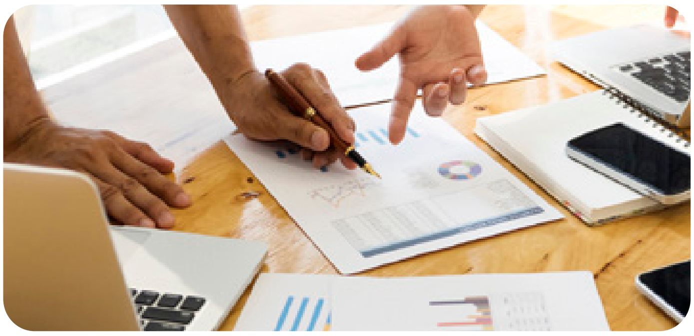
WINTER 2025

WEALTH & SUPER MATTERS

Superannuation strategies and your personal guide to wealth creation



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1 July 2025: New Rates, Limits & Caps You Need To Know

From 1 July 2025, a range of superannuation and tax-related thresholds are increasing.

These changes bring new planning opportunities—but also a few essential things to be aware of.

Here's a quick summary of what's changing and what it might mean for you:

SUPER GUARANTEE (SG) NOW 12%

Employers will need to contribute 12% of ordinary time earnings into employees' super funds. If you're a business owner, ensure that your payroll systems are up to date. For employees, this is a boost to long-term retirement savings.

CONCESSIONAL CAP: $30,000

This is the cap for tax-deductible super contributions, including employer SG and salary sacrifice. The increase from $27,500 gives you more room to reduce your taxable income while boosting your super.

NON-CONCESSIONAL CAP: $120,000

This is the limit for after-tax contributions. With the bring-forward rule, eligible individuals could contribute up to $360,000 over three years. Remember, you must have a total super balance under the Transfer Balance Cap to be eligible for this.

TRANSFER BALANCE CAP: $2 MILLION

This cap limits how much you can transfer into a tax-free retirement phase pension. If your balance is under this threshold, you may have more flexibility in drawing tax-free income.

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DEFINED BENEFIT INCOME CAP: $125,000

For those receiving income from defined benefit pensions, this is the amount before excess tax may apply.

CGT CAP AMOUNT: $1,865,000

For small business owners selling assets and contributing proceeds to super, this is the new maximum CGT cap amount—ideal for retirement planning.

CO-CONTRIBUTION INCOME THRESHOLDS: $47,488 – $62,488

For low to middle-income earners, government co-contributions remain available within these new income thresholds. A small personal contribution could trigger up to $500 from the government.

PLANNING AHEAD

If you're unsure how the changes might affect you, or you'd like to take advantage of the new limits before 30 June 2026, now is a great time to speak with your accountant or licensed adviser. Let's plan smartly for the financial year ahead.

EOFY Planning: Don't Forget Your Minimum Pension Drawdown

*If you're receiving a pension from your self-managed super fund (SMSF), it's important to ensure you meet the **minimum pension drawdown** requirements each financial year.*

These minimums are set by the government and are based on your age and the value of your pension account on 1 July.

Meeting the minimum is essential because if you don't draw down enough, your pension may be treated as having stopped. This can have tax implications - for example, your fund might lose its tax exemption on earnings for that income stream for the entire year.

If you haven't already, it's worth checking that your pension payments meet the full minimum required for the 2024-25 financial year. For the 2024–25 financial year, **the full standard minimum drawdown rates are back in effect.** For example, if you were aged 65–74 on 1 July 2024, you're required to withdraw at least 5% of your pension balance by 30 June 2025.

If your payments fall short, you have until 30 June to correct it; but the sooner you act, the better. Planning early can help avoid rushed decisions and ensure your SMSF stays compliant.

If you're not on track, there's still time to make additional withdrawals before the 30 June deadline.

If you're unsure about how much you need to draw or want to ensure you're on track, it's always a good idea to consult your accountant or trusted SMSF adviser. Staying on top of this now can help you avoid problems later and keep your retirement savings working efficiently.

Avoid a Costly Mistake: Make Sure Your Super Contributions Are Timed Right

As the end of the financial year approaches, it's vital to turn your attention to your superannuation contributions, particularly if you're planning to claim a tax deduction.

Several rules and caps can apply, and timing plays a bigger role than many people realise.

TIMING IS KEY

One common misconception is that super contributions count in the year you make the payment. In reality, your contribution is only counted once it's received by your super fund. So, if you make a payment in late June but your fund doesn't receive it until July, it will fall into the next financial year. This means it will be assessed against next year's caps and rules.

CONTRIBUTION CAPS TO KEEP IN MIND

Here are some of the key caps for this financial year (2024–25):

- **Non-concessional contributions:** You can only make these if your total super balance is under $1.9 million as at 30 June 2024. From 1 July 2025, this cap increases to $2 million.
- **Concessional contributions** (those you can claim a deduction for, including employer contributions): The cap is $30,000 this year. If your total super balance is under $500,000, you may also be eligible to use unused cap amounts from the previous five years.

CLAIMING A DEDUCTION – WHAT YOU NEED TO DO

If you're planning to claim a tax deduction for **personal contributions**, here's what you need to ensure:

1. **Your fund must receive the contribution before 30 June 2025**. Depending on your fund's processing times, you may need to make the payment by **mid-June**.
2. **You must notify your fund** of your intention to claim a deduction. Your fund must then **acknowledge your notice in writing**—only then can the deduction be claimed in your tax return.

FOR EMPLOYERS

If you're an employer making super payments for your team and want to claim a deduction this financial year, remember to allow extra time for the **clearing house** to process the payments. As with personal contributions, the key is that the fund receives the payment by 30 June.

Unlike personal contributions, there's no need to lodge a notice with the fund for employer contributions - you can simply claim the deduction, provided the timing is right.

A FINAL WORD OF CAUTION

If you've rolled over your super to another fund after making a personal contribution—but before notifying the original fund of your intention to claim the deduction - you may lose the ability to claim it.

TALK TO YOUR ACCOUNTANT FIRST

If you're planning to claim a deduction for your personal super contributions, **don't lodge your tax return until you've spoken to your accountant.** A quick conversation can help ensure everything's in order and nothing gets missed.

Is the Cheapest Life Insurance The Best Policy?

When it comes to life insurance, cost is often a key consideration—but is the cheapest policy really the best option?

While a low premium can be appealing, life insurance is ultimately about peace of mind: knowing your loved ones will be financially protected if the unexpected happens. A cheaper policy might meet the minimum requirements, but could fall short when it matters most.

WHAT'S OFTEN MISSING IN CHEAPER POLICIES?

Lower-cost life insurance often comes with trade-offs. These can include:

- **Lower benefit amounts**, which may not be enough to cover debts, mortgage repayments, or ongoing living costs for your family.
- **Stricter exclusions** or limitations on when and how claims are paid.
- **Fewer built-in features**, such as terminal illness benefits or optional extras like trauma cover.
- **Shorter terms** or policies that become more expensive as you age.

These elements may not be immediately apparent, which is why it's essential to read the fine print.

VALUE OVER COST

Instead of looking for the cheapest policy, consider what offers the best value for your situation. The right cover should reflect your personal and financial circumstances, including your income, debts, dependents, and long-term goals. It's about finding the balance between affordability and adequate protection.

GETTING THE RIGHT ADVICE

Life insurance isn't one-size-fits-all. A financial adviser or insurance specialist can help you compare not just price, but also features, definitions, and reliability of the insurer. Sometimes, spending a little more can mean a lot more security in the long run.

BOTTOM LINE

Cheap might cost more when it matters most. It's worth taking the time to ensure your life insurance policy truly supports your loved ones, because that's what it's really for.

What Do Two Back-to-Back Interest Rate Drops Mean for Your Mortgage?

If the Reserve Bank announces two consecutive interest rate cuts, it's natural to wonder what that means for your home loan.

For many mortgage holders, back-to-back drops can offer both immediate relief and longer-term opportunities - if you know how to make the most of them.

LOWER REPAYMENTS – BUT DON'T STOP THERE

A drop in the official cash rate often leads to lower variable mortgage rates. This means your regular loan repayments may decrease, leaving a little more in your pocket each month. For borrowers feeling the pinch from rising living costs, this can be a welcome reprieve.

However, if you can afford to keep making your original repayment amount, you could reduce your loan faster. By maintaining your repayments at the higher rate, you chip away more of the principal, saving on interest and shortening the life of your loan.

FIXED RATE CONSIDERATIONS

If you're on a fixed-rate mortgage, you won't benefit from the rate drops immediately. However, with signs of change in the interest rate cycle, now may be a good time to review your fixed-rate expiry date and consider your refinancing options.

A CHANCE TO REASSESS YOUR STRATEGY

Two consecutive rate cuts can signal a shift in the broader economy. It's a good time to review your overall financial plan. Are you on the right loan for your needs? Could you refinance to a better deal? Are you taking advantage of offset accounts or redraw facilities?

BOTTOM LINE

Interest rate cuts are more than just headline news—they're a chance to get ahead. Use this window to reassess your home loan and explore ways to strengthen your financial position.

Speak with licensed advisers, such as mortgage brokers or your accountant, to see how it might affect your situation.

What Impact Do Franking Credits Have on the Make-Up of Your Portfolio?

Franking credits can have a powerful influence on how your investment portfolio performs, particularly when it comes to your tax return.

Franking credits are a tax benefit attached to dividends paid by Australian companies.

When a company earns profit and pays tax on that profit, it may then distribute the remainder to shareholders as dividends.

To avoid taxing shareholders twice (once at the company level and again on the dividend), the company can "frank" the dividend with a credit for the tax it has already paid.

When you receive a dividend from an Australian company, it will typically be either franked, partially franked, or unfranked. Understanding the difference is key to knowing how your investment income will be taxed and how it may benefit you at tax time.

FRANKED DIVIDENDS

A franked dividend is one that comes with a franking credit—a tax credit that represents the tax already paid by the company on its profits (usually at the corporate tax rate of 30%). This system helps prevent double taxation, where both the company and the shareholder would otherwise pay tax on the same income.

At tax time, you declare both the dividend and the franking credit as income. But because the company has already paid tax, you receive a credit for that amount. If your marginal tax rate is lower than the company rate, you may get a refund. If it's higher, you pay the difference.

UNFRANKED DIVIDENDS

An unfranked dividend is paid out of company profits that haven't been taxed in Australia—for example, foreign earnings or tax losses carried forward. In this case, you pay tax on the full dividend amount at your marginal rate, with no franking credit to offset it.

Think of It Like PAYG Tax on Wages

A good way to understand this is to think of PAYG tax. When you're paid a wage, your employer withholds tax on your behalf. At tax time, the withheld amount is applied toward your total tax bill, which may result in a refund. Franking credits work the same way: they're like tax that's already been prepaid on your investment income.

WHY THIS MATTERS FOR YOUR PORTFOLIO

Franking credits can significantly improve the after-tax returns of your portfolio, especially if you're in a low or zero-tax environment. For example, self-managed super funds in pension phase and retirees often receive franking credit refunds, which effectively boost their income.

Because of this, some investors prefer shares from companies that consistently pay fully franked dividends. Portfolios tilted toward Australian dividend-paying stocks can be particularly tax-effective, especially for investors focused on income.

CONSIDER THE BALANCE

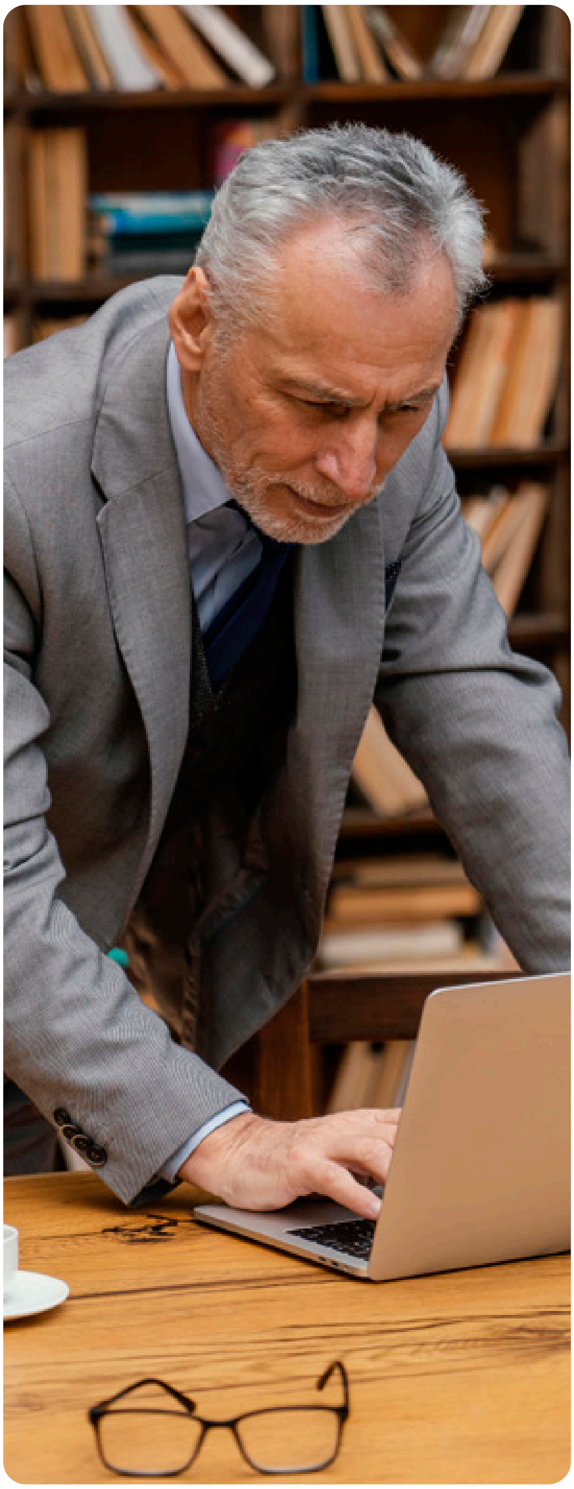
It's essential to strike a balance between tax benefits and investment diversification. A portfolio overly focused on Australian companies for the franking benefit may overlook growth and diversification opportunities globally. Franking credits are valuable, but they should be part of a broader investment strategy.

Franking credits can turn a good dividend into a great after-tax return. But as with all investment decisions, it's about aligning the benefit with your personal goals, tax position, and broader portfolio strategy.

Always consult with your licensed adviser or accountant to maximise their benefits.

Shifting Your Portfolio from Growth to Income in Retirement

As retirement approaches, many investors shift their focus from building wealth to preserving it and generating a reliable income. This often involves adjusting your investment portfolio from growth assets (like shares and property) to income-producing assets (like bonds, term deposits, and dividend-paying shares). But what does this transition mean?



GROWTH ASSETS: BUILDING WEALTH

During your working years, growth assets play a crucial role in building your retirement nest egg. They tend to offer higher long-term returns but are associated with greater short-term volatility. Shares and property can rise and fall in value, and while this is manageable when you're accumulating wealth, it's less ideal when you need a consistent cash flow in retirement.

INCOME ASSETS: STABILITY AND CASH FLOW

As you enter retirement, priorities often shift to security and steady income. Income assets, such as fixed interest, infrastructure investments, annuities, and certain dividend-paying shares, can offer more predictable returns. The goal is to generate enough income to support your lifestyle, without relying heavily on drawing down capital during market downturns.

A GRADUAL SHIFT IS BEST

Rather than making a sudden switch, many retirees gradually reduce their exposure to growth assets. This can help maintain some growth potential while smoothing out risk. For example, your portfolio might transition from 80% growth and 20% income to a more balanced 50/50 mix, and eventually to a more defensive allocation.

THE RIGHT MIX DEPENDS ON YOU

There's no one-size-fits-all approach.

Your desired lifestyle, risk tolerance, life expectancy, and access to other income sources (like super or the Age Pension) all play a role.

A financial adviser can help you adjust your portfolio to meet your goals, keeping you comfortable and financially secure throughout retirement.

Why Licensed Advice and Financial Literacy Matter – Especially for Your Super

Whether you're just starting your first job or planning your retirement, superannuation is one of the most important financial assets you'll ever have. Yet many Australians, particularly younger generations, aren't paying it the attention it deserves.

A key reason? A lack of financial literacy and access to quality, licensed advice.

Superannuation isn't just a savings account. It's a long-term investment fund with rules, options, and tax implications that change over time. Getting advice from a licensed professional helps ensure your decisions are informed, compliant, and tailored to your individual goals.

From selecting the right fund and investment mix to understanding your insurance coverage and planning contributions around the end of the financial year (EOFY), guidance can make a significant difference.

The EOFY is a particularly critical time to review your super. Whether it's considering concessional (before-tax) contributions for a tax deduction, utilising carry-forward contributions, or ensuring your employer contributions are received on time, timing and strategy matter. Missteps can result in missed opportunities or even tax penalties.

Licensed advisers are equipped to navigate these complexities with you. Unlike general information or social media commentary, licensed advice is regulated, personalised, and built on your best interests. It's particularly valuable for those in transition, such as those starting work, changing jobs, starting a family, or approaching retirement.

Financial literacy also plays a significant role. Understanding the basics of super means you're more likely to engage with it, ask the right questions, and seek support when needed.

Don't leave your future to chance—seek licensed advice, especially as the EOFY approaches, and take an active role in building a stronger financial future.

Understanding the Impact of Trump's Tariffs

Tariffs were a central feature of Donald Trump's economic strategy during his first term as U.S. president, and they were once again in the spotlight with his return to office.

But what exactly are tariffs, and why do they matter for economies, businesses, and everyday consumers?

Put simply, a tariff is a tax placed on imported goods. The purpose is to make foreign products more expensive, giving local industries a competitive edge and encouraging consumers to buy domestically produced alternatives.

During his first presidency, Trump introduced sweeping tariffs on imports from several countries, most notably China. These included tariffs on steel, aluminium, and a range of consumer goods like electronics. The goal was to protect American industries and reduce reliance on foreign manufacturing.

During his current term as President, Trump has introduced a 10% tariff that affects Australian imports and exports to and from the U.S.

SHORT-TERM EFFECTS

In the short term, tariffs can offer some protection to domestic industries. U.S. steel manufacturers, for example, benefited from reduced competition. However, industries that rely on imported materials, like car manufacturing and construction, often faced higher costs.

Consumers also felt the pinch. Tariffs on imports raised prices on everyday goods, from washing machines to mobile phones. As is the case when businesses face higher input costs, they typically pass those costs on to consumers.

GLOBAL REPERCUSSIONS

Trump's tariffs sparked retaliatory measures from other countries. China, for example, hit back with its own tariffs on U.S. exports, affecting American farmers and manufacturers. This kind of tit-for-tat can escalate into trade wars, disrupting global supply chains and increasing uncertainty for businesses.

LOOKING AHEAD

If Trump introduces or expands tariffs, the effects may ripple across global markets again.

For investors and business owners, tariffs can influence costs, supply chains, and investment decisions. For consumers, this often means higher prices.

While tariffs are intended to protect local jobs and industries, they can also have unintended consequences. As with any economic policy, the long-term impact depends on how they're implemented and how other countries respond.

While it's impossible to predict exact outcomes, it's a good time for Australian businesses to review where their inputs, customers, and supply chain dependencies lie.

As your adviser, we'll continue to monitor the situation and provide updates on any developments that could affect your operations or planning. Global trade events like these are a reminder of how interconnected the economy is, and how small adjustments now can help strengthen your position for whatever comes next.