, that were purchased and used in this financial year. The instant asset write-off is available to businesses with an annual turnover of less than $10 million.[iii]

Review your portfolio

At this stage of the year, it's a good time to take stock of your investments including shares, superannuation and property. You may want to check that your investment strategy is still appropriate for your needs and expectations and review any underperforming assets.

The review will help you to decide whether you have an opportunity to top-up your super fund or SMSF. If you have funds to spare, making the most of the total contribution amount allowed both in this financial year and for the last five years, could give your retirement planning a serious boost.

It's also a chance to review super indexation changes due from 1 July to see if there's a need to take action before 30 June or to wait. For example, the amount that can be transferred into the retirement phase (known as the general transfer balance cap) will increase to $2 million on 1 July, up from $1.9 million this financial year. That might affect the decision to begin a pension this month as opposed to next.

There's a lot to consider right now to make sure you're optimising tax savings and that your planning today leads to a financial reward tomorrow. Give us a call if we can help.

i https://www.ato.gov.au/individuals-and-families/income-deductions-offsets-and-records/deductions-you-can-claim

ii https://www.ato.gov.au/media-centre/ato-unveils-wild-tax-deduction-attempts-and-priorities-for-2025

iii https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/depreciation-and-capital-expenses-and-allowances/simpler-depreciation-for-small-business/instant-asset-write-off

How the $3M SUPER TAX may affect you (and what to do next)

As the federal government moves to introduce a new 15 per cent tax on superannuation earnings above $3 million (known as Division 296 tax), concerns and debates have emerged about the broader implications for investment strategies, retirement planning, and even the property market.

It is intended that once passed by Parliament, the new tax – which doubles the tax rate from 15 per cent to 30 per cent for balances that exceed $3 million – will apply from July 1, 2025.

The tax change is expected to directly affect less than 0.5 per cent of investors or around 80,000 people.[i]

Treasurer Jim Chalmers describes the increase as "a modest change" that will make "concessional treatment for people with very large superannuation balances still concessional but a little bit less so".[ii]

He says it will help fund other priorities such as Medicare, cost-of-living relief and tax cuts.

The Grattan Institute says tax breaks on super contributions cost the federal budget nearly $50 billion in lost revenue each year.[iii]

The Institute says that, while super is intended to help fund retirement, it has become a "taxpayer-subsided inheritance scheme". By 2060, Treasury expects one-third of super withdrawals to be as bequests – up from one-fifth today.

How will the rate be calculated?

The formula for the additional tax payment due calculates the difference between the member's total superannuation balance for the current and previous financial years and adjusts for net contributions (which excludes contributions tax paid by the fund on behalf of the member) and withdrawals.

An earnings loss in a financial year, can be carried forward to reduce the tax liability in future years.

The calculation of earnings includes all unrealised gains and losses.

Implications for investors

The Grattan Institute says taxing capital gains as they increase removes incentives to "lock in" investments. "But it can create cash flow problems for some self-managed super fund (SMSF) members who hold assets such as business premises or a farm in their fund," the Institute says.[iv]

Many commentators speculate there will be a major change to asset allocation in super, particularly in SMSFs, as a result of the move to tax unrealised gains.

Meanwhile, one property analyst predicts a structural shift in property investment with commercial real estate becoming more attractive because of its stronger income yields relative to capital growth.[v]

The new tax could also reduce the appeal of super as an inheritance tool with investors likely to explore alternative wealth transfer methods.

Navigating the changes

With the tax changes looming, we're helping clients to ensure their portfolios will continue to meet their expectations.

For those looking to minimise their exposure to the tax, there are a number of strategies that may be useful.

These include:

1. Diversifying investments outside of superannuation by, for example, making direct investments in equities, bonds or private businesses.
2. Considering alternative retirement savings vehicles such as family trusts.
3. Actively planning to optimise tax efficiency by, for example, structured withdrawals to keep balances below the $3 million threshold, making use of tax exemptions and considering asset reallocation.

The new tax marks a significant shift in Australia's retirement savings landscape. While the government argues that the measure is modest and targeted, its long-term implications – particularly the taxation of unrealised gains – could reshape investment strategies for high-net-worth investors.

For those nearing retirement with a high super balance, careful financial planning will be essential and all investors who could potentially be affected, should be reassessing their portfolios and weighing up whether alternate wealth management strategies may be an option.

Please get in touch if you would like help to navigate the changes.

i https://ministers.treasury.gov.au/sites/ministers.treasury.gov.au/files/2023-03/better-targeted-superannuation-concessions-factsheet_0.pdf

ii https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/transcripts/interview-michelle-grattan-politics-podcast-conversation

iii,iv https://grattan.edu.au/news/tax-reform-will-make-super-fairer-and-the-budget-stronger

v https://www.msn.com/en-au/money/news/3-million-superannuation-tax-change-sparks-property-warning-as-panic-selling-begins/ar-AA1FsyEM

VOLUNTEERING IN RETIREMENT: *finding purpose, structure, & joy*

Retirement might be just around the corner, or maybe you've recently crossed that exciting threshold. You've worked hard for decades, and are now ready to trade in the alarm clock for leisurely mornings and to-do lists that are actually fun. But as you move into the next phase of your life; a thought might cross your mind: What now?

While the idea of unlimited free time sounds wonderful at first, many people find that after the novelty wears off, there's something important missing. Work often provides structure, purpose, and a sense of accomplishment. Without that, it's easy to feel a little... adrift.

So, when you picture what your ideal retirement looks like, it can be a good time to think about what you still have to offer the world and consider volunteering. As well as helping others, you'll also enrich your life in so many ways.

Enhance your life

A study commissioned by Apia found that more than half (56 per cent) of Australians over 50 years of age, are currently engaged with community or volunteer work.[i] And the benefits are not just the recipient of their support – it's been proven that volunteering can boost your own happiness, your mental health, and even your physical well-being.[ii] It's like a secret ingredient for a fulfilling retirement.

Retirement beyond the finances

Planning your retirement is more than just numbers on a spreadsheet; it's about creating a fulfilling, meaningful lifestyle. Volunteering can help restore that sense of purpose when you are no longer working, and add structure to your days, all while benefiting others. Thinking about volunteering before you leave the workforce can give you a head start in discovering what really lights you up, and it will give you a smooth transition into the next chapter of your life.

Here are a few tips on how to get started, make your time count, and make sure you're doing something meaningful and truly brings you joy.

Consider your skills

You have years of knowledge, skills and life experiences to draw upon and it can be enormously satisfying to use those to help others. Your contribution can reflect the skills you honed in the workplace or talents you developed along the way. Have you always been the go-to person for organising family events or helping friends with their tech problems? Think about how you can use your skills – whether that's helping others, improving areas in your community – like gardening, or even just making someone smile.

Choose a cause that sparks your passion

Think about what has always inspired you. Volunteering is most fulfilling when it aligns with your interests and values. So, take a moment to consider what causes excite you and look for organisations that align with your passions – maybe a local food bank, animal rescue, or environmental group. Your volunteering experience should feel like a rewarding activity, not an obligation.

Start exploring early

Ideally, don't wait until your last day of work to decide how you'll spend your free time. Start researching volunteering opportunities in your community or online. Many organisations offer flexible, part-time opportunities, so you don't have to dive in full force right away. There are so many options out there that can fit into your schedule.

Volunteering, however you approach it, can open up a whole new world. Once you look for opportunities to assist others, you also enhance your own well-being in a myriad of ways. Working with other like-minded people can give you an incredible sense of community and connection, developing fantastic friendships along the way. Not to mention the sense of satisfaction you'll feel as you learn new things and are exposed to new ideas

Consider how you can weave volunteering into your new life. It can be a way to make your retirement truly extraordinary, while also making the world a better place.

Volunteering ideas to consider

- **Mentoring:** Share your knowledge by helping someone in need of guidance – whether that's through career coaching, tutoring, or life skills.
- **Local charities:** Get involved in your community by assisting with food banks, shelters, or organising fundraisers for causes you care about.
- **Animal shelters:** If you're an animal lover, consider helping out at your local shelter, either by walking dogs or assisting with adoptions.
- **Environmental causes:** Join efforts to clean up parks, plant trees, or raise awareness about environmental issues.

i https://www.apia.com.au/apia-good-life/community-relationships/value-of-volunteering.html

ii https://pmc.ncbi.nlm.nih.gov/articles/PMC7375895/