PFG Connect - Spring 2026

September is upon us, and spring is in the air. It's time to shake off the winter cobwebs and enjoy the warmer weather the new season brings.

In a mixed picture for the Australian economy, inflation eased but not as much as expected. Meanwhile, rapidly rising discretionary spending along with global uncertainties may mean another interest rate rise in September or November.

The CPI was at 3.5% in the 12 months to July, down from 3.8% but a bigger fall was expected. And, underlying inflation, which the Reserve Bank watches more closely, remained steady at 3.6%.

Consumer confidence improved during August, rising to its highest level since March. Nonetheless, the result is considerably lower than a year ago.

There were some solid gains (and falls) in Australian shares during the month with the S&P/ASX 200 above 9000 for the first time since the Iran air strikes began. Globally, markets remained resilient despite the ongoing uncertainty.

The Aussie dollar ended August at its highest level in three months.

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Investment Performance: Past performance is not a reliable guide to future returns as future returns may differ from and be more or less volatile than past returns.

Why **Transition to Retirement** deserves a **second look**

For many people approaching retirement, the transition from full-time work to retirement is no longer a sudden stop. Instead, it's often a gradual process that involves reducing work hours, maintaining cash flow and continuing to build retirement savings.

One strategy that can support this approach is a Transition to Retirement Income Stream (TRIS or TTR).[i]

While TTR strategies have been available for many years, they are often overlooked despite offering valuable flexibility for people in their 60s who are still working.[ii]

What is a TTR strategy?

A TTR strategy allows you to access some of your superannuation while continuing to work, provided you have reached your preservation age. For anyone born on or after 1 July 1964, preservation age is 60.[iii]

The arrangement works by transferring part of your super balance into a TTR pension account. You then receive regular pension payments while continuing to earn employment income. This can help replace lost income if you reduce your working hours or supplement your cash flow while making additional contributions to super.

Unlike a standard retirement-phase pension, a TTR pension has restrictions. Generally, you must draw a minimum pension each year and cannot withdraw more than 10 per cent of the account balance annually. Lump-sum withdrawals are generally not permitted while the TTR remains in the pre-retirement phase.[iv]

Who might benefit?

A TTR strategy may suit people who:

- want to reduce their working hours without a significant drop in income
- are approaching retirement but are not ready to stop work completely
- earn a moderate to high income and wish to boost superannuation through salary sacrifice
- want greater flexibility in planning their transition from work to retirement.

For example, someone aged 60 might decide to move from working five days a week to three days a week. By drawing a pension from their super, they can help replace part of their lost income and ease gradually into retirement.

Combining work income and pension payments

One of the key attractions of a TTR strategy is the ability to combine employment income with pension payments.

If you are aged 60 or over, pension payments received from a TTR income stream are generally tax-free in your hands. Instead of experiencing a substantial reduction in disposable income, a tax-free pension payment can help bridge the gap.

The tax-saving strategy

Another commonly used TTR strategy involves salary sacrifice.[v]

In this approach, an employee diverts part of their salary into superannuation through concessional contributions, which are generally taxed at 15 per cent within the super fund. The reduction in take-home pay is then partially replaced through tax-free TTR pension payments.

For people on higher marginal tax rates, this may improve tax efficiency because income that would otherwise be taxed at personal rates may instead be contributed to super and taxed at a lower rate. The TTR pension can then be used to maintain cash flow.

In some circumstances, this strategy may also help increase retirement savings while maintaining a similar standard of living before retirement.

Is a TTR strategy right for you?

A Transition to Retirement strategy can provide valuable flexibility for people who want to scale back work, supplement their income or potentially improve the tax efficiency of their retirement planning.

But the benefits depend heavily on individual circumstances, including age, income level, super balance, retirement objectives and tax position. What works well for one person may offer little benefit for another.

If you are approaching retirement and would like to explore whether a TTR strategy could help you achieve your goals, please contact our office. We can help assess whether the approach aligns with your broader retirement and financial planning objectives.

i https://www.ato.gov.au/individuals-and-families/jobs-and-employment-types/working-as-an-employee/leaving-the-workforce/transition-to-retirement

ii https://moneysmart.gov.au/retirement-income-sources/transition-to-retirement

iii https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/withdrawing-and-using-your-super/super-withdrawal-options#Preservationage

iv https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/self-managed-super-funds-smsf/paying-smsf-benefits/income-stream-pension-rules-and-payments/transition-to-retirement-income-streams

v https://moneysmart.gov.au/retirement-income-sources/transition-to-retirement

Ensure your **estate planning** *refelects your wishes*

Many people are surprised to learn that some of their largest assets may not be covered by their will. With recent changes affecting testamentary trusts and ongoing complexity around superannuation death benefits, now is a good time to review your arrangements.

New rules announced in the 2026-27 Federal Budget, combined with the growing complexity of superannuation death benefits, mean that it's worth reviewing your arrangements to make sure your wishes can be carried out.

Testamentary trusts under the spotlight

Testamentary trusts have long been a popular estate planning tool because they can provide asset protection, flexibility and potential tax advantages for beneficiaries, particularly children.

The 2026-27 Federal Budget announced a new 30 per cent minimum tax on discretionary trusts, including testamentary trusts (those established by a will), from 1 July 2028.[i]

Following an outcry over what some called a "death tax", the government announced exemptions for testamentary trusts, along with others including fixed trusts, special disability trusts and charitable trusts.[ii]

While the final shape of the rules remains uncertain, the Budget changes highlight the importance of ensuring estate planning arrangements are reviewed regularly.

The risks of an outdated will

Many people prepare a will and then leave it in a drawer for decades. But your personal and financial circumstances can significantly change over time.

Marriage, divorce, the birth of children or grandchildren, the death of beneficiaries, changes in asset ownership, or business succession arrangements can all affect whether an existing will still achieves the intended outcome.

Outdated wills can result in assets passing to unintended beneficiaries, family disputes and missed opportunities to achieve tax-effective outcomes.

So, review your will regularly and particularly after major life events occur.

Who gets your super?

One of the most common estate planning misunderstandings is assuming superannuation automatically forms part of an estate.

In most cases, superannuation benefits are not governed by your will. Instead, the trustee of the super fund determines who receives the death benefit unless a valid nominated beneficiary is in place.[iii]

A binding death benefit nomination allows you to direct the trustee of your super fund to pay your death benefit to specific beneficiaries.

Without a valid binding nomination, the trustee generally has discretion to decide who receives the benefit, subject to the fund's governing rules and superannuation law.

Not all nominations remain effective indefinitely. Some funds require nominations to be renewed periodically, while others allow non-lapsing nominations.

Who qualifies as a dependant?

For superannuation purposes, the definition of a dependant is often different from what you might expect.

Generally, dependants may include:

- a spouse or de facto partner
- former spouses in some circumstances
- children of any age
- individuals who are financially dependent on the deceased

It may also include people in an "interdependency relationship" with the deceased. An interdependency relationship can exist where two people have a close personal relationship, live together and provide financial or domestic support to one another.[iv]

Importantly, being a beneficiary under a will does not automatically make someone a superannuation dependant.

The tax consequences can be significant

The tax treatment of superannuation death benefits depends heavily on who receives the money.[v]

If a death benefit is paid to a tax dependant, the benefit is generally received tax-free. Tax dependants include spouses, children under 18 years of age and people who were financially dependent on the deceased or in an interdependency relationship.

But adult children are often surprised to learn they may not qualify as tax dependants. If an adult child is financially independent, tax may apply to some components of a lump-sum superannuation death benefit.

As super balances continue to grow, the potential tax difference between payments to dependants and non-dependants can be substantial. This makes beneficiary nominations and estate planning decisions particularly important.

A coordinated approach is essential

Effective estate planning requires consideration of more than just a will. Superannuation nominations, testamentary trust structures, tax consequences and changing family circumstances should all form part of the conversation.

A regular review can help ensure your estate plan remains aligned with your objectives, takes account of current legislation and minimises the risk of unintended outcomes for your beneficiaries.

Please get in touch for information and advice about your estate planning and to confirm that it reflects your wishes.

i https://www.ato.gov.au/about-ato/new-legislation/in-detail/businesses/tax-reform-introducing-a-minimum-tax-on-discretionary-trusts

ii https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/consultation-discretionary-trusts-reform-implementation

iii https://moneysmart.gov.au/how-super-works/who-gets-your-super-if-you-die

iv https://www.afca.org.au/about-afca/publications/afca-factsheet-superannuation-interdependency-relationships

v https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/withdrawing-and-using-your-super/superannuation-death-benefits

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/

Grow or stay safe: leave your comfort zone behind

Spring has long been celebrated as the season of renewal. Trees bud, gardens awaken and nature quietly reminds us that growth continues, season after season.

Perhaps we should take the hint.

It's natural to settle into routines. We shop at the same supermarket, holiday in familiar places, cook the same meals and choose activities we know we'll enjoy. There's comfort in familiarity and, ease in routine.

But comfort comes at a cost.

Our brains are designed to adapt. They're wired so we can solve problems, learn from experience and respond to new situations. When we repeatedly choose the familiar, we ask less of our brains. Over time, opportunities for growth become fewer.

Your brain is built to change

That's where the science of neuroplasticity offers an encouraging perspective.

For a long time, scientists believed the brain became largely fixed in adulthood. We now know that's not the case. Throughout our lives, the brain retains the ability to form new neural connections in response to learning and experience.[i] Every time we master a new skill, navigate an unfamiliar environment or tackle a challenge that requires sustained effort, the brain is strengthening and reshaping its networks.

The key word is *effort*.

Neuroplasticity isn't driven by doing what comes easily. It thrives when we're challenged, when we have to concentrate, make mistakes, adapt and try again. The very experiences we often avoid because they're uncomfortable are often the ones that provide the greatest benefit.

In many ways, the friction is the point.

Why novelty feels so rewarding

There's another reason trying something new can feel surprisingly energising.

Novel experiences activate the brain's reward system, including the release of dopamine, a neurotransmitter that plays an important role in motivation, attention and learning. Rather than simply making us feel good, dopamine helps signal that something is worth paying attention to. It increases our readiness to learn and encourages us to repeat behaviours that challenge and reward us.[ii]

It's one reason why mastering even a small part of a new skill can feel so satisfying. That sense of progress motivates us to keep going, creating a positive cycle where curiosity leads to learning, learning builds confidence and confidence encourages us to embrace the next challenge.

Resilience is built through challenge

Whether it's learning a language, taking up a hobby, using new technology or travelling somewhere unfamiliar, the process can feel awkward and frustrating. But that mental effort is doing important work. It's encouraging the brain to remain flexible, adaptable and engaged.

Research also suggests that regularly challenging the brain helps build what scientists call *cognitive reserve*. This refers to the brain's ability to adapt to age-related changes by drawing on alternative neural pathways. While no single activity can prevent cognitive decline, maintaining a mentally active lifestyle is associated with better cognitive health and resilience as we age.

The benefits don't stop with the brain

Trying new things also strengthens psychological resilience. We often think of resilience as something we call upon during major life events, but it is equally shaped by the smaller challenges we encounter every day.

Each time we become a beginner, we practise tolerating uncertainty. We discover that it's okay not to have all the answers straight away. We learn to work through frustration instead of avoiding it. Over time, those experiences build confidence, not because the task becomes easier, but because we become more comfortable with being challenged.

Nature doesn't burst into bloom because conditions are effortless. Growth follows a season of dormancy and requires energy, adaptation and resilience.

We're not so different.

Growth rarely happens when life feels comfortable. It happens when we choose to stretch ourselves, whether that's enrolling in a course, joining a walking group, volunteering, learning an instrument or simply saying yes to an experience we've never had before.

None of these moments will change us overnight. Together, however, they reinforce something powerful. Our capacity to learn, adapt and grow doesn't and shouldn't disappear with age. Like the seasons, it continues throughout life, provided we keep giving it the opportunity.

This spring, while you're tending the garden or enjoying the longer days, consider planting something else too. A new skill. A new experience. A new challenge. To fuel your growth.

i https://www.sciencedirect.com/science/article/pii/S0021992400000307?via%3Dihub

ii https://www.psychologytoday.com/au/blog/healing-stress-from-the-inside-out/202201/the-science-of-novelty