WealthAdviser

ISSUE 133 MARCH 2026

AGED CARE AT HOME

WHAT IT COSTS AND HOW TO PLAN FOR IT

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BY WEALTH ADVISER

If you ask most Australians where they want to spend their later years, the answer is almost always the same: at home. In their own kitchen, their own garden, their own neighbourhood. The familiarity of a place that holds decades of memory is not a luxury – for many people, it is central to their sense of identity and wellbeing.

The practical reality of ageing at home, though, requires planning. As care needs increase – gradually for some, more suddenly for others – the costs of staying at home can be significant, and the system that funds and delivers home care has recently undergone its biggest structural change in a generation. Understanding how that system works, what it costs, and how to factor it into a broader financial plan is one of the more valuable conversations you can have before the need becomes urgent.

BEFORE YOU GET STARTED

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A New System: Support at Home

On 1 November 2025, the Australian Government replaced the Home Care Packages program with a new framework called Support at Home. The change was recommended by the Royal Commission into Aged Care Quality and Safety, and it is designed to be more flexible, more transparent, and more closely matched to individual needs.

Under the old system, there were four package levels, each with a fixed annual budget. Support at Home introduces eight funding classifications, ranging from Classification 1 (for people who are mostly independent but need occasional help with light tasks) through to Classification 8 (for people with complex, high-level care needs requiring daily clinical and personal support). Annual government funding ranges from approximately $11,000 at Classification 1 to approximately $78,000 at Classification 8, with budgets allocated quarterly.

The shift from four levels to eight means the funding can be more precisely matched to what someone actually needs, rather than forcing people into broad categories that may overfund or underfund their care. It also means that as needs change – which they almost inevitably do – a reassessment can move someone to a higher classification with a larger budget, though wait times for ongoing funding can still apply depending on priority and demand.

Three additional short-term pathways sit alongside the ongoing classifications: the Assistive Technology and Home Modifications scheme (funded separately through tiered budgets, with high-tier funding up to $15,000 and, for assistive technology, potentially more where justified), the Restorative Care Pathway (approximately $6,000 for intensive allied health over up to 16 weeks), and the End-of-Life Pathway (approximately $25,000 for comprehensive in-home support over 12 weeks for people expected to live less than three months).

The Commonwealth Home Support Programme, which provides more basic support for people with lower-level needs, continues to operate separately and is not scheduled to transition into Support at Home before 1 July 2027.

What It Costs: Government Funding and Your Contribution

One of the most common misconceptions about home care is that the government covers all of it. It does not. Support at Home is a shared-cost model: the government provides the majority of funding, but participants are expected to contribute toward some services depending on their financial circumstances.

The contribution structure works differently depending on the type of service. Services are grouped into three categories. Clinical care – including nursing, physiotherapy, and occupational therapy – is fully funded by the government with no participant contribution. Independence services – such as personal care, transport assistance, and social support – carry a moderate contribution. And everyday living services – domestic assistance, meal preparation, gardening – carry a higher contribution, reflecting the view that these services are less clinically driven.

How much you pay depends on your pension status and your assessed income and assets. Services Australia conducts an assessment, similar to the Age Pension means test, to determine your contribution rate. Based on government-endorsed provider materials, indicative rates are as follows: a full Age Pension recipient would pay around 5 per cent of the service cost for independence services and 17.5 per cent for everyday living services. A part pensioner or Commonwealth Seniors Health Card holder would pay somewhere between those base rates and the maximum, depending on their means. A self-funded retiree without a Seniors Health Card pays the highest rates – up to 50 per cent for independence services and 80 per cent for everyday living services. Individual rates are determined by Services Australia based on your specific circumstances.

To put some rough numbers around this: if a full pensioner on Classification 2 (approximately $16,000 per year in government funding) receives a mix of personal care, domestic help, and nursing, their out-of-pocket contributions might total a few hundred dollars per quarter – meaningful, but modest. A self-funded retiree on a higher classification receiving regular personal care, domestic assistance, and allied health could face several thousand dollars per year in contributions, depending on the service mix and provider pricing.

Two important safeguards limit how much you can pay over time. A lifetime cap of $135,318.69 (as at 1 November 2025, indexed twice yearly) applies to your total contributions across both home care and residential care. Once you reach this cap, you pay no further contributions. For people who were receiving a Home Care Package before 12 September 2024, a lower lifetime cap of $84,572 applies under the "no worse off" principle.

It is worth noting that providers set their own prices for services until government price caps take effect from 1 July 2026. This means the same service can cost different amounts depending on which provider you use – and comparing providers on price is both possible and encouraged. My Aged Care's "Find a provider" tool allows you to compare published price lists.

How to Access the System

The entry point for Support at Home is My Aged Care, the government's gateway to aged care services. You can contact them by phone (1800 200 422) or online. From there, the process follows a set sequence: a registration and

Understanding how the system works is the first step. The second is thinking about how home care costs fit into your broader financial plan — particularly if you are retired or approaching retirement. Several considerations deserve attention.

initial screening, followed by a comprehensive assessment using the new Integrated Assessment Tool, which looks at your health, mobility, daily living, cognitive function, and personal goals.

Based on the assessment, you receive a Support Plan that outlines the services you are approved for and the classification level that determines your funding. You then choose a registered provider, enter into a service agreement, and begin receiving services within your quarterly budget.

To be eligible for Support at Home, you must generally be 65 or older (50 or older for Aboriginal and Torres Strait Islander people), meet residency requirements, and have assessed care needs. Some additional exceptions apply. If your needs change over time, you can request a reassessment to adjust your classification.

One practical point: do not wait until a crisis to contact My Aged Care. The assessment process takes time, and having an approved plan in place before care becomes urgent gives you more control over the providers and services you receive. Many people begin the process while they are still managing well, treating it as a form of preparedness rather than an admission of decline.

The Planning Considerations

Understanding how the system works is the first step. The second is thinking about how home care costs fit into your broader financial plan — particularly if you are retired or approaching retirement. Several considerations deserve attention.

Home care costs are not fixed — they grow. A common pattern is that someone begins with a low classification and modest services, then gradually moves to higher classifications as needs increase over several years. What starts as a few hours of domestic help each week can evolve into daily personal care and regular nursing visits. The financial commitment tends to grow with the level of care, and planning for the trajectory rather than just the starting point is important.

The interaction with the Age Pension matters. Your home care contributions are determined using an income and assets assessment similar to the Age Pension means test. This means the strategies that optimise your pension entitlement — discussed in Article 1 of this issue — may also affect what you pay for home care. Drawing down assets in a way that keeps you within favourable means-test thresholds can reduce your home care contributions as well as increase your pension. This is one of the areas where the retirement income plan and the aged care plan intersect, and where coordinated advice adds genuine value.

The question of funding source. When home care costs arrive, the money has to come from somewhere. For most retirees, the main options are super (via pension drawdowns), non-super investments, cash savings, or a combination. Each has different tax and means-test implications. Withdrawals from a tax-free super pension, for example, do not count as assessable income for the means test (though the underlying asset is still counted under the assets test). Non-super investment income, by contrast, is assessed under the income test. The choice of which pot to draw from is not straightforward, and it interacts with the retirement income considerations covered earlier in this issue.

Home care as a bridge to residential care. For some people, home care is a permanent solution — they remain at home, with increasing support, for the rest of their lives. For others, it is a bridge to residential care when home-based support is no longer sufficient. If residential care is a possibility down the line, it is worth understanding that the lifetime contribution cap applies across both settings. Contributions you make under Support at Home count toward the same cap that applies in residential care. The financial planning for residential aged care — including refundable accommodation deposits (RADs) and daily accommodation payments — was covered in detail in a previous issue of this series.

Having the conversation early. Perhaps the most important planning consideration is timing. The families who find aged care least stressful are usually those who discussed it before the need became acute. That does not mean making binding decisions years in advance — circumstances change, and the system itself is still evolving. It means having a general understanding of how the system works, what the likely costs are, and where the funding would come from. It means knowing that My Aged Care exists and roughly how the assessment process works. And it means having the conver-

sation with your family, so that everyone understands the plan — or at least understands that there is one.

Worth Thinking About

A few questions are worth reflecting on as you consider whether aged care planning should be on your agenda.

- If you or your partner needed home care services in the next few years, do you have a rough sense of what that might cost — and where the money would come from?
- Have you or a family member registered with My Aged Care, even if services are not yet needed? Understanding the process before it becomes urgent makes everything easier.
- How do your current retirement income arrangements interact with aged care means testing? Would a change in how you draw down your assets affect both your pension entitlement and your home care contributions?
- If home care eventually proved insufficient, do you have a sense of what the next step would involve — and how it would be funded? The earlier issues in this series on residential aged care costs and RADs may be worth revisiting.
- Have you discussed aged care preferences with your family? Not the details of funding, necessarily, but the broader question of what matters to you — independence, location, the kind of support you would and would not accept.

The goal of planning for aged care at home is not to predict the future — it is to reduce the number of decisions that have to be made under pressure. The Support at Home program, for all its complexity, exists to help Australians stay in their own homes for as long as possible. Understanding how it works, and how it fits into your financial plan, is one of the most practical things you can do to protect both your independence and your peace of mind.

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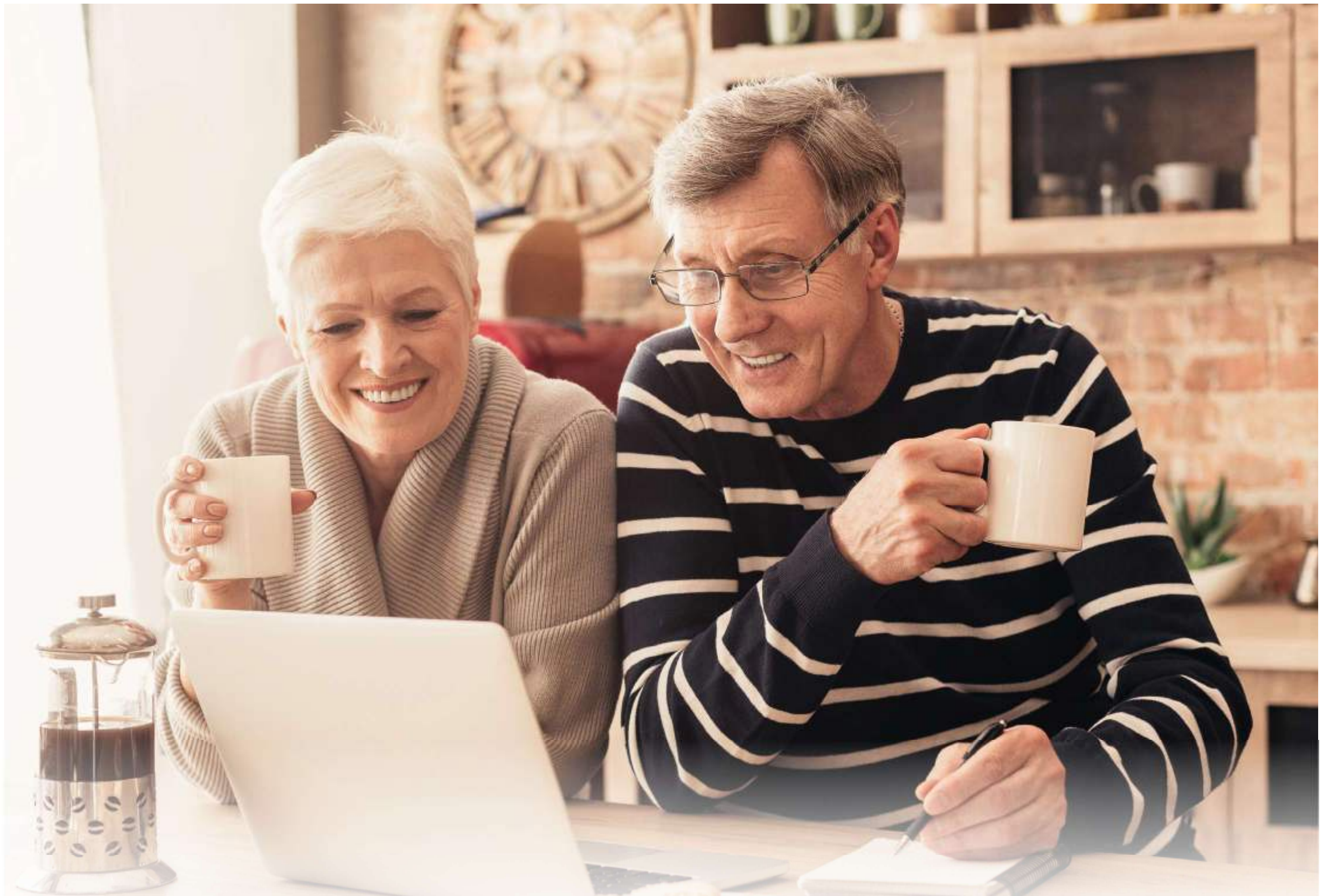

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RETIREMENT INCOME THAT LASTS
THE CONSIDERATIONS THAT MATTER MOST

BY WEALTH ADVISER

When the Reserve Bank raised interest rates for the second consecutive meeting in March 2026 – taking the cash rate to 4.10 per cent – many retirees found themselves recalculating. Pension payments from super had not changed, but the assumptions behind them suddenly felt less certain. Inflation was running above the RBA's 2-3 per cent target band, with headline CPI at 3.8 per cent and trimmed mean inflation at 3.4 per cent in the year to January 2026. The RBA cited the Middle East conflict as adding to inflation risks through higher fuel prices. And the sense of stability that had followed the three RBA rate cuts in 2025 had evaporated in the space of eight weeks.

For retirees, moments like this can be unsettling. Not because anything has gone catastrophically wrong, but because they surface a question that sits beneath every retirement income plan: will this hold together if conditions keep changing?

The answer depends on how the plan was built in the first place – and on whether it accounts for the right set of considerations. Not every retirement income plan needs to look the same, but the strongest ones tend to address the same underlying questions, even if they arrive at different answers. This article walks through those considerations – not to prescribe a particular approach, but to give you a framework for thinking about whether your own plan is covering the ground it needs to cover.

Layer One: Building a Reliable Income Base

The first consideration is whether you have enough guaranteed or highly predictable income to cover your essential

living costs – the non-negotiable expenses that arrive every fortnight regardless of what markets are doing. Housing costs, utilities, groceries, insurance premiums, basic health expenses. The things you cannot defer or reduce without genuine hardship.

The Age Pension as a foundation. For many Australian retirees, the Age Pension forms part of this base. From 20 March 2026, the full Age Pension is $1,200.90 per fortnight for a single person (approximately $31,223 per year) and $1,810.40 per fortnight for a couple combined (approximately $47,070 per year). These figures include the pension supplement and energy supplement, and they are indexed twice a year to reflect changes in the cost of living and wages.

Whether you receive a full pension, a part pension, or none at all depends on the income and assets tests – the mechanics of which were covered in detail in a separate article in this series. What matters here is the planning question: how does the Age Pension fit into your broader income picture?

For retirees who qualify, the pension provides something no market investment can – an income stream that adjusts for inflation, is backed by the government, and continues for life. That makes it a powerful foundation for the essentials layer. The order in which you draw down other assets can affect your pension entitlement over time, and getting that sequencing right can mean the difference between receiving a part pension for a decade or receiving nothing at all.

It is worth noting that the deeming rates used to assess income from financial assets increased on 20 March 2026. The lower rate rose from 0.75 per cent to 1.25 per cent (on the first $64,200 for singles, or $106,200 for couples), and the upper rate rose from 2.75 per cent to 3.25 per cent above those thresholds. For retirees with significant financial assets, these changes may reduce their pension entitlement modestly – a reminder that the income base layer is not entirely static, and that interactions between your assets and the means test deserve attention at each review.

Guaranteed income products. Some retirees also hold lifetime annuities or other guaranteed income products that pay a fixed or indexed amount regardless of investment returns. These sit alongside the Age Pension as part of the reliable income base. Whether adding a guaranteed layer makes sense depends on the trade-off between the certainty it provides and the reduced flexibility that comes with locking away capital. There is no universally right answer; it depends on how much certainty you need for your essentials, how much flexibility you want for everything else, and the size of the overall pool you are working with.

The key question at this layer is straightforward: can you cover your essential costs from income sources that do not depend on markets behaving well? If the answer is yes, the rest of the plan can afford to take a longer-term view.

Layer Two: Maintaining Purchasing Power Over Time

Once the essentials are covered, the conversation shifts to a different kind of risk – the slow erosion of purchasing power that happens when inflation outpaces the income your savings generate. This is less dramatic than a market crash, but over a 25- or 30-year retirement it can be just as damaging.

Consider a retiree drawing $60,000 a year from their super pension. At a sustained inflation rate of 3.5 per cent – a little above the latest trimmed mean inflation reading of 3.4 per cent in January 2026 – that $60,000 buys about $42,500 worth of today's goods and services after just 10 years. After 20 years, it buys closer to $30,200. The dollar amount has not changed, but the lifestyle it supports has quietly halved.

This is where growth assets earn their place in a retirement portfolio – typically shares, property, and other investments that have historically outpaced inflation over longer periods, albeit with more volatility along the way. The challenge is working out how much exposure to growth assets is appropriate when you are simultaneously drawing income from the portfolio. Too little, and inflation erodes your purchasing power. Too much, and a sharp market downturn early in retirement can do lasting damage – the concept known as sequencing risk, which we have explored in a previous article in this series.

This is one of the areas where different advisers may take quite different approaches, and that is entirely appropriate. The right balance depends on your time horizon, your comfort with seeing your account balance fluctuate, whether you have other assets outside super, and how much of your essentials are already covered by the reliable income base from Layer One. What matters is that the reasoning is explicit and that it is reviewed regularly, because the right answer today may not be the right answer in five years.

The role of cash and fixed income. In a world where term deposits and savings accounts are once again paying meaningful interest – a 12-month term deposit at a major bank might pay 4.5 to 5 per cent in early 2026 – it is tempting to think defensive assets alone can do the job. And for the short to medium term, they can help. But fixed-income returns tend to cluster around the inflation rate over long periods, which means they preserve purchasing power rather than growing it. Cash and fixed income play a valuable role in funding near-term income needs and providing a buffer against market volatility, but growth assets tend to do the heavy lifting over the longer horizon.

Whether you receive a full pension, a part pension, or none at all depends on the income and assets tests — the mechanics of which were covered in detail in a separate article in this series. What matters here is the planning question: how does the Age Pension fit into your broader income picture?

Minimum drawdown requirements. If you hold an account-based pension, you are required to withdraw at least a set percentage of your balance each financial year — starting at 4 per cent for those under 65, rising to 5 per cent between 65 and 74, 6 per cent between 75 and 79, and continuing to increase with age. These minimums are set by the government, and failing to meet them can cause the pension to be treated as having ceased for income-tax purposes for that year, which may affect the fund's tax exemption on pension earnings. The minimum drawdown does not dictate how much you should spend — but it does establish a floor that interacts with the broader income plan.

Layer Three: Building in Flexibility

Perhaps the most underappreciated dimension of a good retirement income plan is its capacity to adapt. Retirement is not a single financial event; it is a period that might span three decades, during which your spending needs, your health, your family circumstances, and the economic environment will all change — sometimes predictably, sometimes not. Flexibility can be built into a plan in several ways.

A cash reserve for the unexpected. Most well-constructed plans include a buffer of accessible cash — enough to cover several months of living expenses without needing to sell growth assets at an inopportune time. This might sit in an offset account, a high-interest savings account, or the cash allocation within your super fund. Its purpose is not to earn a high return; it is to give you options when you need them. A large dental bill, a car replacement, a decision to help an adult child with a home deposit, an opportunity to travel while your health allows — these are the kinds of events that do not appear in retirement projections but appear regularly in retirement itself.

The ability to adjust your drawdown. One of the most valuable features of an account-based pension is that you can vary the amount you withdraw from year to year (above the minimum). In a year when markets have been strong and your balance has grown, you might draw a little more. In a year when markets have fallen, you might pull back to the minimum and let the portfolio recover. This kind of flexibility does not require you to live on a strict budget — it simply means being willing to distinguish between fixed commitments and discretionary spending, and adjusting the discretionary portion when circumstances warrant it.

Planning for aged care costs. For many retirees, the most significant unplanned expense in later retirement is aged care — either home care services or residential care. The costs can be substantial, and the funding arrangements have changed under the new Support at Home program, which started on 1 November 2025, and with the continuing evolution of residential aged care pricing. It is worth considering, even if it feels distant, whether there is enough flexibility in the asset base to meet a future care need without dismantling the rest of the income structure. We will explore aged care planning in more detail in a separate article in this issue.

Estate planning considerations. A retirement income plan does not exist in isolation from your estate plan. The order in which you draw down assets — super versus non-super, taxable versus tax-free components — can affect what your beneficiaries ultimately receive and how it is taxed. These interactions matter particularly for couples, where the surviving partner's financial position may change significantly after the first death. This is not about choosing between living well and leaving a legacy; it is about making sure the structure of your plan does not create unintended consequences.

Why There Is No Single Right Answer

If you have read this far expecting a formula — draw 4.5 per cent from super, hold 60 per cent in growth assets, keep two years of expenses in cash — you will have noticed that none has been offered. That is deliberate.

Retirement income planning is not a problem with a single optimal solution. It is a series of trade-offs that depend on your age, your health, your assets, your spending patterns, your risk tolerance, your family situation, and the economic conditions of the moment. Two people with identical super balances and identical ages can quite reasonably end up with very different income structures, because they have different answers to the questions that sit beneath the numbers.

What distinguishes a good plan is not the specific approach — it is whether the reasoning behind it is sound, whether the trade-offs are understood, and whether there is a process for revisiting those decisions as circumstances change. That process is the real value of the adviser

relationship in retirement. Accumulation is largely mechanical: contribute regularly, invest for the long term, do not panic. Decumulation is a design problem, and a good designer revisits the blueprints regularly.

Worth Thinking About

As you reflect on the considerations in this article, a few questions may be worth turning over before your next review.

- Do you have a clear picture of how much income you need each fortnight to cover the essentials – and where that income is coming from?
- If investment markets had a rough year, would your day-to-day spending need to change, or is there enough of a buffer to ride it out?
- Have your spending patterns shifted since you last reviewed your plan? Retirement spending rarely stays constant – it tends to be higher in the early, more active years and lower later, before rising again if health or care costs increase.
- Have any recent changes – to interest rates, deeming rates, pension indexation, or your own circumstances – made you wonder whether your plan still fits?
- Is there anything on the horizon – a large expense, a change in living arrangements, a potential care need for yourself or a family member – that your plan may need to accommodate?

None of these questions have a single right answer, and none require immediate action. But they are the kinds of things that make a review conversation more productive – and they connect directly to the three layers of a well-built income plan: a reliable base, protection against inflation, and the flexibility to adapt.

The considerations in this article are not a blueprint – they are the questions that sit beneath any well-built retirement income plan. Understanding them does not replace professional advice, but it does make you a more engaged participant in the planning process. The best retirement income plans are the ones you understand well enough to stick with when conditions test your resolve.

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TAX PLANNING BEFORE 30 JUNE
STRATEGIES BEYOND SUPER

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BY WEALTH ADVISER

Superannuation gets most of the attention at this time of year, and rightly so – a separate article in a recent issue covered the contribution strategies worth considering before 30 June. But super is only one side of the EOFY planning equation. Outside the super wrapper, there are decisions you can make in the next three months that may reduce your tax bill, improve the timing of your cash flows, or simply ensure you are not paying more tax than you need to.

None of these strategies require exotic structures or aggressive positions. Most involve ordinary financial decisions – selling an asset, paying an expense, timing a receipt – made with an awareness of how the tax system treats them. The common thread is that they work best when you act before 30 June rather than after it.

For context, the current income tax rates for Australian residents (2025-26 financial year) are: no tax on the first $18,200; 16 per cent on income between $18,201 and $45,000; 30 per cent on income between $45,001 and $135,000; 37 per cent on income between $135,001 and $190,000; and 45 per cent on income above $190,000. The 2 per cent Medicare levy applies on top of these rates for most taxpayers. From 1 July 2026, the 16 per cent rate is legislated to fall to 15 per cent, and from 1 July 2027 it drops again to 14 per cent – modest changes, but worth knowing if you are considering whether to bring income forward or push it into the following year.

Selling, Buying, and Timing Decisions

The most consequential EOFY tax decisions for many investors involve capital gains – and by extension, the timing of when you buy, sell, or dispose of assets.

Harvesting capital losses to offset gains. If you have realised a capital gain during the 2025-26 year – from selling shares, an investment property, or units in a managed fund – you may be able to reduce the taxable amount by selling other investments that are sitting at a loss before 30 June. The loss offsets the gain dollar for dollar, reducing the net capital gain that flows into your tax return. If your capital losses exceed your capital gains for the year, the excess can be carried forward indefinitely to offset gains in future years, though they cannot be used to reduce ordinary income.

A few things to keep in mind. The ATO takes a dim view of "wash sales" – selling an asset to crystallise a loss and then buying the same or a substantially identical asset back shortly afterwards. If the dominant purpose of the sale is to obtain a tax benefit rather than a genuine change in your investment position, the ATO may deny the deduction. If you are genuinely rebalancing your portfolio and the loss is a byproduct of that decision, the position is much stronger.

The 12-month holding rule. If you have held an asset for at least 12 months before selling it, you are generally entitled to the 50 per cent CGT discount – meaning only half of the capital gain is included in your taxable income. This is one of the most valuable concessions in the tax system for individual investors. If you are considering selling an asset that you have held for close to 12 months, it may be worth checking whether waiting a few more weeks pushes you past the threshold. The difference can be substantial: a $100,000 gain on an asset held for 11 months is taxed in full, while the same gain on an asset held for 13 months is effectively taxed on $50,000.

It is worth noting that the CGT discount is under renewed policy scrutiny following the Senate committee's report on 17 March 2026. No changes have been legislated, and we cover the review in detail in a separate article in this issue. For now, the 50 per cent discount remains the law. But if you hold assets with significant unrealised gains, the review is a reason to have a conversation with your adviser about whether the timing of any planned disposals should be reconsidered.

Timing of asset purchases for depreciation. If you run an eligible small business using the simplified depreciation rules, assets costing less than $20,000 that are first used or installed ready for use before 30 June may qualify for the instant asset write-off, allowing you to deduct the full cost in the current year rather than depreciating it over time. This applies per asset, so multiple purchases can each qualify. The asset must be genuinely used for business purposes – the ATO expects you to demonstrate this, not merely assert it.

Bringing Forward and Deferring Income

The tax year is a fixed window, and the income that falls inside it determines your tax liability. Within reason, you have some control over which income lands in which year.

Deferring income where genuine commercial discretion exists. If you have flexibility over the timing of income – for example, if you are self-employed, run a small business, or earn income from consulting or freelance work – there may be value in deferring invoicing or receipts until after 1 July if doing so pushes income into a year where your marginal rate is lower. The legislated reduction in the lowest marginal rate from 16 to 15 per cent from 1 July 2026 is modest, but for taxpayers whose income sits entirely within the $18,201-$45,000 bracket, it represents a small saving. For most readers, the deferral decision will hinge on whether their expected income next year is materially different from this year – if you expect to earn less in 2026-27 (perhaps because of a planned reduction in work, or a move to part-time), deferring income into that lower-income year can reduce the marginal rate applied to it.

This is not about manipulation – the ATO expects income to be recognised when it is earned or received, depending on your method of accounting. But where you have genuine discretion over when work is invoiced or when a contract settles, the timing decision is legitimate.

Franking credits and dividend timing. If you hold Australian shares, the franking credits attached to dividends can reduce your tax bill or generate a refund. The timing of when dividends are paid is set by the company, not by you, so there is limited scope to shift this. But it is worth being aware of the interaction: if you are on a lower marginal rate than the company tax rate (30 per cent for large companies, 25 per cent for base rate entities), franking credits may generate a refund. If your income is unusually high this year, the value of the franking credit is lower in relative terms. Neither situation calls for dramatic action, but it is the kind of interaction worth understanding when reviewing your overall tax position.

The tax year is a fixed window, and the income that falls inside it determines your tax liability. Within reason, you have some control over which income lands in which year.

Claiming Deductions You Might Otherwise Miss

The final category of EOFY strategies involves ensuring that legitimate deductions are not left on the table – either because the expense was forgotten, because the timing was not quite right, or because the rules around prepayment were not well understood.

Prepaying deductible expenses. The ATO allows you to claim an immediate deduction for certain prepaid expenses under the 12-month rule: if the service period is 12 months or less and ends before 30 June of the following financial year, you can deduct the full amount in the year you pay it. This applies to expenses like income protection insurance premiums, professional subscriptions, interest on investment loans (subject to conditions), and for business owners, items like rent, advertising, or software subscriptions.

The key constraint is that the service period must genuinely fall within 12 months and must end on or before 30 June of the next year. If the service period is longer, the deduction must be apportioned. And the expense must have a genuine connection to producing your assessable income

The strategies in this article are most valuable when they sit within the context of your overall financial plan — alongside the superannuation strategies covered in the previous issue, and informed by the broader tax and regulatory environment.

— you cannot prepay personal expenses and claim them as deductions.

Charitable donations. Gifts of $2 or more to registered deductible gift recipients (DGRs) are tax-deductible. There is no fixed dollar cap on deductible gifts, but a gift deduction cannot create a tax loss. For eligible gifts, you may choose to spread the deduction over up to five income years. If you are planning to make a charitable gift and have not yet done so, making it before 30 June ensures it reduces your 2025-26 taxable income. We covered the mechanics of tax-smart philanthropy in more detail in Issue 116.

Investment property deductions. If you own an investment property, the weeks before 30 June are a good time to review whether you have claimed all the deductions available to you for the current year. Common items include property management fees, insurance, council rates, water charges, repairs and maintenance (as distinct from capital improvements, which must be depreciated), and interest on the loan used to acquire the property. The distinction between a repair and an improvement matters — replacing a broken tap is a repair and deductible in full; renovating a bathroom is generally capital in nature and may instead be claimed over time under capital works or depreciation rules, depending on the expenditure. If you are planning maintenance work that is genuinely a repair, completing it before 30 June means the deduction falls into this year.

Work-related expenses. For employees, work-related expenses are deductible where you incur them in the course of producing your income and you are not reimbursed. The ATO does not require receipts for claims totalling $300 or less (though you still need records showing how you calculated the claim), but for amounts above $300, written evidence is required. If you have work-related expenses you have not yet incurred but plan to — a professional development course, a subscription, equipment for a home office — there may be value in making the purchase before 30 June rather than after.

The proposed $1,000 instant tax deduction from 2026-27. It is also worth noting that the government has announced a proposed $1,000 instant tax deduction for work-related expenses from 2026-27, but this is not yet law. It does not affect the current year, but if you are weighing up a borderline purchase, it may influence whether you bring it forward into 2025-26 or wait until the measure is legislated and takes effect.

A Note on Timing and Perspective

Tax planning is a legitimate part of managing your finances, but it works best when it serves a broader financial strategy rather than driving it. Selling an investment solely to generate a tax loss is rarely sensible if the investment itself is sound. Prepaying an expense makes sense only if you would have incurred the expense anyway. And deferring income into next year is counterproductive if it creates cash flow problems this year.

The strategies in this article are most valuable when they sit within the context of your overall financial plan — alongside the superannuation strategies covered in the previous issue, and informed by the broader tax and regulatory environment. With the federal budget due in May and the CGT discount under active review, the 2025-26 EOFY is one where a conversation with your adviser and your accountant before 30 June is particularly worthwhile.

Worth Thinking About

As you look ahead to 30 June, a few questions are worth sitting with.

- Have you realised any capital gains this year, and if so, are there any offsetting losses in your portfolio that might be worth crystallising?
- Are there deductible expenses you know you will incur in the next few months that could be paid before 30 June rather than after?
- If you own an investment property, have you reviewed all the deductions you are entitled to for this year — including items like depreciation schedules, insurance, and loan interest?
- Is your income this year materially different from what you expect next year? If so, does that create an opportunity to time any discretionary income or expenses more efficiently?
- Have you made (or do you plan to make) any charitable donations this financial year? If not, is there a cause you would like to support before 30 June?

None of these questions have a single right answer, and

some may not apply to your situation at all. But they are the kinds of practical considerations that can make a meaningful difference to your tax position — and they are best addressed now, while there is still time to act.

References

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Q&A: Ask a Question

Question 1

I've heard you can prepay certain expenses before 30 June and claim them as a tax deduction this year. How does that work?

If you have expenses that are legitimately tax-deductible, paying them before 30 June rather than after can bring the deduction into the current financial year. The ATO allows an immediate deduction for prepaid expenses under what's known as the 12-month rule: if the service period covered by the payment is 12 months or less and ends on or before 30 June of the following financial year, you can claim the full amount in the year you pay it.

Common examples include income protection insurance premiums, professional subscriptions, interest on some investment loans (subject to the prepaid expense rules), and for business owners, expenses like software subscriptions or rent. The expense must have a genuine connection to producing your assessable income – personal expenses don't qualify simply because they're prepaid.

It's worth noting that prepaying only makes sense if you would have incurred the expense anyway. Spending money purely for a deduction rarely improves your overall position. The real benefit is in timing – making sure a legitimate cost falls into the year where it delivers the most value. Your adviser or accountant can help you identify whether any upcoming expenses are worth bringing forward before 30 June.

Question 2

My super fund says I need to withdraw a minimum amount from my pension each year. What are the rules, and what happens if I don't?

If you hold an account-based pension, the government requires you to withdraw at least a minimum percentage of your balance each financial year. The percentage depends on your age: it starts at 4 per cent for those under 65, rises to 5 per cent between 65 and 74, then 6 per cent between 75 and 79, and continues to increase from there.

These minimums are recalculated each year based on your account balance at 1 July (or at the date your pension commenced, if it started mid-year). Meeting the minimum is important – if you don't withdraw enough, the pension may be treated as having ceased for tax purposes for that year, potentially affecting the tax exemption on investment earnings within the fund.

The minimum drawdown doesn't dictate how much you should spend. Many retirees draw more than the minimum in some years and pull back closer to it in others, depending on their needs and how markets have performed. This flexibility is one of the key advantages of an account-based pension. Your adviser can help you plan your drawdown strategy in a way that balances your income needs with keeping your retirement savings working for as long as possible.

Question 3

I've heard the government has replaced the old Home Care Packages with a new system called Support at Home. What's changed and how does it affect me?

From 1 November 2025, the government replaced the Home Care Packages program with Support at Home – a new framework designed to be more flexible and more closely matched to individual care needs. Where the old system had four broad package levels, the new program uses eight funding classifications, ranging from occasional help with light tasks through to complex daily care needs. Annual government funding ranges from around $11,000 at the lowest classification to approximately $78,000 at the highest.

Support at Home is a shared-cost model. Clinical services like nursing and physiotherapy are fully funded, but you may be asked to contribute toward personal care and everyday living services such as domestic help and gardening. How much you pay depends on your financial circumstances, assessed by Services Australia in a process similar to the Age Pension means test. A lifetime cap on contributions applies across both home and residential care settings, limiting your total out-of-pocket exposure over time.

If you think home care may be relevant for you or a family member in the coming years, it's worth contacting My Aged Care early – even before services are needed – so an assessment is in place before the need becomes urgent. Your adviser can help you understand how home care costs fit alongside your retirement income plan.

With all these topics, there is no single "right" choice. Your personal situation matters, and you should seek advice from a licensed financial adviser to understand what is most appropriate for you.

Adam Massey CFP®
Massey Financial Advice Pty Ltd

A: Level 1, Highpoint, 240 Waterworks Road
M: PO Box 499 Ashgrove Qld 4060

T: 07 3102 4948
E: adam@masseyfinancialadvice.com.au

W www.MasseyFinancialAdvice.com.au
www.TenYearsToRetirement.com.au