July 2026

As we step into a new financial year, a raft of changes will take effect, so consider the opportunities and challenges ahead.

June delivered a mixed picture for the Australian economy as the new financial year begins. Headline inflation eased, but underlying inflationary measures rose to their highest level in almost two years, reinforcing expectations that interest rates may remain higher for longer.

Domestic data highlighted ongoing structural pressures. Building approvals remained subdued, signalling persistent constraints on housing supply despite strong demand. Consumer confidence weakened, falling 2.9% to 80.6, returning to pessimistic levels after a brief improvement in May.

Australian share markets were volatile, with the ASX 200 moving within a narrow range as investors responded to shifting rate expectations and global uncertainty.

Globally, shares delivered strong gains, however, risks remain elevated. In the United States, concerns about policy direction and financial stability unsettled markets, while geopolitical tensions including the on-again off-again ceasefire in the Gulf continued to cause inflationary and supply risks.

The Australian dollar experienced modest fluctuations and finished July at a three-month low.

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Superannuation: *more relevant than ever*

A range of superannuation changes that came into effect on 1 July 2026, are reinforcing the role of super as one of the most tax-effective investment structures available.

For many investors, it's not simply that super remains attractive but that the rules continue to change. Understanding these changes can help ensure your strategy takes advantage of available opportunities while staying on track with your financial goals.

A changing tax environment

Outside of super, tighter rules around the use of discretionary trusts and closer scrutiny of income distributions have reduced some traditional tax planning flexibility. Combined with the ongoing treatment of capital gains, this has made tax outcomes in non-super structures less predictable for some investors.[i] In contrast, superannuation continues to provide favourable tax treatment. This is a key reason why super is becoming increasingly important in long-term financial planning.

Payday Super

One of the more practical changes is the introduction of Payday Super, which requires employers to pay super contributions at the same time as wages rather than quarterly.[ii] While this is primarily an administrative shift, it can have a real impact on individuals' super balance. More frequent contributions mean compounding begins earlier. Over time, this could lead to improved retirement outcomes.

Higher contribution caps

From 1 July 2026, the concessional superannuation contribution cap (including employer contributions and salary sacrifice) increased to $32,500 from $30,000 in the 2025-2026 financial year.

Non-concessional caps have also increased, from $120,000 in 2025-2026 to $130,000 in the 2026-2027 financial year, enabling larger after-tax contributions. This can be particularly relevant for individuals who have accumulated savings outside super and wish to transfer funds into a more tax-advantaged environment.[iii]

Carry-forward and bring-forward rules

Two existing rules continue to offer significant opportunities when used effectively.[iv]

The carry-forward rule allows those with a total super balance below $500,000 on 30 June in the previous financial year to use unused concessional cap amounts from previous years. This can be especially beneficial for those with irregular income patterns, such as business owners or individuals returning to work after a break.

The bring-forward rule allows you to make several years' worth of non-concessional contributions in one year, subject to eligibility criteria. This can be particularly useful when receiving an inheritance, selling an asset or restructuring investments.

Parental leave contributions

Another important development is the extension of super contributions to government-funded parental leave, introduced last year. It recognises the long-term impact that time out of the workforce can have on retirement savings, particularly for women.[v] While the financial impact may appear modest in the short term, over time the effect of compounding can be meaningful.

Division 296 tax

One of the more widely discussed measures is the Division 296 tax, which applies an additional tax on earnings associated with super balances above $3 million.[vi] While this affects a relatively small proportion of investors, it represents an important shift in the superannuation landscape. The measure is designed to target very large balances, with the objective of limiting the extent of tax concessions at higher levels of wealth.

Transfer Balance Cap

The increase in the Transfer Balance Cap to $2.1 million is another positive development, particularly for those approaching or entering retirement.

This cap determines how much can be transferred into the tax-free retirement phase. An increase allows more capital to benefit from a zero per cent tax rate on earnings, enhancing after-tax income in retirement.

Bringing it all together

Superannuation continues to offer a compelling tax environment, particularly when compared with other investment strategies that are facing increased complexity and scrutiny.

Contribution caps, along with carry forward and bring forward rules, provide multiple pathways to build super balances over time.

Timing and consistency matter. Changes such as Payday Super and parental leave contributions highlight the benefits of regular, ongoing investment into super and the power of compounding.

While new measures such as Division 296 introduce additional considerations, they do not diminish the overall value of super for most investors.

Please get in touch if you'd like to discuss any of these superannuation options.

i https://treasury.gov.au/publication/p2026-781365
ii https://www.fairwork.gov.au/newsroom/news/payday-super-new-rules-starting-1-july-2026
iii-vi https://www.ato.gov.au/

PERSPECTIVE, NOT POLICY, DRIVES LONG-TERM INVESTMENT SUCCESS

In the weeks after the Federal Budget's proposed changes to negative gearing and the reduction to Capital Gains Tax (CGT), headlines continue to spark debate, and a familiar question lingers: what does this mean for my investments?

With ongoing global developments layered on top, it can feel as though some form of action is required.

But for long-term investors, the Budget itself is rarely the greatest risk to financial success. More often, it's how we respond to the surrounding commentary that has the bigger impact.

When dramatic Budget announcements coincide with global uncertainty such as economic shifts or geopolitical tensions, the pressure to act can build quickly. Yet, markets absorb new information fast and much of what is announced has already been anticipated and reflected in prices.

This is where discipline matters most. Reacting emotionally can lead to decisions that fall outside a well-considered plan, such as selling quality investments or adjusting strategies based on a single policy change rather than long-term fundamentals.

A useful example is the market reaction during the early stages of the COVID-19 pandemic in 2020. Global markets fell sharply as uncertainty surged and many investors were desperate to sell.

Yet those who stayed invested or continued regular contributions would likely have benefited from the strong recovery that followed over the next 12 to 18 months. In contrast, those who exited the market would probably have had to face the difficult decision of when to re-enter and risked missing a meaningful portion of the rebound.

A decade earlier during the Global Financial Crisis, the ASX 200 fell sharply and investor confidence dropped significantly.

Many investors chose to move to cash to protect themselves but the markets began recovering well before economic conditions fully stabilised.

Again, those who remained invested or continued adding to their portfolios, likely benefitted from the recovery while many of those who moved to the sidelines probably missed the rebound.

Chasing trends can undermine your strategy

Another common trap is chasing trends.

A sector highlighted by Budget incentives or a widely discussed 'hot stock' can seem compelling. But, by the time an opportunity becomes mainstream, it's often fully valued or even overpriced. That can leave investors buying high and, after sentiment shifts, selling low.

Chasing trends can also erode diversification. Concentrating on a narrow set of opportunities may increase exposure to specific risks and possibly reduce the balance that a diversified portfolio is designed to provide, particularly during periods of volatility.

By contrast, a well-constructed portfolio takes a broader view. It reflects your goals, time horizon, risk tolerance and income needs, while recognising that markets move through cycles and leadership shifts over time. Not every asset performs well simultaneously, and that is a feature of diversification, not a flaw.

Importantly, a sound financial plan is designed with change in mind. Market fluctuations, policy adjustments and economic cycles are expected, not exceptional.

While regular reviews ensure your strategy stays aligned with your circumstances, these reviews typically lead to measured refinements rather than abrupt changes.

It's also worth remembering that the Federal Budget mainly introduces fiscal measures affecting taxation, spending and incentives across different parts of the economy. These changes tend to play out gradually. Markets, on the other hand, are forward-looking and incorporate expectations well in advance, which reduces the impact of any single announcement.

Consistency is key

For most investors, success is more about maintaining consistency through varying conditions rather than predicting policy outcomes. This includes continuing regular contributions, staying diversified and resisting the urge to make unnecessary changes driven by short-term sentiment.

Periods of heightened uncertainty can be where professional advice helps to keep you focused on your long-term goals. We can interpret any market changes or developments that have occurred and you may be unsure about, assess what is genuinely relevant to your situation and, importantly, provide a steadying influence when noise and emotion begin to creep in.

Ultimately, the Federal Budget is only one of many factors that influence markets. Decisions driven by emotion, loss of diversification or departure from a disciplined strategy tend to have a far more lasting effect.

By keeping your focus on long-term objectives and maintaining a consistent approach, you can navigate uncertainty with greater confidence.

Contact us to discuss how current events affect your plan and keep your investment strategy aligned with your long-term objectives.