# January 2026

As we begin 2026, we extend our warmest wishes for a year filled with health, happiness and success. We look forward to embracing fresh opportunities and new possibilities.

We start the year with the release of the latest inflation data. While figures were lower than expected, economists remain divided about a February rate hike.

There was a larger-than-expected fall in the consumer price index to 3.4 per cent, with the Reserve Bank's preferred measure of trimmed mean inflation down to 3.2 per cent.

While consumers were cautious in the lead-up to Christmas, with the Westpac–Melbourne Institute Index slipping from 103.8 in November to 94.5 mid-December, early reports show sales over the Christmas period were up on previous years.

Unemployment remained at 4.3 per cent and equity markets closed the year solidly with the ASX 200 up by almost 10 per cent (including dividends), although still short of its October high.

Looking ahead, all eyes will be on the RBA's February interest rate decision as well as the fallout from the US attack on Venezuela.

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# 2025 YEAR IN REVIEW:

# It was a *soft landing* for Australia

Many investors breathed a sigh of relief at having survived (and even thrived) the turbulent economic and political events of 2025.

Super funds posted strong double-digit returns for the 2024-2025 financial year. Australia recorded modest economic growth, while inflation cooled a little throughout the year – albeit with a slight uptick at year's end – and house prices surged before hitting the brakes in December. Share markets reported respectable gains locally and some surging profits globally.

## The big picture

Markets and economies around the world have danced to the tune of the Trump Administration's second term in office and reacted to wars and unrest in the Middle East and Ukraine.

The US President's often surprising policy twists and turns, particularly a punishing new tariff regime, saw markets falter and exporters of goods and services to the US plunged into uncertainty.

The Australian dollar reflected the choppy conditions, hitting lows just under 0.60 US cents in April before recovering slightly by year end at just under 0.67 US cents, this was buoyed by our strong iron ore exports and the growing demand for lithium, copper and rare earths.[i]

The artificial intelligence revolution was another feature of the year, driving US share markets ever higher with some fearing the bubble is overdue to burst.

## Economy

Inflation's stubborn resistance to the Reserve Bank's measures to bring it down could lead to further interest rate rises in 2026.

The Consumer Price Index in January recorded an annual rate of 3.4 per cent, down 0.4 per cent on the previous month.

The RBA's flexible inflation target aims to keep the cost of living increases between two and three per cent.

The cash rate began 2025 at 4.35 per cent but after three cuts during the year, it was down to 3.6 per cent in December. The RBA is due to meet in February to consider its next move.

In the US, the Federal Reserve also cut rates three times, putting the interest rate to a range of 3.5 - 3.75 per cent.

The Australian economy grew 2.1 per cent in the year to September in a massive improvement on the previous year's growth of 0.8 per cent.

## Property

After two uneven years, home values surged again in 2025 by 8.6 per cent, adding about $71,500 to the national median.[ii]

It's the strongest calendar year performance since the remarkable 24.5 per cent increase in 2021.

However, values softened in December, recording the smallest monthly increase in five months.

Darwin delivered the best performance with an 18.9 per cent gain in values during the year while Melbourne took the wooden spoon with a 4.8 per cent increase.[iii]

## Share markets

Global equity markets proved that they could thrive, even in a higher-interest rate environment, and the AI revolution moved from the hype phase of the previous year to serious players in 2025.

While 'The Magnificent Seven' tech stocks have long ruled the S&P 500, in 2025 just two outperformed the index with a gain of 64.8 per cent for Alphabet and 38.9 per cent for Nvidia.[iv]

It was a slower pace for Australian markets with the S&P/ASX 200 delivering a solid total return of 6.8 per cent. While the big banks faced some pressure on margins as interest rates peaked, the materials sector was supported by the global energy transition. Dividend yields remained attractive, continuing Australia's tradition of providing reliable income for retirees and SMSFs.

## Commodities

Precious metals drove commodity values in the past year with investors looking for security amid interest rate movements and geopolitical tensions.

Silver was up by an astonishing 182 per cent during the year, but a sell-off in December saw the price finish the year with a 147 per cent gain.[v]

Meanwhile, gold's safe haven status during times of uncertainty saw it jump by 65 per cent during the year.

## Looking ahead

It seems likely the issues that dominated the financial markets in 2025 will continue to shape performance and returns this year.

Global politics and war are likely to move commodity prices and equity markets while the contrariness of US foreign policy will both spook and buoy investors.

In Australia, all eyes will be on the RBA, with high levels of speculation as to where interest rates will be heading in 2026.

i https://tradingeconomics.com/australia/currency

ii, iii https://www.cotality.com/au/insights/articles/2025-delivers-strong-housing-gains-but-2026-set-for-a-softer-landing-as-rate-fears-and-affordability-bite

iv https://www.investing.com/analysis/which-magnificent-7-stock-had-the-best-year-in-2025-200672716

v https://www.exchange-rates.org/precious-metals/silver-price/united-states/2025

# YOUR MONEY, *your priorities*

Investing may be all about the numbers – growth, returns and risk – to build a secure future but increasingly investors are interested in an even more meaningful approach.

Four out of five respondents to a 2024 survey wanted their investments to have a positive impact in the world.[i]

The survey, by the Responsible Investment Association Australasia (RIAA), found 79 per cent of investors would be more likely to invest in funds or products that have been independently verified as responsible or ethical. Animal cruelty was a top concern for 66 per cent, followed by human rights abuses – 60 per cent, gambling – 56 per cent, companies that don't paid their fair share of tax – 55 per cent, as well as tobacco, weapons and firearms all at 55 per cent.[ii]

This growing interest in responsible investment saw assets under management in Australian funds rise 24 per cent to more than $1.6 trillion in 2024.[iii]

Meanwhile, a 2025 survey of 3,500 high net worth Australian investors found that sustainable investing is gaining traction as long as appropriate returns, clear risk and return profiles, and transparent performance reporting are in place.[iv]

## Adding value

Aligning your investments with your values isn't about changing the way you invest, it's about adding an extra layer of meaning to the process and shaping your portfolio to reflect what's important to you.

For some, that might mean supporting companies that innovate responsibly or treat employees well. For others, it could mean avoiding industries that don't align with their principles. There's no single 'right' approach because your values are unique to you.

And here's the reassuring part: investing with your values doesn't mean sacrificing returns. Many businesses that operate with strong governance and long-term strategies have shown to perform competitively over time. So, you can pursue financial growth while feeling confident that your money is working in ways that matter to you.

In fact, the RIAA noted in 2024 a ten-year return on RIAA-certified products of 13.9 per cent, compared with 9.19 per cent for the rest of the market (Australian share funds).[v]

Of course, fundamental investment rules apply. Diversification is one of the keys to successful values-based investing. But it's not about limiting your choices, it's about finding the right mix of investments that meet both your financial and personal criteria.

A well-constructed portfolio can include companies across different sectors that align with your principles while still delivering strong performance. This approach ensures you're not only investing with purpose but also managing risk effectively.

## Taking the first step

Turning this idea into reality can be complex. Investor's priorities are different and the investment universe is vast. That's where a financial adviser adds value.

A good adviser doesn't just manage numbers. They listen and take the time to understand what matters most to you, whether that's supporting certain industries, avoiding others or balancing ethical considerations with performance goals.

From there, they help design a strategy that reflects your values without losing sight of your financial objectives.

Advisers also provide clarity. With so many investment options available, it's easy to feel overwhelmed. We can help you navigate choices, evaluate trade-offs, and ensure your portfolio remains diversified and resilient. We can also monitor your investments regularly, making adjustments as markets change and your priorities evolve.

So, if you've ever wondered whether your investments reflect your values, you can begin exploring the possibilities.

Start by asking yourself about the principles that are most important to you; the industry sectors you would like to support or steer clear of and how you would define success.

Then, give us a call. We can help you to align your portfolio with your values while keeping your long-term goals on track.

i https://www.responsibleinvestment.org/research-and-resources/resource/from-values-to-riches-2024-charting-consumer-demand-for-responsible-investing-in-australia

ii https://www.responsibleinvestment.org/research-and-resources/resource/from-values-to-riches-2024-charting-consumer-demand-for-responsible-investing-in-australia

iii, v https://www.responsibleinvestment.org/events-news/item/record-1-6-trillion-committed-to-responsible-investing-but-greenwashing-remains-a-major-concern

iv https://www.ey.com/en_au/newsroom/2025/05/new-ey-survey-2025

# Planning is key as SMSFs enter new phase

**Self-managed superannuation funds (SMSFs) have long been associated with older Australians and small business owners looking for greater control over their retirement savings.**

But recent data suggests the sector is undergoing a quiet transformation.

Alongside tax reforms and persistent compliance challenges, younger people are slowly moving into the SMSF space. While 85 per cent of SMSF members are 45 years or older, there's been significant growth in members aged between 25 and 34 years from just 2.4 per cent two years ago to around 10 per cent now.[i]

Almost 8,000 new SMSFs were established in the three months to the end of March 2025 with the number of new members increasing by 13,000. Australia's SMSFs hold an estimated $1.02 trillion in assets with 26 per cent invested in listed shares and 16 per cent in cash and term deposits.[ii]

## A new tax era

The new Division 296 super tax, due to apply from 1 July 2025, is aimed at those with total superannuation balances exceeding $3 million. An extra 15 per cent tax will apply to earnings on the portion of a member's balance above $3 million, effectively lifting the tax rate on those earnings to 30 per cent.

What makes Division 296 particularly contentious is the inclusion of unrealised gains. For example, a share portfolio the SMSF holds has seen positive returns. Trustees may face tax liabilities on paper profits, even if assets haven't been sold. This may cause issues for SMSFs holding illiquid assets such as property or farmland that has increased in value.

SMSF Australia and other industry bodies have raised concerns about fairness, complexity and the potential for unintended consequences.

Trustees with high balances should begin planning now before 30 June 2026, to consider asset rebalancing, contribution strategies and the timing of withdrawals. SMSF Australia recommends obtaining advice about your specific circumstances.[iii]

## The advice gap

Despite the increasing complexity of SMSF regulation, the vast majority of trustees continue to operate without professional advice. While the number of SMSFs using financial advisers has grown to 155,000, up from 140,000 in 2023, some 483,000 are not using a financial adviser.[iv]

This could lead to costly mistakes, especially when navigating contribution caps, pension strategies or related-party transactions. SMSF Australia says that while there's no legal requirement to obtain advice from a licensed financial planner, "unless you have the skills and expertise to do this yourself, it is certainly conventional wisdom to do so".[v]

## The compliance burden

Every SMSF must undergo an annual audit by an approved SMSF auditor. This includes verifying the fund's financial statements and ensuring it is compliant with super laws. Trustees are also required to value all fund assets at market value as at 30 June each year, using objective and supportable data.

For property and other complex assets, valuations can be time-consuming and costly. The ATO recommends using qualified independent valuers when assets represent a significant portion of the fund or are difficult to assess. Auditors may request evidence such as comparable sales, agent appraisals or formal valuation reports.[vi]

Failure to maintain accurate records or provide sufficient documentation can result in audit delays, contraventions or penalties. Trustees must also ensure their investment strategy is regularly reviewed and documented, particularly when starting pensions or making significant contributions.

## Looking ahead

As the SMSF sector evolves, trustees face a dual challenge: adapting to new tax rules and maintaining rigorous compliance. For those considering an SMSF – or already managing one – the message is clear. Getting financial advice can give you peace of mind when the rules are regularly changing.[vii]

With Division 296 to contend with and a younger demographic stepping in, the sector is poised for both growth and greater scrutiny.

Whether you're a seasoned trustee or just starting out, now is the time to review your fund's structure, seek expert guidance and ensure your paperwork is in order. The future of SMSFs may be more dynamic than ever, but it will also demand greater diligence.

Contact us if you have any questions.

i https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/self-managed-super-funds-smsf/smsf-newsroom/highlights-smsf-quarterly-statistical-report-march-2025

ii https://data.gov.au/data/dataset/self-managed-superannuation-funds/resource/b545bf09-57a7-4684-b706-63c16f950e02

iii https://smsfaustralia.com.au/understanding-div296/

iv https://www.vanguard.com.au/corporate/media-centre/2025/new-smsf-trustees-propel-uptake-of-financial-advice-but-sector-still-has-advice-gaps

v https://smsfaustralia.com.au/what-are-the-rules-for-financial-planners-giving-smsf-advice/

vi https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/self-managed-super-funds-smsf/smsf-administration-and-reporting

vii https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/self-managed-super-funds-smsf/before-you-start-an-smsf/about-smsfs