

Informed Investor

August 2026

CONTENTS

Economic update

3 million super tax explained

Avoiding income tax bracket creep

Inflation vs your savings



Welcome to the August edition of our quarterly newsletter, Informed Investor.

Economic update

Market developments during July 2026 included:

Market Summary

Global share markets softened in July as weakness in US technology shares weighed on investor sentiment, while Australian shares outperformed after lagging many overseas markets in recent months. Renewed geopolitical tensions and higher oil prices added to inflation concerns, pushing government bond yields higher and reducing the appeal of higher valued growth shares. Despite the more cautious backdrop, resilient economic conditions continued to support broader equity markets outside the US.

Australian Shares

Australian shares moved higher in July, with the S&P/ASX 200 Index up 2.3%, supported by a solid lift in financials, up 5.8%, as improving investor confidence lifted the banking sector. Smaller companies underperformed, with the S&P/ASX Small Ordinaries Index down 3.2%, reflecting its greater exposure to materials and information technology companies, which both weakened during the month.

Viva Energy Group (VEA) was the top performing share in July, rising 37.7% after the company reported improved unaudited results driven by increases in refinery margins and retail sales. The worst performing share was Liontown Limited (LTR) which fell 42.7% as lithium prices declined and the company faced rising longer term cost and capital expenditure expectations.

Energy was the standout performer, up 12.2%, buoyed by stronger oil prices, while healthcare also delivered solid gains, rising 2.3%. Communication services (+1.0%), consumer discretionary (+0.9%) and consumer staples (+0.2%) all delivered modest gains, while real estate investment trusts (REITs) were roughly flat, down 0.1%.

FURTHER INFORMATION

Mosaic Wealth

Courtney Moores

0417 173 642

courtney@mosaicwealth.au

In contrast, information technology was the weakest sector, down 2.8% and extending its recent run of underperformance and industrials (-1.4%) and materials (-0.9%) also lagged as softer commodity demand and a more cautious growth outlook weighed on sentiment. Utilities also fell, down 1.0%.

International Shares

International shares eased in July, with the MSCI All Country World Index down 0.3% on a hedged basis and -1.3% unhedged, as appreciation in the Australian dollar further reduced offshore returns. The US edged lower as technology shares became more volatile following their strong gains in recent months, with higher bond yields and a reassessment of the US interest rate outlook weighing on higher valued growth companies. Global small companies also declined, with the MSCI World ex Australia Small Cap Index down 3.8%, as gains remained concentrated in larger companies.

At the sector level, the pattern mirrored the domestic market, with energy surging +12.2% and financials also performing strongly +6.0%, while information technology (-4.2%) weighed heavily on developed market returns given its size.

Regional performance was mixed across major markets. The UK and Germany both had a strong month, with the FTSE 100 up 3.5% and the DAX up 2.5% in local currency terms, while the US market was little changed, with the Dow Jones Industrial Average edging up 0.3% and the S&P 500 PR down 0.1%. Japan was mixed, with the broader TOPIX Index edging up 0.2% on a total return basis, while the Nikkei 225 fell 8.1%, weighed down by weakness in a small number of large, high priced technology shares. Asian markets diverged elsewhere too, with Hong Kong's Hang Seng Index surging over 13%, helping lift the MSCI China Index up 8.9%, while mainland China's CSI 300 Index fell sharply, down 7.9%.

Emerging markets underperformed developed markets, with the MSCI Emerging Markets Index down -4.4%, although underlying performance varied considerably across regions.

Property and Infrastructure

Real assets produced mixed but generally positive returns in July. Global listed property rose, with the Financial Times Stock Exchange, European Public Real Estate Association and National Association of Real Estate Investment Trusts (FTSE EPRA NAREIT) Developed Index (hedged) up 2.3%, supported by resilient property fundamentals and continued demand for income producing assets despite higher bond yields. Infrastructure edged higher, with the FTSE Global Core Infrastructure 50/50 Index (hedged) gaining 0.2%, as its relatively defensive earnings profile helped offset the impact of rising bond yields.

Fixed Interest

Fixed interest markets declined in July as government bond yields rose across major markets amid persistent inflation concerns and a reassessment of the interest rate outlook. Australian fixed interest fell, with the Bloomberg AusBond Composite 0+ Yr Index down 0.4%, while global fixed interest also weakened, with the Bloomberg Global Aggregate Bond Index (hedged) down 0.9%. Credit markets were mixed, with Australian credit proving relatively resilient as corporate bond spreads remained broadly stable, while global investment grade and high yield credit weakened modestly as spreads widened. Wider credit spreads indicate investors required greater compensation to hold corporate bonds over government bonds.

Alternatives

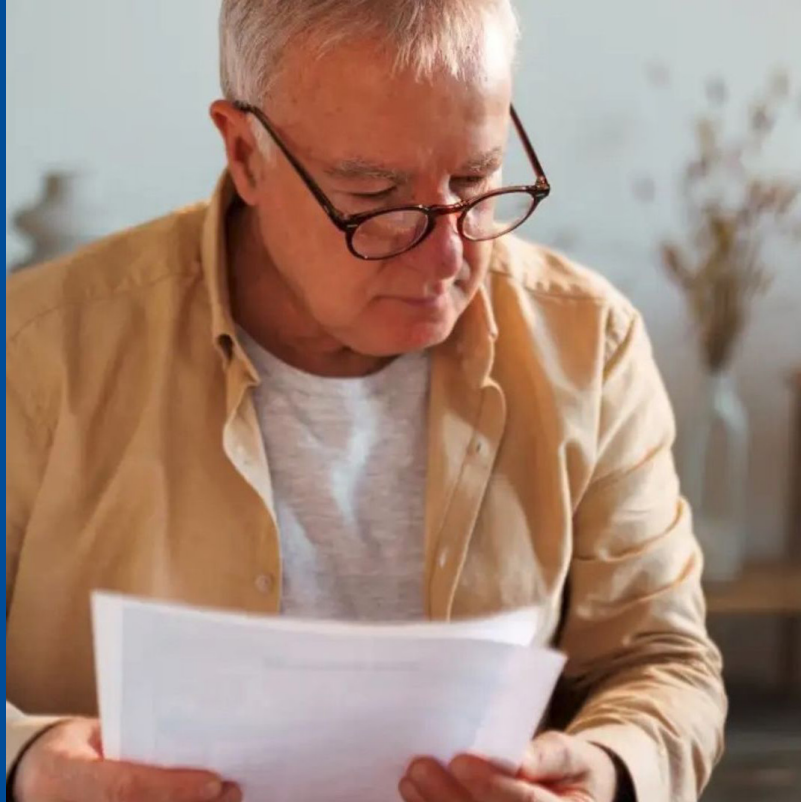
Preliminary estimates for July indicate that the index increased by 0.6% (on a monthly average basis) in Sales Development Representative (SDR) terms, after decreasing by 2.2% in June. The non-rural and rural subindices increased in the month, while the base metals subindex decreased. In Australian dollar terms, the index increased by 1.2% in July. Over the past year, the index has increased by 15.4% in SDR terms. Increases have been broadly based across the prices of rural commodities, bulk commodities and base metals. The index has increased by 7.5% in Australian dollar terms.

Source: Lonsec August 2026 (July update)

Mosaic Wealth Pty Ltd is a Corporate Authorised Representative (No. 1314941) of Capstone Financial Planning Pty Ltd. ABN 24 093 733 969. Australian Financial Services Licence No. 223135. Information contained in this document is of a general nature only. It does not constitute financial or taxation advice. The information does not take into account your objectives, needs and circumstances. We recommend that you obtain investment and taxation advice specific to your investment objectives, financial situation and particular needs before making any investment decision or acting on any of the information contained in this document. Subject to law, Capstone Financial Planning nor their directors, employees or authorised representatives, do not give any representation or warranty as to the reliability, accuracy or completeness of the information; or accepts any responsibility for any person acting, or refraining from acting, on the basis of the information contained in this document.



3 million super tax explained



What's actually changing and who it affects

Known to some as the '3 million super tax', new legislation effective from 1 July 2026 will add an extra 15% tax on earnings attributable to the part of a member's Total Super Balance (TSB) above \$3 million, plus a further 10% (totalling 25% extra) on the portion attributable to their Total Super Balance (TSB) over \$10 million.

This tax doesn't replace the 15% tax already applied inside super – it sits on top and is assessed to the individual but those affected will have the choice to pay the tax personally or elect for it to be released and paid out of their super.

Most Australians are unaffected, although a relatively small number of higher balance members may be taxed under the legislation.

When does it start and where does the legislation stand today?

The new legislation was passed into law in March 2026 and takes effect from 1 July 2026. The first assessments under the new rules will occur in the 2027–28 financial year. Accompanying regulations were also registered in late June and provide further detail on the application of the rules to ensure that all superannuation interests are properly assessed for the purposes of the tax.

Notably, the regulations clarify the following:

- How Division 296 earnings are allocated between members.
- How earnings are calculated for defined benefit pensions.
- Which amounts are excluded from Division 296 (for example, certain judicial pensions, foreign super interests and other specified interests).

What the \$3 million super tax (Div 296) does

The key change: extra tax above the thresholds

An extra 15% tax applies to the proportion of earnings attributable to the part of a member's TSB above \$3 million and an extra 25% tax to the proportion of earnings over \$10 million. It effectively brings the tax on super earnings above these amounts to 30% and 40% respectively¹.

For example, if your TSB is \$4 million and you had total superannuation earnings of \$200,000, only 25% or \$50,000 of your earnings for the year would be subject to the additional 15% Division 296 tax, not the whole \$200,000.

How earnings are calculated: based on realised gains

The tax will be calculated on realised earnings including realised capital gain – that is, the fund's actual taxable income, adjusted for taxable contributions and any exempt income from the fund's pension assets. This approach aligns with existing income tax concepts and avoids taxing unrealised gains.

What the TSB measure includes

TSB includes accumulation balances, retirement phase balances such as the value of account based pensions and defined benefit pensions (including the value of any death benefit income stream they are receiving), rollovers in transit and certain outstanding Limited Recourse Borrowing Arrangement amounts which are only relevant for self managed super funds. It is measured at 30 June each year.

Whether and how much you may be affected by the new rules will depend on a number of things but the key determining factor is your TSB at the beginning and at the end of a financial year, whichever is higher.

A transitional rule in place for 2026–27 means that only your TSB at the end of 2027 will count, which gives you time to decide the best course of action if your TSB is approaching \$3 million.

The 33% Capital Gains Tax discount in super still applies

Even if your TSB exceeds the \$3 million threshold, the effective tax rate on earnings attributable to the portion of your TSB that exceeds \$3 million (but is less than \$10 million) may only be up to a maximum of between 20% and 30%.

This would depend on how much of your earnings are made up of capital gains and would also take into account the 33% CGT discount on assets held for more than a year within super.

This may be less than your marginal tax rate or what you could end up paying if you were to move your money outside super.

Who will be affected

Balance band	Likely effect
Under \$3 million	No immediate impact – monitor whether you are close or whether a couple's combined balances could exceed \$3 million if one passes away and the other inherits a death benefit
Around the threshold	Watch contributions; model whether growth will push you over
Well above the threshold	Review contributions, estate plan and insurance with an adviser

Under \$3 million

No Div 296 effect at all. The standard 15% accumulation tax and 0% pension phase tax (within the Transfer Balance Cap) continue to apply.

Around the threshold

If your total super balance is trending toward \$3 million through returns alone, Division 296 tax may apply in a future year.

Well above the threshold

For balances between \$3 million and \$10 million a maximum tax rate of between 20% and 30% may still compare very favourably with investing outside super and paying tax at marginal rates of up to 45%. For balances over \$10 million you should seek specialist tax advice.

How the tax would be calculated – example

Item	Value
TSB on 30 June (start) ²	\$3,500,000
TSB on 30 June (end)	\$3,750,000
Net contributions	\$0
Net withdrawals	\$0
Calculated earnings	\$250,000
Proportion above \$3m at year-end ²	$(\$3.75m - \$3m) / \$3.75m = 20\%$
Earnings attributable to balance above \$3m	$\$250,000 \times 20\% = \$50,000$
Additional tax at 15%	\$7,500

² To determine the taxable percentage of your earnings attributable to balances over \$3 million, the higher of your TSB at the beginning or end of the financial year will be used. However, for the first year after this measure starts, a transitional rule will apply in 2026–27 so that only your TSB at the end of the year will count.

Unrealised gains: are they taxed?

No. The government has moved away from an earlier plan to calculate the tax based on changes in a member's total super balance over a year. The new tax will be calculated on realised earnings or the fund's actual taxable income, adjusted for taxable contributions and any exempt income from the fund's pension assets. Realised earnings will not include unrealised capital gains.

What the change would mean for estate planning and insurance

A meaningful change to the tax profile on the margin above \$3 million may affect decisions around binding death benefit nominations, how much life insurance to hold through super and whether some assets belong outside super. Don't change anything until you understand how you may be affected. Consider discussing these decisions with a financial adviser.

¹ Super is generally taxed at 15%. Higher income earners may incur an additional 15% tax, known as Division 293, on their contributions if their combined income and concessional super contributions (including employer Superannuation Guarantee contributions) exceed \$250,000 in a financial year. The \$3 million super tax, or Division 296, is separate, and applies to members with high balance super accumulation or super pension accounts, comprising an extra 15% tax on the proportion of earnings attributable to the part of a member's TSB above \$3 million. An additional 10% applies to the portion of a member's TSB over \$10 million.

² Whether and how much you may be affected by the new rules will depend on a number of things. This will generally include your TSB at the beginning and at the end of a financial year, whichever is higher. A transitional rule in place for 2026–27 means that only your TSB at the end of the year will count.

³ Other factors, such as the 33% CGT discount on long held earnings in super, may apply to reduce tax payable under the Division 296 legislation.

Avoiding income tax bracket creep

You earn more money; you pay more tax. So far, so fair. But what's not so fair happens when your wage rise bumps your earnings into a higher tax bracket, even though your pay increase may only be in line with inflation.

This is known as 'bracket creep' and the combination of inflation and a higher tax rate can mean you have less purchasing power than before your pay rise.

However, you can avoid bracket creep by putting your earnings to work in a way that means they won't be consumed by tax. Here's how:

Concessional super contributions

Shift some of your income from a higher marginal tax rate into the concessional superannuation environment, where it is taxed at 15%. You can do this by salary sacrifice via your employer or by making deductible personal contributions of no more than the concessional cap.

Company or trust structures

You may have the opportunity to receive income through a company or a family trust. Small to medium sized businesses (annual turnover of less than \$50 million) are taxed at 25%. Family trusts can distribute income to family members on a lower tax rate. Be aware, though, of compliance costs and anti-avoidance rules.

Move income or expenses into a different year

Consultants, business owners and investors may be able to control the timing of taxable income and tax deductible expenses. Income could be deferred until the following year if you expect your income to fall. It's also possible to claim current year deductions for some types of prepaid expenses.

Negative gearing

Rental property losses and the cost of borrowing to invest in shares can be offset against your employment income, in a situation known as 'negative gearing'. This could lower your marginal tax rate.



However, negative gearing should not be your primary investment motive: prioritise long term returns such as capital gains.

Please be aware of the new legislation and its potential implications.

Capital gains timing

If your marginal tax rate is rising, it's more important than ever to ensure that you qualify for the 50% capital gains tax discount by holding assets for longer than 12 months, or get a partial exemption for a rental property that was at some time your main residence. Spread asset disposals over several years if possible, ideally into years with lower income from other sources.

Please be aware of the new legislation and its potential implications.

Permitted income splitting

Although Australia, unlike some other countries, does not allow joint spouse tax returns, there are permitted ways to split income and thereby lower marginal tax rates, beyond the family trusts already mentioned. These include:

- Investing in the name of a lower income spouse.
- Paying your spouse a reasonable amount as a genuine working employee of your business, after obtaining financial advice about Personal Services Income (PSI) rules.

Tax offsets and rebates

Offsets and rebates don't lower your marginal tax bracket but they do reduce the amount of tax you will pay. You may be able to claim an offset for making a contribution to your spouse's super, as well as an income tested private health insurance rebate.

Tax effective benefits

If possible, negotiate tax effective benefits with your employer if you can afford to take them in lieu of taxable income increases. These might take the form of employer super contributions above the mandated 12% Super Guarantee rate or fringe benefits such as a company car (although this may increase your Medicare levy or affect your eligibility for other government rebates or benefits).

Stay informed about tax changes

Plan ahead by staying up to date on proposed tax threshold adjustments.

Get professional advice

Don't be too alarmed if a pay rise puts you in a higher tax bracket.

Remember that it's only the marginal extra income that is taxed at a higher rate, not your entire salary.

But you can take a strategic approach by getting professional financial advice to help you shift your income into lower tax environments and maximise the effect of your legitimate deductions.

References:

- <https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super>
- <https://treasury.gov.au/review/tax-white-paper/negative-gearing>

Source: Financial Writers Australia

Inflation vs your savings

Inflation is a slow force working against your financial goals. It can quietly erode the purchasing power of your money over time. While it's tempting to see cash as a safe haven, failing to factor in inflation could mean your savings are worth less when you need them most. So, let's dive into the showdown between inflation and your savings and explore strategies to fight back.



Inflation's erosion of cash returns

The Reserve Bank of Australia (RBA) defines inflation as “an increase in the level of prices of the goods and services that households typically buy”.

When inflation goes up, the value of each dollar you own decreases, meaning you can buy less with the same amount of money. This becomes a real concern for investors who rely on cash or low risk investments like term deposits, where returns may not keep up with inflation.

For instance, if you've placed your money in a term deposit earning 5% interest but inflation is running at 6%, you're effectively losing 1% of purchasing power. This is what's known as the real return – the return on your investment after adjusting for inflation. A return of 5% may look good on paper but in real terms it means you're going backwards.

Long-term investment strategies

So, how can you prevent inflation from chipping away at your savings? One effective approach is to adopt a diversified investment strategy. Diversification involves spreading your investments across various asset classes such as shares, property, bonds and international assets, rather than keeping all your money in cash or low risk products.

Equities, for example, have historically outpaced inflation over the long term. While shares can be volatile in the short run, their potential for higher returns helps them beat inflation over time. Property investments also have a history of delivering inflation beating returns, as the value of real estate typically rises along with inflation. Exchange Traded Funds (ETF) may be a useful way to diversify your investments that are both simple and low cost.

A well diversified portfolio ensures that you're not overexposed to any one asset class. Instead, you benefit from the potential growth of various sectors, reducing

your overall risk and improving your chances of keeping pace with or even outpacing inflation.

Practical advice for investors

Investing during inflationary times can feel overwhelming but there are several steps you can take to safeguard your wealth:

- **Stay informed:** Keep an eye on inflation rates and the broader economic environment. This may help you understand how inflation is impacting the real value of your investments.
- **Consider inflation protected assets:** such as inflation protected bonds, resource shares and commodities.
- **Review your cash holdings:** While cash can serve as a safety net, holding too much in low interest savings accounts can hurt you in the long run. Consider maintaining an emergency fund but limit excess cash holdings in favour of higher return investments.
- **Embrace diversification:** A balanced portfolio with a mix of assets can help you spread risk while still allowing for growth that beats inflation.
- **Seek professional advice:** A financial adviser can provide tailored advice based on your risk tolerance, financial goals and the current economic environment.

The bottom line

Inflation can have a serious impact on the value of your savings, particularly if you rely on cash or low risk investments. Over time, even a modest inflation rate can significantly reduce your purchasing power.

By diversifying your investments, staying informed and seeking professional advice, you can set yourself up to win in the showdown between inflation and your money.

Source: Financial Writers Australia