Summer 2025

With summer now upon us, it is the season of family gatherings, end of year celebrations, and holidays. We would like to wish you and your family a happy and safe festive season.

The economy came under renewed pressure in November as inflation accelerated. The first full monthly CPI release showed annual inflation rising to 3.8% in October, up from 3.6% the previous month. The Reserve Bank kept rates on hold in November and some economists are warning a rate rise may be on the horizon, possibly before the end of the year.

Despite the uncertainty, consumers may be getting their mojo back. The Westpac–Melbourne Institute Consumer Sentiment Index surged in November to its highest level since February 2022.

Unemployment eased a little to 4.3% in October after hitting a four-year high of 4.5% in September but wage growth remains higher, prompting concern from the RBA over the continued tight labour market.

Equity markets were volatile around the world thanks to uncertainty over the growing AI bubble, rising government debt and the ever-changing US tariff regime. Surging commodity prices halted the slide of the Australian dollar in the last week of the month with gold hitting record highs and iron ore prices holding firm. The Australian dollar hit a two-week high, finishing the month at $0.653.

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SUPERANNUATION UPDATE

Super tax shake up

Superannuation tax rules are changing again and there are implications for those with very large balances as well as those on lower incomes.

In a nutshell, the new plans include:

- more targeted tax rules for people with very large super balances
- extra support for low-income earners who contribute to super
- indexation (automatic increases) to make sure the tax thresholds keep up with inflation
- the removal of the proposed tax on unrealised gains

The new super tax rules will begin on 1 July 2026 and will be based on your total super balance as at 30 June 2027.

The changes follow feedback from industry groups, financial experts, and the public. Treasurer Jim Chalmers said the updates are designed to make the system fairer while still meeting the government's goals.[i]

New rules for higher balances

If your total super balance (TSB) is more than $3 million, you'll be affected by new tax rates on earnings.

Here's how it works:

- for balances between $3 million and $10 million, earnings will be taxed at 30 per cent instead of the usual 15 per cent for the proportion of earnings between the thresholds
- for balances over $10 million, a tax of 40 per cent will apply on the proportion of earnings over the threshold

These are still concessional rates, meaning they're lower than the top personal income tax rate, but they're higher than the standard super tax rate.

The thresholds will be indexed over time. The $3 million threshold will increase in steps of $150,000 while the $10 million threshold will increase by $500,000 each time.

This means fewer people will be affected in the future as the thresholds rise with inflation.

Only a small number of Australians will be affected by the new rules. Less than 0.5 per cent of super account holders are expected to have balances exceeding $3 million in the 2026-27 financial year. The $10 million rule is expected to apply to fewer than 8,000 accounts, less than 0.1 per cent of all super accounts.[ii]

If you're affected, you can choose to pay the tax from your super account or from funds outside of super.

No tax on unrealised gains

One of the most controversial parts of the original proposal was a tax on unrealised gains, meaning increases in the value of assets that haven't been sold yet (such as property or shares).

This idea has now been dropped.

Instead, the new tax will only apply to realised gains (actual earnings such as interest, dividends or profits from selling assets).

Extra top-up for low income earners

The government is increasing support for low-income earners through the Low Income Superannuation Tax Offset (LISTO).[iii]

LISTO is a 15 per cent tax offset paid by the government into the super accounts of people earning up to $37,000 a year and is worth up to a maximum of $500.

From 1 July 2027, the current LISTO income threshold will increase to $45,000 to match the top of the second income tax bracket. Around 3.1 million Australians will then be eligible for LISTO.

The maximum government top-up payment will also be increased from $500 to $810 to account for the recent increase in the Superannuation Guarantee (SG) rate to 12 per cent.

Special rules for defined benefits funds

Some judges and politicians are members of defined benefit super funds, which work differently from regular super accounts.[iv]

Because it's harder to calculate earnings in these funds, the government will develop equivalent arrangements to apply the new tax fairly.

We're here to help you understand how the changes may affect your super and your long-term financial goals, so please give us a call.

i https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/reforms-support-low-income-workers-and-build-stronger

ii https://www.superannuation.asn.au/media-release/proposed-super-tax-changes-will-make-system-fairer-for-low-income-workers-asfa/

iii https://treasury.gov.au/publication/p2025-709385-listo

iv https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/growing-and-keeping-track-of-your-super/caps-limits-and-tax-on-super-contributions/super-contributions-to-defined-benefit-and-constitutionally-protected-funds#ato-Definedbenefitfunds

Sweeping reforms to aged care are set to begin on 1 November to help improve the quality, transparency and flexibility of care.

With more care levels, clearer pricing, and greater control over how your funding is used, the new system aims to better match services to individual needs. Providers will be required to offer detailed cost breakdowns, empowering you to make informed decisions about your care.

While the reforms are a step forward in care quality, they also come with changes in how services are funded and that may mean higher out-of-pocket costs for some.

What you pay depends on your financial situation – whether you receive a full or part pension or are self-funded – and the services you access.

As the aged care landscape evolves, staying informed is key to making confident choices. Whether you're planning for yourself or supporting a loved one, understanding the new system will help you access the right care at the right time.

Help at home

From 1 November the current Home Care Packages will be replaced by a new program called Support at Home.

The key changes include:

- Eight levels of care (up from four) to better match individual needs
- Extra funding for assistive technology, home modifications and palliative care

Services are expected to remain the same but the way you pay for them may change.

- For example, clinical care (such as nursing or physiotherapy) will be fully funded by the Government.
- You may pay more for everyday living services (such as meal preparation or cleaning) than you do for independence supports (like personal care or transport).
- The out-of-pocket costs for everyday living will range from 17.5 per cent for full pensioners to 80 per cent for self-funded retirees.
- Non-clinical support, like showering, will cost five per cent for full pensioners to 50 per cent for self-funded retirees.

If you were approved for a Home Care Package on or before 12 September 2024, you will be eligible for fee concessions to ensure you are not worse off under the new rules.

The package level you are assigned sets the total funding available to pay for care, with 10 per cent allocated to the care provider to cover the cost of care management.

You then work with your provider to decide how you want to spend the rest of the budget. The provider will set their fees for services and you will make a contribution based on your income.

Residential aged care

Room prices in aged care facilities have been steadily rising following an increase in the Refundable Accommodation Deposit (RAD) threshold from $550,000 to $750,000.

Higher RADs mean you may need to use more of your savings or income to cover aged care costs.

From 1 November 2025, anyone who moves into care after this date and pays a RAD, will have two per cent of that amount deducted each year, for up to five years.

You can still opt to pay a Daily Accommodation Payment (DAP), but this will increase every six months in line with inflation.

Other fees include:

- the basic daily fee (set at 85 per cent of the single age pension)
- a means-tested fee or non-clinical care contribution
- potentially a higher everyday living fee (previously known as extra or additional services)

Fee caps and planning ahead

The lifetime cap on aged care contributions continues. You won't pay more than $130,000 (indexed) over your lifetime towards home care and residential care combined.

Understanding how the changes affect your financial future is vital. You'll need to consider:

- whether someone will remain in the family home
- your current income and assets
- potential age pension entitlements
- estate planning strategies

Use the government's fee estimator at MyAgedCare to get a clearer picture of your potential costs.

Get advice early

Navigating aged care can be complex and the upcoming changes add new layers of decision-making.

We can help explain your options, structure your assets, minimise fees and plan for your future care needs.

If you would like to discuss your aged care options, please give us a call.

Financial missteps can mean missed opportunities

In a world of constant financial noise, from market updates and interest rate speculation to economic forecasts, it's easy to feel overwhelmed and choose to do nothing.

But inaction can be costly when it comes to building long-term wealth. Whether it's leaving money in cash, delaying investment decisions or ignoring the power of regular contributions, the financial consequences of sitting still can quietly erode your future goals.

Inflation is a wealth killer

One of the most overlooked risks of doing nothing is inflation. While your money might feel 'safe' sitting in a savings account or term deposit, its purchasing power is shrinking every year.

For example, if you'd tucked $10,000 under the mattress in 2014, ten years later in 2024 it was worth just $6926.70 in real terms, thanks to the average annual inflation rate of 2.7 per cent. That's a 30.7 per cent loss in value without spending a cent.[i]

Even in low-inflation environments, the real return on cash is often negative once you factor in tax and inflation.

The 'cost' of cash

Holding too much cash for too long can be a drag on your portfolio's performance. While cash plays an important role, it's not designed for long-term growth.

Consider this:

- Over the past 30 years, Australian shares have returned an average of 9.3 per cent per year, while cash has returned 4.1 per cent annually.[ii]
- That difference compounds significantly over time. Based on those rates, $100,000 invested in shares could grow to approximately $1.4 million in 30 years, while the same amount in cash might only reach around $330,000.

By staying in cash, investors miss out on the growth potential of other asset classes.

The perils of 'set and forget'

Many investors start out with good intentions. They set up a portfolio, make an initial contribution and then leave it untouched for years.

While long-term investing is a sound strategy, neglecting your portfolio entirely can lead to missed opportunities.

Here's what you need to be aware of:

- **Asset allocation changes –** Market movements over time can affect your portfolio's intended risk profile.
- **Dividends –** If dividends are paid out and not reinvested, you lose the benefit of the compounding effect.
- **Changing goals –** Your financial needs are likely to change as you age, but your portfolio won't reflect that unless it's reviewed.

Annual check-ups can help ensure your investments are still working for you.

Missed opportunities

Compound interest is one of the most powerful tools in wealth creation. But compounding works best if you're consistently contributing and reinvesting.

Consider two hypothetical investors who both invest $10,000 earning an average 7 per cent per annum:

- Investor A contributes an extra $5,000 each year
- Investor B contributes nothing after the initial $10,000 investment

After 30 years (and not accounting for fees and other costs):

- Investor A may end up with more than $500,000
- Investor B may end up with around $76,000

The difference? Regular contributions and the magic of compounding.

You can do your own calculations with ASIC's MoneySmart calculator.

From passive wealth to active growth

The cost of doing nothing can be even more pronounced for high-net-worth investors. With larger sums at play, the opportunity cost of holding excess cash or delaying strategic investment decisions can translate into millions of dollars in missed growth over time.

While capital preservation is important, so is capital productivity. Allocating funds across diversified asset classes can help balance risk while enhancing long-term returns.

Inaction, especially in times of market uncertainty, may feel prudent, but it often results in underutilised capital that fails to keep pace with inflation or evolving financial goals.

After all, your financial plan should evolve with you. A portfolio designed five years ago may no longer suit your goals, risk tolerance or tax situation. Life changes – marriage, children, career shifts, retirement planning – and your investments should reflect those changes.

The bottom line

Doing nothing might feel safe but it's often the riskiest choice of all. Inflation erodes your savings; cash underperforms over time and missed opportunities can delay or derail your financial goals.

By taking small, consistent steps such as contributing regularly, reinvesting earnings and reviewing your plan regularly, you can build a strong foundation for long-term financial success.

We're here to help you take control and make your money work harder for your future.

i https://www.rba.gov.au/calculator/annualDecimal.html
ii https://fund-docs.vanguard.com/AU-Vanguard_Index_Chart_poster.pdf