Investment.

Strategy Information Flyer

Caution: The Government has legislated significant changes to the capital gains tax (CGT) rules from 1 July 2027. For individuals and trusts, the current 50% CGT discount will be replaced by an inflation based indexation method and a minimum 30% tax rate on capital gains. The changes will apply only to gains accruing from 1 July 2027, meaning assets acquired before that date may be subject to both the current and new rules when sold.

These reforms may affect the after-tax returns from investments and influence future investment and disposal decisions. The tax outcome will depend on the assets held, future inflation, the timing of disposal and your personal circumstances at the time the gain is realised.

Additionally, from 1 July 2027, the ability to offset rental losses from residential investment properties against other income (referred to as negative gearing) will be limited to newly constructed properties. Residential properties owned at 7:30pm AEST on 12 May 2026 are exempt from these changes. As a result, future residential property investments may provide lower tax benefits and different after-tax outcomes than under the current rules.

Financial planners recommend several different investments to help implement strategies. These are the key fundamental investment concepts an investor will come across dealing with a financial planner.

Investments.

Cash

The most common form of cash is currency held in cash funds or bank accounts. Cash is generally considered low risk in terms of capital stability; however, it is subject to inflation risk, meaning its real value may decline over time. Interest is paid as income at regular intervals.

Fixed interest

Funds deposited and held for a period of time into financial institutions or governments. These are commonly called term deposits, interest and bonds. The institutions or governments pay the investor a rate of interest for an agreed period of time at regular intervals. Funds can be returned at the end of the investment period or reinvested for another term; however, bonds traded in secondary markets may fluctuate in value prior to maturity due to changes in interest rates and credit risk.

Property

Funds used to buy a building or land. Most common investments are residential houses, offices or factories. The property may be held directly or through a managed fund. Rent paid by tenants provides the investor with an income stream. Capital growth can also be achieved as the value of the land and building increases in value over time. Property investments may involve risks such as vacancies, maintenance costs, illiquidity, sensitivity to interest rate movements, and changes in legislation.

Australian shares

Funds used to buy equity in Australian companies, commonly share market listed companies. The listed Australian Share Market is called the Australian Securities Exchange (ASX). Each share purchased will have a price. The price will go up and down as it is traded on the ASX. Listed companies can share the profit with shareholders through a dividend. Many Australian dividends are tax-paid and give the investor the tax advantage of franking credits on the dividend income.

International shares

Funds used to buy equity in non-Australian companies, commonly share market listed companies. International share markets include the New York Stock Exchange (NYSE), National Association of Securities Dealers Automated Quotations (NASDAQ), London Stock Exchange (LSE), and Tokyo Stock Exchange (TYO). Each share purchased will have a price. The price will go up and down as it is traded on the exchange. Listed companies can share the profit with shareholders through a dividend.

Alternatives

Funds used to buy tangible assets such as precious metals, art, wine, antiques, coins, or stamps. Fund managers also have classifications in alternatives that are more commonly private equity or emerging market investments. These investments may provide regular income and/or provide growth options. Because alternatives tend to behave differently than typical stock and bond investments, adding alternatives may offer diversification benefits in some circumstances, but they can also involve higher risk, lower liquidity, and greater complexity.

Managed fund

An investment where several investors pool their funds for a common investment purpose. They are run by a professional team of investment managers who make investment decisions based on the investment strategy of the fund.

Master trust

An administrative service that enables investors to hold a portfolio of investments in one place. The investments generally held via a master trust commonly include cash and managed funds and may include other investment options depending on the provider. This allows for ease in reporting and tracking of investments. Switching between investment options can be easily done in the same administration service. Investors pay an admin fee for this service.

Investor directed portfolio service (IDPS)

IDPS, also known as a wrap account, allows investors to hold a portfolio of investments, including direct equities, Exchange Traded Funds, term deposits etc. in one place. This allows for ease in reporting and tracking of investments. Switching between investment options can be easily done in the same administration service. Investors pay an admin fee for this service.

Franking credits.

For investors in Australian companies, commonly called Australian shares (either directly via the stock exchange or through managed funds), you may be entitled to franking credits.

Franking credits represent your portion of the tax which has already been paid by the company that you are invested in. Companies generally pay tax on their profits at the company tax rate of 25% to 30%. If these profits are then distributed to you, the Australian Tax Office (ATO) gives you a tax credit for the tax already paid by the company, and you instead pay tax on the dividend at your marginal tax rate. Franking credits reduce your tax payable and, if they exceed the tax you have to pay, are refunded to you.

Investors can reduce their income tax liability by investing in shares or managed funds which provide franking credits. Franking credits may improve the after-tax return of certain investments, depending on an individual's tax circumstances. This may include a refund of excess or unused franking credits.

Diversification.

With investing, it is important not to put all of your money into one investment or type of investment (all your eggs in one basket). All investments are subject to some level of risk. By placing your money into several investments, you may improve your chances of evening out the highs and lows of investment returns.

No one type of security; asset class or investment manager provides the best performance over all time periods. So, a range of investments should reduce the risk of each of the investments within a portfolio experiencing drops in performance at the same time. This is simply because one asset class or manager may perform well to counter the poor performance of another.

Dollar-cost averaging.

Dollar-cost averaging is where you invest the same amount of money on a regular basis, usually monthly, into an investment portfolio. It takes advantage of the only certainty of the share market; that prices will continue to rise and fall.

An example of how dollar-cost averaging works is shown in the table below.

Month	Amount invested $	Unit price $	Units purchased
1	100	100	1.00
2	100	95	1.05
3	100	98	1.02
4	100	92	1.09

5	100	86	1.16
6	100	90	1.11
7	100	85	1.18
8	100	89	1.12
9	100	93	1.08
10	100	95	1.05
11	100	98	1.02
12	100	100	1.00
Total	**$1,200**		**12.88**

	Amount
Total amount invested	$1,200
Total end value (total units purchased x end value per unit)	$1,288
Gross capital gain	$88

A capital gain was achieved without the price per unit ever going above the starting price of $100. Dollar-cost averaging does not guarantee a positive return and may underperform lump sum investing in rising markets, but with a sensible and long-term investment approach, dollar-cost averaging can smooth out the market's ups and downs and reduce the risk of investing in volatile markets.

This example is illustrative only and does not represent actual market performance.



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