Grabowski Financial Planning
Retirement Planning Specialists

myFocus

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Set Yourself Up for the New Financial Year

As the new financial year approaches, now is the perfect time to take stock of what's ahead in terms of superannuation, aged care, and other rules.

It's also a great opportunity to review your financial position, set new goals, and make a clear plan for the year ahead.

Here are a few rule changes that might create opportunities for some and, perhaps, risks for others.

Key Changes Coming from 1 July 2025

A Transfer Balance Cap (TBC) Increase

The general Transfer Balance Cap will rise from $1.9m to $2m due to CPI indexation. The Transfer Balance Cap is a lifetime limit on the amount an individual can move from a superannuation accumulation account to the tax-free retirement phase.

IN THIS ISSUE:

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There are flow-on effects from this increase:

- The Defined Benefit Income cap will rise from $118,750 p.a. to $125,000. This is the threshold above which tax concessions are reduced for individuals receiving income from capped defined benefit income streams.
- The limit which prohibits an individual from claiming the tax offset for superannuation contributions they make on behalf of their spouse will increase from $1.9m to $2m.
- The limit which determines if an individual is entitled to a government super co-contribution will increase to $2m.

B Changes to After-Tax Contribution Limits

While the annual non-concessional (after-tax) and concessional (before-tax) contribution caps remain unchanged, the thresholds for accessing the bring-forward rule are increasing. This rule allows you to contribute up to three years of non-concessional contributions in one go, depending on your Total Super Balance (TSB) as at 30 June (see table below).

Total Super Balance on 30 June 2025	Standard non-concessional cap for 2025-26 FY	Non-concessional cap for bring forward period
Less than $1,760,000	$120,000	$360,000 (three years bring forward period)
Between $1,760,000 but less than $1,880,000	$120,000	$240,000 (two year bring forward period)
At least $1,880,000 but less than $2,000,000	$120,000	$120,000 (no bring forward period)
$2,000,000 or more	Nil	Nil

If you were previously unable to make after-tax contributions due to your TSB, this change may make you eligible. Speak with your Financial Adviser to check your options.

C New *Aged Care Act 2024* (Includes Home Care)

It was announced on 4 June that the *Aged Care Act 2024*, that was due to take effect effect on 1 July 2025, has been deferred to commence on 1 November 2025, and replaces existing legislation to establish a new rights-based framework for aged care. There are also changes to the fees and costs of aged care for new entrants after 1 November 2025.

From 1 November 2025, the Support at Home program will replace the current Home Care Packages and Short-Term Restorative Care programs. What's not changing is that you must still be aged 65* to be eligible to access Government subsidised home care. Services like personal care, domestic help, nursing, meals, and home modifications will still be available, however the funding model will change, and the amount of user co-contribution may also change. Note this new change does not apply to existing home care package recipients.

D Superannuation Guarantee (SG) Rate Increase

The Superannuation Guarantee (SG) rate which is the statutory minimum amount an employer must contribute to their staff's superannuation, increases from 11.5% to 12% from 1 July 2025. This means more super going into your account from your employer, which can make a big difference over time.

* For Aboriginal and Torres Strait Islander people, the minimum age to access home care is 50.

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E Parental Leave Payment Changes

From 1 July 2025, Parental Leave Pay will increase to 120 days, which is 24 weeks based on a five-day work week. There are also changes to how many days are reserved for your partner and how many days you can take at the same time. A superannuation contribution will also be added to the payment.

Ways You Can Take Control of Your Finances in the New Year

Planning now for 2025–26 gives you a head start and can help you focus on clear, achievable goals. Here are some tips to get you started:

Start by **reviewing your financial statements** from the last year. Look for things like:

- Where your money was spent
- How much you paid in fees or interest
- Any recurring subscriptions and "emotional spending"

This review can help you identify ways to reduce expenses and save some money next year. This also allows you to have a better understanding of your financial obligations including your regular bills, loan repayments and when they are due. Better understanding can help remove anxiety and stress and help you feel more in control.

You may even wish to challenge yourself with a "no-spend challenge" for a week or month.

Write Down Your Goals

Whether your goals are financial or not, one of the best things you can do is write them down. Writing down your goals has several practical benefits that can significantly increase your chance of achieving them. A written goal forces you to be specific about what you want. Once you have defined what success looks like, it is much easier to take action. You are more likely to remember and stay committed to the goals you've written down.

Create a Realistic Budget

Creating a realistic budget and sticking to it is an important part of taking control of your finances.

Categorise your spending into needs (e.g. rent/mortgage repayment, food, transport, utility bills) and wants (e.g. dining out, entertainment, subscriptions), and assign dollar limits to each category. A general rule of thumb is to use the 50/30/20 rule, which is 50% allocation to needs, 30% to wants and 20% to savings/debt reduction.

Once you know how much you could potentially save, make sure you talk to a Financial Adviser about starting a regular savings plan either into an investment portfolio or your super.

Talk to a Financial Adviser

Talking to a Financial Adviser can be one of the most impactful steps in taking control of your finances, especially when navigating complex areas like investing, tax planning, superannuation, or preparing for retirement.

A qualified Financial Adviser can help you clarify your goals, develop a personalised financial strategy, and avoid costly mistakes. They bring professional insight that goes beyond general advice, helping you make informed decisions tailored to your specific circumstances.

> A lump sum life insurance benefit payout can provide a great deal of financial relief if you lose a loved one, but it can also feel overwhelming at a time when you're grieving.

Things to Consider After You Receive a Life Insurance Payout

It's important to use your payout wisely so you and your dependents are set up for the future. Here are a few ideas to help you make informed decisions with the benefit you receive.

TAKE YOUR TIME

When you're grieving, you may not be thinking straight. Making big financial decisions at this time could be risky. Unless you have immediate needs to cover, it may be a good idea to allow some time to pass. That way, you can do your research and plan how you can best use the money.

REPLACE LOST INCOME

If the departed was the main breadwinner in your household, the payout could help you keep up with regular expenses such as mortgage repayments, food, utilities, school fees and other daily living costs. Consider reviewing these expenses to help set a budget.

PAY OFF YOUR DEBTS

High-interest debts (especially non tax deductible loans) can erode your income and savings over time. If you have the money to spare from your benefit payout, it might be worth clearing debts such as credit card balances or personal loans to ease the financial pressure.

BULK UP YOUR EMERGENCY FUND

It's generally a good idea to have 3-6 months' worth of salary in an emergency fund so that if anything happens to you, your household can keep going. A life insurance benefit may provide a good opportunity for you to bulk up this account and create a financial buffer for unexpected expenses or loss of income.

CONSIDER YOUR FUTURE

Could your superannuation fund do with a top-up? Do you have children wanting to study further or elderly parents you'll need to care for? This may be a good moment to determine what funds you will need to help you and your loved ones live comfortably into the future, and to set aside some of your benefit for these expenses.

INVEST YOUR BENEFIT

To earn compound interest on your lump sum, it may be worth investing leftover funds into a diversified portfolio. If you choose to go this route, it's important to speak to an expert who can guide you in making smart investments.

Whatever your lifestyle and needs are, a Financial Adviser can help you create a plan for your benefit that will help you use it to your best advantage. They can also help you put financial protections in place to ensure your present and future are financially secure.

IS YOUR SUPER OVER OR NEAR $3M?

What You Need to Know About the Proposed New Tax

You may have heard talk of a new tax targeting larger superannuation balances. Here's what's going on – and what it could mean for you.

WHAT'S BEING PROPOSED?

The Government is considering a new tax for individuals with more than **$3m in super**. Under this proposal, **any earnings on the portion of your super balance above $3m would be taxed at an extra 15% commencing from 1 July 2025.**

Importantly, **this tax is not law yet.** The original proposal lapsed when Parliament was dissolved for the last federal election. However, now that Labor is back in government, there's a strong chance it will reintroduce the legislation – though it must go through the full parliamentary process again.

For now, we're working off the draft version of the law that was introduced in **November 2023**, but it's possible things could change before it becomes official.

HOW WOULD THE TAX WORK?

If the legislation goes ahead, here's how the tax would be calculated:

- **Work out your super earnings for the year.** This is essentially the difference in your super balance from one financial year to the next, adjusted for contributions and withdrawals.
- Work out the portion of those earnings that relate to your balance over $3m.
- Apply a 15% tax to that portion.

EXAMPLE

Let's say your total super balance was **$3.1m** in the first year and **$3.6m** in the following year – a $500,000 increase.

The portion of your balance over $3m is 16.7%, so 16.7% of your $500,000 growth would be taxed at 15%. That works out to around **$10,416 in extra tax.**

The ATO would calculate this and send you a notice, and you could choose to pay it yourself or have it released from your super fund(s).

WHY IS THIS CAUSING CONCERN?

There are two main issues being debated:

1. **Taxing "unrealised capital gains"**
   This means you could be taxed on increases in the value of your super investments – even if you haven't actually sold anything or received the money. If the market goes up one year and your super grows, you may have to pay the tax. But if the market drops the following year, there's no refund – just a credit to reduce future instances of this specific new tax.
2. **$3m threshold won't rise with inflation**

The $3m cap won't be indexed, meaning more people could be affected in the future as balances grow naturally over time.

WHEN WOULD THIS START?

If the proposal is reintroduced and passed as-is, **the earliest possible start date would be 1 July 2025**, but that's looking increasingly unlikely. It may well be pushed back.

DO YOU NEED TO ACT BEFORE 30 JUNE 2025?

Not necessarily – but if you have a **self-managed super fund (SMSF)** and **own unlisted assets like property or shares in private companies**, it could be worth getting a formal valuation as at 30 June 2025. That's because the first year's taxable earnings will be calculated based on the change in value between **30 June 2025 and 30 June 2026.**

Should you withdraw money from your super before 30 June 2025?

Probably not. Taking money out now could reduce your balance at 30 June 2025, which may result in higher "taxable earnings" the following year. If you're considering reducing your super balance, you may be better off waiting until closer to **30 June 2026** – assuming the law goes ahead.

That said, **super is still one of the most tax-effective places to invest** for many people. So even if your balance is over $3m, the overall tax benefits of super may outweigh the impact of this new tax.

WHAT IF THE TAX BECOMES LAW?

It depends on your personal situation. For some, the only way to avoid the tax would be to move money out of super. But if you're **under 60** or **haven't met a condition of release**, that may not even be possible.

If you can withdraw funds, the next question is: **what will you do with the money?** You could invest it:

- In your own name
- Through a family trust
- Through a company
- In an investment bond

Each option has different tax implications, and **none are guaranteed to be better than staying in super**, which still offers relatively low tax rates.

Our Suggestion?

Don't make any sudden decisions.

This tax is still a proposal, and there's time to prepare if it becomes law. In the meantime:

- **Speak to your financial adviser** about how this might affect you
- **Understand your super balance** and how your assets are valued
- **Plan carefully** if you're considering moving money out of super

There may be a small tax to pay in the future – but superannuation remains a powerful and tax-effective way to grow your retirement savings.

No matter your stage in life, the best plans start with a conversation. Let's talk about strategies for a brighter financial future.

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