PFG Connect - 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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How *generosity* can be part of your **financial plan**

It's the season for gifts, sharing meals and spreading cheer. But what if your festive generosity could do more? What if it could ripple through generations, perhaps shaping futures and maybe reduce your tax bill?

Giving isn't just an act of kindness; it can also be a smart financial move. From helping loved ones today to creating a legacy for future generations, strategic gifting can align with your broader financial goals.

After all, Australians are generous. We consistently rank among the most charitable in the world with a study showing that, in the past year, 56 per cent of Australians have donated money and 31 per cent have donated their time.[i]

Australia, as a wealthy but ageing nation, is well-placed to grow charitable bequests, but the reality is less encouraging. The number of people leaving bequests to charities is low and the size of the bequests also "falls far short of international peers", according to The Bequest Report by JBWere.[ii]

Why planned giving matters

Often, giving is reactive rather than planned. We might respond to a donation drive, an emotional TV ad, a friend's fundraiser or gift property or shares to a family member.

But giving can also be intentional. Some people choose to set aside a portion of their annual income, commit to monthly donations or include charities in their wills. Others join workplace giving programs or support causes that reflect their values. In this way, generosity becomes less about impulse and more of a conscious decision.

There may be advantages in taking a more strategic approach. It can amplify your impact, build your reputation, open doors to new networks and potentially deliver tax benefits. Donations to organisations with deductible gift recipient (DGR) status can help to manage your tax position by reducing taxable income. If you give more than $2 to an organisation with DGR status, you can claim a 100 per cent tax deduction for your donation.[iii]

Planned giving can help to create a lasting impact, building a legacy for family and community. It integrates generosity into financial planning, ensuring investments reflect personal or family values. In this way, it becomes a tool for involving younger generations in financial governance, teaching responsibility and shared purpose.

Strategic gifting can include early inheritance, education funding or contributions to a family trust. These approaches can reduce future taxes on your estate.

Structured giving options for lasting impact

For those looking to make a lasting impact on their communities, structured giving vehicles offer flexibility and control.

It can create long-term financial stability to favourite causes, providing predictable funding for charities. It can potentially reduce complexity in estate planning and ensure your wishes are carried out; and donating assets may offset capital gains tax liabilities.

Unlike mass market or other forms of giving, such as direct donations to charities, crowd funding and volunteering, structured giving involves using a vehicle designed to enable giving such as:

- **Private Ancillary Funds –** often used by families and individuals able to make a minimum initial contribution of $500,000 with a plan to grow the fund beyond $1 million.
- **Public Ancillary Funds –** suitable for those with a lower entry point of $20,000
- **Community foundations or giving circles –** enable donors to pool resources for local impact. Entry levels can be as low as $2,000.
- **Donor Advised Funds or sub funds –** a simpler, more flexible structure allowing donors to distribute funds over time. They can be established relatively quickly with some recommending an initial donation of a minimum $20,000.

Structured giving can also occur without using a dedicated vehicle through, for example, corporate cash donations or larger scale and planned contributions from individuals and families.

Giving isn't just about generosity, it's about creating a lasting impact.

We can help to create a giving strategy that supports your family and backs the causes you care about.

i https://www.cafonline.org/insights/research/world-giving-index
ii https://www.jbwere.com.au/campaigns/bequest-report
iii https://www.pc.gov.au/inquiries-and-research/philanthropy/report/

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

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

Celebrating with heart – not habit

As the festive season approaches, there is a noticeable shift in the air. The days grow longer, school terms wrap up, and communities across the country begin to prepare for end-of-year celebrations in all kinds of ways.

For some, it is about unpacking boxes of decorations, preparing familiar family recipes and racing around the shops. For others, it is time to plan a beach day, host a casual BBQ, or simply enjoy a well-earned break from routine.

The festive season in Australia looks different for everyone. That's part of what makes it so special. We live in a society full of rich cultural traditions. Some festive traditions have been passed down for generations, such as midnight Mass, lighting candles for Hanukkah, or gathering for a family meal on Christmas Day. Others have come to us through popular culture, often shaped by images of snowy winters and roaring fireplaces that don't quite fit our sunny, southern hemisphere reality.

Think hot roast dinners in 35-degree heat, matching Christmas jumpers despite the sweat, and singing about snowmen and sleigh bells.

And that's okay. That's part of the rich tapestry that is celebrating the festive season.

However, while tradition can be beautiful, it's also worth asking yourself: do these traditions still bring joy to my life? Or am I doing them out of habit or obligation?

Reducing stress, reclaiming joy

The lead-up to the holidays can easily become overwhelming. This time of year often brings with it a long list of expectations about what to cook, how to decorate, where to be, and what to buy. Trying to meet every expectation, real or imagined, can drain the joy right out of what is meant to be a time of celebration.

By letting go of pressure and embracing flexibility, we can shift the focus back to what really counts. Laughter. Connection. Rest. Reflection.

It is okay to opt out of what no longer fits. In fact, doing so often creates more space for what actually feels meaningful.

Rethinking what celebration looks like

While traditions can be a wonderful way to connect with our roots, they are not set in stone. Over time, life changes. Families grow and shift. Priorities evolve. The way we mark special moments can grow with us.

So, it is worth pausing to ask: are these traditions still adding joy to my life? Or am I continuing them out of pressure, or a sense of obligation?

Giving yourself permission to do things differently can be both freeing and fulfilling.

Making meaning in your own way

Reimagining tradition does not mean abandoning everything you love. It means choosing what feels right for you and creating space for joy, connection and rest – however that looks.

You might decide to swap the roast for prawns and salad and the pudding for a pavlova. Or ditch the mess of wrapping paper and presents in favour of shared experiences. You could even celebrate on a different day to reduce stress. Some people find joy in having a picnic in a beautiful location, taking a family beach walk at sunset, or simply spending the day unplugged from screens.

For others, creating new traditions might involve volunteering in the community or cooking dishes from their cultural heritage.

Whether your festive season is full of people or quiet moments, it only needs to reflect what matters most to you.

The season is yours to shape

There is no one way to celebrate. What is right for one person may not suit another and that is the beauty of it. The festive season does not have to look a certain way to be valid or joyful.

You might still love baking the same cake your grandmother made or singing carols in your street. Or you might find joy in starting completely new customs that reflect your values and lifestyle today. Either way, the important thing is that your celebrations feel true to you.

Small moments can become meaningful rituals too. A quiet morning coffee, a favourite song playlist, or calling someone you have not spoken to in a while are all things that can bring warmth and joy without adding stress.

Whatever this season means to you…

We hope it brings you joy.