PARRISH FINANCIAL

JUNE 2026 NEWSLETTER

END OF FINANCIAL YEAR EDITION

Wine Glass Bay, Tasmania Australia

As we reach the close of the 2025–26 financial year, it's a good opportunity to take stock of the months behind us and look ahead to what's next. Against a backdrop of ongoing change both here in Australia and abroad, we wanted to share a brief update on the key developments shaping our business and the broader environment.

It's been a busy start to the year at Parrish Financial with a few exciting developments. Like many professional practices, we have started adopting AI technology to assist with meeting file notes. It has been a great addition to our workflow, as we can be fully present during meetings whilst significantly reducing administration and compliance paperwork afterwards. Another exciting change is the update to our Parrish Financial website. With our recent office move, it felt like the perfect time to update our digital home as well. A big thank you to Astie Design Studio for creating a beautiful, fresh new website!

Changes in the economic landscape highlight a challenging, yet resilient period globally and domestically. Australia's economy is holding up, but the outlook is highly exposed to the Iran conflict, oil prices and inflation risks. Inflation was already too high before the Middle East conflict and increased fuel prices have pushed it up further. Spending by Australian households and businesses has shown some signs of slowing this year, but the jobs market has remained strong. Global markets have been volatile – swinging on the daily news cycle – but they have still proven quite resilient overall.

The 2026-27 Federal Budget was released on Tuesday 12 May 2026. Delivered against the uncertain economic backdrop, the Budget reflects a government navigating competing pressures. For households and businesses alike, the outlook looks like a minefield. Interest rates, inflation and unemployment – the metrics that most acutely shape economic confidence – are all trending in the wrong direction.

Inflation is widely expected to peak at 5% by the middle of the year, largely due to global instability and oil shocks. While the RBA increased interest rates to 4.35% in May, any Government spending needs to be cautious or risk fuelling further inflation increases. We have summarised the key budget announcements on the following page.

As always, we remain committed to helping you work towards your financial and lifestyle objectives, and we sincerely appreciate the confidence and continued support you place in us.

2026 FEDERAL BUDGET

Highlights and Summary

The Federal Budget was handed down on 12 May 2026 against a backdrop of global uncertainty, pressure on household budgets and renewed concern about inflation, fuel supply and geopolitical risk. The Government has framed the 2026-27 Federal Budget around resilience and reform, proposing a series of significant tax reforms, with changes to capital gains tax and negative gearing being among the most impactful for individual investors.

TAX REFORM

Negative Gearing Reforms

From 1 July 2027

Negative gearing will no longer be available for established residential properties from 1 July 2027. For all properties held prior to Budget night, the existing tax arrangements will remain unchanged. Investors who purchase new builds will still be able to deduct their losses from other income. Other asset classes, such as shares or commercial property, are not affected.

Purchasers of established housing after the Budget announcement, however, will only be able to deduct losses against residential property income. Unused losses can be carried forward to future years but will no longer be deductible against other income (such as wages). These changes will apply to individuals, partnerships, companies and most trusts.

Capital Gains Tax (CGT) Discount Rule Changes

From 1 July 2027

Another major change is the replacement of the current 50% capital gains tax (CGT) discount with cost-based indexation from 1 July 2027. The Government is also introducing a minimum 30% tax rate on capital gains starting on the same date.

The CGT change will only apply to gains arising after 1 July 2027 (including gains generated from pre-1985 assets), with investors in new builds given a choice of the 50% CGT discount or the new arrangements.

The CGT settings for superannuation and self-managed super funds will remain unchanged, which means investors will continue to receive a CGT discount of 33.33% for relevant assets held for over 12 months in super.

CGT Example

Jane purchases an asset on 1 July 2022 for $800,000. She sells the asset on 1 July 2032 for $1,600,000 earning a 7.2% annual return. Using ATO tools, Jane determines that the asset was worth $1,131,371 at commencement of the new CGT rules (1 July 2027). Under the transitional rules, Jane calculates her taxable capital gain by adding:

- Taxable capital gains of $165,685 earned before commencement, which is equal to gross capital gains of $331,371 with the 50% CGT discount; plus
- Taxable capital gains of $319,958 earned after commencement, which is equal to the gain of $468,629 less cost base indexation.

Her total taxable capital gain is $485,643. This is more than the $400,000 capital gain that would have been calculated if a 50% discount applied to the gain overall. Assuming a 47% tax rate, the tax on her gain is $228,252 (compared to $188,000 with a 50% discount).

Minimum Tax Rate for Discretionary Trusts

From 1 July 2028

The tax change likely to generate the most criticism is a new minimum taxation rate of 30% for discretionary trust distributions from 1 July 2028. The tax will be paid by the trustee of the trust as it controls the distributions. Beneficiaries will then need to declare their trust income in their tax return, but beneficiaries, other than corporate beneficiaries,

will then receive a non-refundable tax credit for the tax payable by the trustee. Trustees will be required to calculate, report and pay the minimum tax, as well as to notify beneficiaries of their entitlements and associated tax credits.

The new rate will not apply to fixed trusts, super funds, special disability trusts, deceased estates and some types of farming income. Rollover relief will be available for three years from 1 July 2027 to assist small businesses and others wishing to restructure in light of the new rules. The measure is aimed at improving integrity and reducing income-splitting arrangements that allow some taxpayers to pay significantly less tax than wage earners on comparable incomes.

COST OF LIVING

Working Australians Tax Offset (WATO)

From 1 July 2027

The Government has been careful to structure cost of living measures so that they don't meaningfully add to inflation. The most prominent initiative is the Working Australians Tax Offset (WATO), providing a $250 offset for more than 13 million employees from the 2027-28 income year. It is worth noting that the WATO is a non-refundable tax offset, meaning it can reduce income tax payable (excluding Medicare levy) to nil but cannot result in a refund.

$1,000 Instant Tax Deduction

From 1 July 2026

In addition, workers will be able to claim a $1,000 instant tax deduction for work-related expenses from 2026-27, without the need to keep receipts. Charitable donations, union and professional association membership fees and other non-work-related deductions can still be itemised separately and claimed on top of the instant tax deduction.

Income Tax Thresholds

From 1 July 2026

Income tax thresholds will also be adjusted. From 1 July 2026, the 16% tax rate, applying to income between $18,201 - $45,000, will be reduced to 15% before falling further to 14% from 1 July 2027.

Thresholds ($)	Rates (2025-26)	Rates (2026-27)
0 - 18,200	Tax free	Tax free
18,201 - 45,000	16%	15%
45,001 - 135,000	30%	30%
135,001 - 190,000	37%	37%
>190,000	45%	45%

The reduction in the lowest marginal rate leads to an increase in the Seniors and Pensioners Tax Offset (SAPTO) income shading-out threshold:

- For a single person, this threshold will increase from $34,919 to $36,033 in 2026-27, and to $37,307 in 2027-28.
- For each member of a couple, this threshold will increase from $30,994 to $31,847 in 2026-27, and to $32,821 in 2027-28.

AGED CARE AND HEALTH

Private Health Insurance (PHI) Rebate

From 1 April 2027

Aged care and health receive significant additional funding as demand continues to rise. The Budget commits $25 billion in additional hospital funding over the medium term, alongside incentives to expand bulk billing and reduce strain on emergency departments. As a cost saving, the Government will remove the age-based uplift of the Private Health Insurance Rebate (the PHI Rebate) from 1 April 2027.

Additional Aged Care Beds

Aged care reform focuses on both supply and workforce sustainability. The Government will fund incentives to support construction of an additional 5,000 residential aged care beds per year by 2029. The NDIS also featured prominently, with continued efforts to reign in unsustainable cost growth and strengthen integrity. Measures include tightening eligibility, reducing rorting and redirecting funding towards participants with the highest needs.

SUPERANNUATION

Division 296 Tax

1 April 2026 (already legislated)

A new Division 296 tax on the superannuation earnings of individuals with balances above $3 million takes effect from 1 July 2026, with first assessments issued after 30 June 2027 based on the 2026–27 income year.

Under the new Division 296 tax rules, an extra 15% tax will be applied to the portion of a member's earnings attributable to their Total Super Balance (TSB) over $3 million, and a further 10% (totaling 25% extra) on the portion attributable to their TSB over $10 million.

LOOKING AHEAD

The outlook remains uncertain. Treasury acknowledges the risk of further inflation spikes if global energy markets deteriorate, with worst-case scenarios still modelling inflation above 7% and higher unemployment. If you would like to discuss how any of the above measures may impact your situation, please feel free to give us a call on 07 4053 2888 or speak to us at your next Review Meeting.

PROTECT AND GROW WEALTH *in uncertain times*

Interest rate swings, market volatility and global tensions make one thing clear: wealth management needs both protection and growth strategies to thrive.

Finding the balance between driving growth and safeguarding capital takes a disciplined approach to portfolio construction but it could help your wealth to endure, despite the ups and downs of the market and the impact of inflation on your purchasing power.

Many investors equate balance with diversification alone. But balance means understanding how each investment or exposure contributes to the twin goals of growth and protection and whether the portfolio is robust enough to withstand challenging times.

There's no one-size-fits-all answer. Depending on age and stage in life, some investors are chasing aggressive growth while others want capital preservation.

A US study of almost a century of data confirmed that portfolios handle downturns better and recover faster if they combine growth assets with true diversifiers, including a mix of low-correlated investments and defensive assets.[i]

Low-correlated investments are assets that don't move in the same direction as equities, helping to reduce overall portfolio volatility. Their correlation to stocks is low or even negative. Examples include government bonds, gold, some hedge fund strategies and commodities.

Defensive assets are expected to hold their value or outperform during market downturns. They're chosen for stability and capital protection. Examples include cash, high-quality bonds, defensive equities (such as utilities, healthcare) and infrastructure.

The 'cost' of growth

Growth typically comes from listed equities, private equity, venture capital, real assets and exposures to big, long-term trends that may cut across multiple sectors. For example, healthcare innovation, energy transition or AI. The catch? Growth invariably means volatility. If the markets dive you could feel pressure to sell at the worst time.

Defensive equities may help provide some balance. They're shares in companies that tend to provide stable earnings and dividends regardless of whether the economy is booming or in a recession. They have strong cash flow because they sell needs rather than wants, such as power, food and medicine, and they have the ability to raise prices to cover rising costs without losing customers.

While portfolio protection starts with bonds and cash, some would say they're not enough today and a broader range of assets may be more beneficial.

Other strategies

Other protective strategies may include buying bonds that mature at different intervals, such as every year for five years.

Physical investments, or real assets, such as real estate, infrastructure, commodities, natural resources and equipment can act as a hedge against inflation. When the cost-of-living increases, the value of physical assets tends to rise as well.

Alternatively, you could consider floating rate exposure or inflation-linked bonds (known as Treasury Indexed Bonds or TIBs in Australia and Treasury Inflation-Protected Securities or TIPS in the US). Floating-rate bonds adjust interest payments as rates change, while TIBs increase principal and interest when inflation rises, providing a hedge against rising prices. TIBs offer further protection with a built-in deflation floor that protects your original investment if prices fall.

Currency is the silent player

If you invest globally, currency matters. So, foreign exchange planning should be an intentional decision rather than a portfolio by-product.

The Australian dollar often falls when global markets panic so unhedged overseas assets can act as a shock absorber.[ii] But full exposure can swing returns wildly. On the other hand, a partial hedging policy, for example, hedging some developed-market bond exposures, may balance volatility and opportunity.

Finally, protection is a liquidity plan. For families using trusts, SMSFs or investment companies, keep enough cash or short-term assets to cover 12–24 months of cash needs (tax, capital calls, distributions). That's real protection.

Please give us a call to check your portfolio meets your current needs for growth and protection.

(Article provided by CentrePoint Alliance, Alliance Wealth Pty Limited AFSL 449221)

i https://www.aqr.com/Insights/Research/Alternative-Thinking/It-Was-the-Worst-of-Times-Diversification-During-a-Century-of-Drawdowns

ii https://www.rba.gov.au/education/resources/explainers/drivers-of-theaud-exchange-rate.html

PARRISH FINANCIAL UPDATES

Our New Website is Live!

We're excited to share that our refreshed Parrish Financial website is now live at **parrishfinancial.com.au**. With our recent move into our beautiful new office space, it felt like the perfect time to update our digital home as well.

The new site is designed to make things simpler for you. Clients can now head straight to the website and log in to the Client Portal via the link in the top right-hand corner - quick, easy and secure.

We hope you enjoy the new look and improved experience. More updates and resources will continue to be added over time.

Client portal login

AI File Notes

We are now using AI technology to help prepare meeting file notes, allowing us to stay focused on our conversations with you while reducing administration afterwards. Meetings will be recorded to create a transcript and draft file note, before being reviewed and finalised. If you have any questions, please contact us on 07 4053 2888 or contact@parrishfinancial.com.au.

Digital Document Signing

As part of our ongoing review of our technology, we have made a small improvement to our digital signing process. We will continue to use our Client Portal (MyProsperity) as our primary platform for digital document signing. However, we have also added Annature as our secondary signing platform for clients who are not currently using the Client Portal.

Annature is an Australian-based eSigning and identity verification platform that meets strict security standards, including ISO 27001 certification.

When you receive Annature documents from us, the process will look something like this:

1. You'll receive an email
You'll get an email from noreply@annature.com.au letting you know documents are ready for you to review and sign.

2. Open the envelope
Click the Review documents button in the email to open the signing session.

3. Review and sign
Select Click to begin and follow the guided steps. Annature will walk you through each field, including text fields, checkboxes, and your signature. If something doesn't look right, you can decline the envelope and leave us a message.

4. Finish
Once all required fields are complete, select Finish signing. You'll receive an email confirmation for your records, and we'll be notified that your documents are complete.

A note about SMS
In some cases, we may use your mobile number to send a secure signing link or verify your identity via two-factor authentication. These messages will come from "Annature".

As always, please be cyber aware. If you have any questions or concerns about an unexpected email or SMS, please contact us before proceeding on 07 4053 2888.

ECONOMIC UPDATE

The content for the economic update has been provided by Ascalon Capital - an external investment consulting business who work with financial advisory firms and institutions to provide a range of bespoke investment solutions, designed to deliver flexibility, efficiency and an enhanced client experience. Parrish Financial work closely with Ascalon Capital to obtain external, quality investment and portfolio research.

Please note: Ascalon Capital has recently assumed all investment management and consulting responsibilities previously undertaken by Evergreen Consultants.

INFLATION, OIL AND THE RISE OF AI

- Inflation has proven more persistent than anticipated, prompting central banks to hold interest rates higher for longer and maintaining pressure on household budgets.
- Escalating tensions involving Iran have driven oil prices materially higher, contributing to renewed global inflationary pressures.
- A significant acceleration in artificial intelligence investment from the largest US technology companies, the so-called "Magnificent 7", has been a key driver of returns in global share markets.
- Domestically, higher commodity prices have provided meaningful support to the Australian share market, helping to offset softer conditions across consumer-facing sectors of the economy.

The defining theme of the last 12 months has been sticky inflation, and the mounting cost-of-living pressures that accompany it. Services inflation, covering areas such as insurance, rent, and healthcare, has been particularly stubborn, and central banks around the world have kept interest rates higher for longer to help water the flame. Australia, for example, has already seen three straight interest rate hikes in 2026, with the latest in May, leaving the cash rate at 4.35%. The practical effects have included ongoing pressure on mortgage holders, higher borrowing costs for businesses, and a more cautious approach to discretionary spending and investment.

Compounding the inflation outlook, escalating tensions in the Middle East have pushed oil prices materially higher. Because energy costs feed through to almost every part of the economy, from petrol prices and transport to food production and manufacturing, a sustained move higher in oil has the potential to lift inflation across a broad range of goods and services. This has reintroduced the concept of "stagflation" into investor conversations: an environment of weak economic growth combined with persistently elevated inflation. It is a scenario central banks are particularly keen to avoid, as it limits their ability to use interest rate policy to support the economy without risking a further pickup in prices.

The brighter news has come from the world of technology. Some of the biggest companies in the world, including names like Microsoft, Nvidia, Google and Amazon, have been spending enormous sums of money building the infrastructure needed to power artificial intelligence. This spending has been supportive for global share markets, particularly in the United States, where company profits have held up surprisingly well despite the higher cost of borrowing. It is worth noting, however, that this strength has been concentrated in a relatively small group of names. Nowhere is this more pertinent than in South Korea, whose stock market has risen by almost 100% in 2026 alone, driven by a handful of larger companies, including Samsung and SK Hynix, cashing in on AI-driven demand for memory chips.

Closer to home, the Australian share market has been supported by a different set of drivers. Our economy carries a greater exposure to resources, and higher prices for commodities such as iron ore, gold and natural gas have provided a welcome lift to the large mining and energy companies that sit at the top of our index. Gold, in particular, has performed strongly as investors seek out safe-haven assets amid ongoing geopolitical tensions and a weakening US dollar. This strength in mining and energy has helped to cushion the blow for Australian investors, even as retailers and other businesses that depend on consumer spending have had a tougher time.

It's been an unsettled 12 months for investors, with markets lurching between optimism and worry depending on the latest news headline. As Warren Buffett once said, "The stock market is a device for transferring money from the impatient to the patient", and that's never felt truer than right now.

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Contact us to arrange an appointment
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