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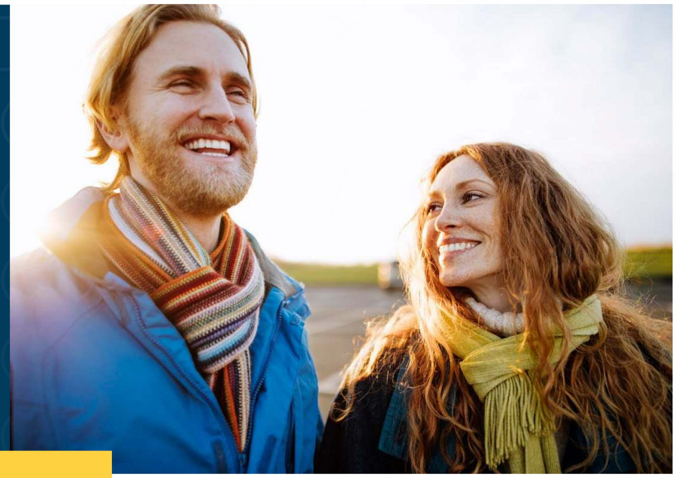
WINTER 2025 EDITION



Are life insurance premiums tax deductible?

Tax time is just around the corner — it's helpful to know if you could claim a tax deduction on your insurance premiums. Let's break down when you might be eligible for a tax deduction on insurance premiums and when tax deductions don't apply.

Which types of life insurance can I claim tax deductions for?

Generally, you can only claim tax deductions for premiums paid on an income protection policy. This is because income protection premiums are an expense directly related to your income. In contrast, life (or 'death'), total and permanent disability (TPD), and critical illness insurance premiums are usually not eligible for tax deductions. Furthermore, how your income protection policy is set up will determine your eligibility for tax deductions.

Income protection outside of super

If you have a standalone income protection policy (meaning it's held outside of super), you may be eligible to claim a tax deduction on premiums paid for the financial year.

Some people have what is known as a 'bundled' policy — that is, one policy, a single premium amount, and multiple cover types in a bundle. If your income protection insurance is bundled together with other policies, such as a life insurance policy, only the portion that represents the income protection premium is eligible for a tax deduction. For instance, if your total premium is $250 a month but the premiums you pay for income protection is $95 a month, only $95 per month may be tax deductible.

Income protection held within super

You generally can't claim a tax deduction on premiums for insurance held in super (including income protection).

There are a few reasons for this:

- Insurance in super is owned by the super trustee, not by you. If you have insurance through super, you're considered the life insured, rather than the policy owner. Your super fund technically pays your premiums by deducting the cost from your super balance.
- Super contributions may have already been taxed favourably. Premiums are deducted from your super balance, which is already treated favourably for tax purposes: money in super is usually taxed at 15%, so there are no further tax benefits available via tax deductions.

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In this issue

Income protection in a self-managed super fund

The rules for insurance held within a self-managed super fund (SMSF) are more complex, and in some cases, you may be eligible for a tax deduction.

If you need more information about how this works for your personal situation, we recommend speaking with a financial adviser.

Proposed Division 296 sparks continued interest for investment bonds

Labor's Division 296 to redefine wealth planning for high and ultra-high-net-worth individuals as investment bonds gain traction.

With Labor now securing a majority Government, the proposed Division 296 tax is now expected to proceed to be passed into law. As legislation, it will target earnings on superannuation balances above $3 million by increasing the tax on earnings from 15% to 30%. Although the Bill did not pass before the election, Labor reaffirmed their commitment to the policy in the April budget and in mid-May. The Government's majority looks like it will be a combined Labor and Greens Senate, meaning the Government may not need the support of crossbenchers to pass the legislation.

As legislation continues to evolve, it is more important than ever to diversify financial and wealth accumulation strategies. Investment bonds, for example, offer tax advantages, flexibility, and estate planning benefits — along with the current certainty that they won't be affected by legislative reforms – making them a compelling option for those impacted by the changing legislative landscape, both now and in the future.

Investment bonds are an attractive proposition

Investment bonds represent a highly tax-effective tool to accumulate wealth both pre- and post-retirement.

Key benefits of investment bonds for those seeking tax-effective solutions include:

Creditor protection: Investment bonds held by individuals can be protected from creditors in the case of bankruptcy, if set up appropriately.

Tax-optimised wealth accumulation: Investment bonds are tax-paid structures, offering favourable tax outcomes. Long-term effective tax rates can look to being as low as 10–15% p.a.

Flexibility and access: Investment bonds allow access to funds before preservation or retirement age and with no lock-up periods, offering greater day-to-day flexibility.

Unrivalled estate planning features: Investment bonds offer the ability to control how and when beneficiaries receive inheritances. Optional features allow limitations on access, offering peace of mind and control over wealth transfer.

No death benefit tax: Proceeds are paid tax-free upon death, regardless of who the beneficiary is. Ownership can also be transferred to a nominated recipient with no tax event — ideal for succession and intergenerational wealth transfer planning.

What high-net-worth Australians need to know

Research[1] revealed a concerning reality: nearly four in five Australians lack a strong understanding of the upcoming superannuation tax changes. This knowledge gap underscores the importance of financial advice and exploring alternative wealth strategies to navigate a shifting tax environment.

For many high and ultra-high-net-worth Australians, being proactive and exploring tax-effective wealth strategies is more important than ever.

Remember, this is an area where a Financial Adviser can provide substantial value.

[1]Generation Life's Not Tomorrow Problem Research Paper, June 2024

It's possible to profit from patience

It's possible to profit from patience. It's nearly impossible to time the market and identify its peaks and troughs but if history is any guide, short-term drops in the stock market are typically followed by longer-term rallies.

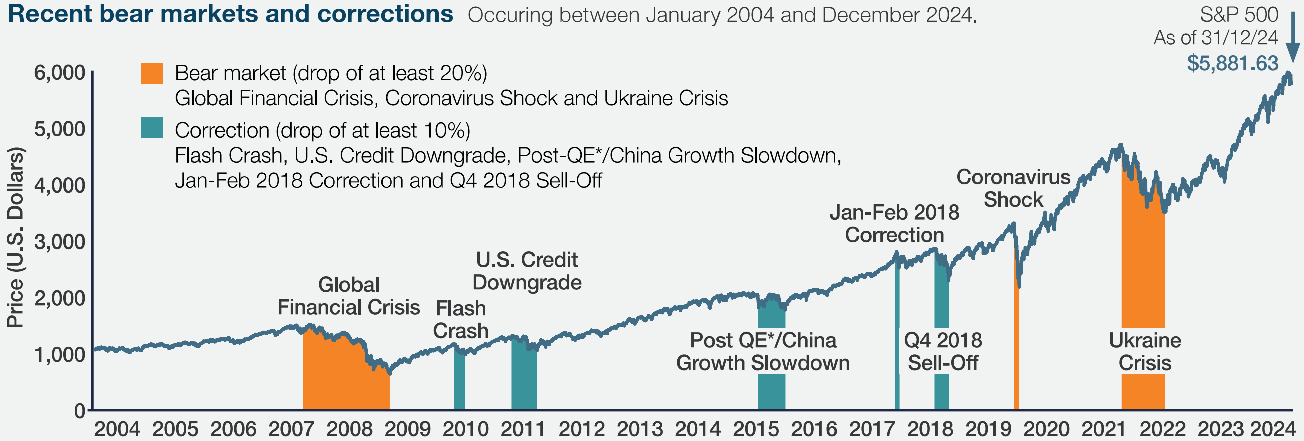
Stay invested for market recoveries

Market volatility surged following the Trump administration's announcement of a broad range of harsher-than-expected tariffs, which has fuelled concerns around the potential for slowing economic growth, resurgent inflation, and a possible recession. This has impacted stock markets across the globe.

But history shows us that after a drop of at least 10% (referred to as a 'market correction'), the stock market typically rebounds within three to six months. And in two out of three bear markets, defined by a drop of at least 20%, stocks returned to previous levels within a year.

While it is impossible to predict what happens from here, staying focused on your long-term investment goals and maintaining a diversified portfolio can help you navigate periods of uncertainty and benefit from eventual market recoveries.

Recent bear markets and corrections Occuring between January 2004 and December 2024.



Stock market recovery after recent bear events and corrections Occuring between January 2024 and December 2024.

■ Global Financial Crisis, Coronavirus Shock and Ukraine Crisis ■ All Other events

					% Cumulative gain after trough		
Event	**Date**	**Duration**	**% Drop**	**Recovery**	**1 Year**	**3 Years**	**5 Years**
■ **Global Financial Crisis**	9/10/07 - 5/3/09	1.5 years	**-56.39**	4 years	66.83	99.89	174.53
■ Flash Crash	15/4/10 - 2/7/10	2.5 months	-15.61	4 months	30.83	57.84	103.09
■ U.S. Credit Downgrade	29/4/11 - 3/10/11	5 months	-19.39	3 months	32.00	79.03	96.61
■ Post-QE*/China Growth Slowdown	10/8/15 - 11/2/16	6 months	-13.07	4 months	27.29	48.15	114.12
■ Jan-Feb 2018 Correction	26/1/18 - 8/2/18	0.5 months	-10.16	6.5 months	4.92	51.71	59.55
■ Q4 2018 Sell-Off	20/9/18 - 24/12/18	2 months	-19.78	4 months	37.10	101.00	102.23
■ **Coronavirus Shock**	19/2/20 - 23/3/20	1 month	**-33.93**	5 months	74.78	76.49	N/A
■ **Ukraine Crisis**	3/1/22 - 12/10/22	9 months	**-25.43**	9 months	21.60	N/A	N/A

Past performance is no guarantee or a reliable indicator of future results.

*QE = quantitative easing

Reflects an investment of $1,000 on December 31, 1991. There were no corrections or bear markets between 1991 and 1999. This graph does not show the bear market of the tech bubble crash (2000–2002) or correction period pre-Iraq war (2002–2003). Drop is based on the percentage drop from the highest market index value just prior to the correction to the lowest market index value. Recovery is defined as the length of time for the market to return to the previous highest market index value, rounded to the nearest number of months.

Don't let volatility change your plan, market volatility is a given. Short-term downturns can be worrying, and they may heighten anxiety among some investors. If the stock market's historical trends hold true, a patient investor who outlasts short-term volatility can benefit over the long term.

If you're unsure where to begin or need help, we recommend speaking with a financial adviser. Personalised advice can give you the confidence you need to achieve your financial goals.

Source: T. Rowe Price Australia Limited (ABN: 13 620 668 895 and AFSL: 503741). See Additional Disclosure

Cyber safety matters at every age – staying secure this tax season

We believe cybersecurity matters for everyone — regardless of your age or experience level. Cybercriminals target everyone equally, and no one is immune. As tax season approaches, we typically see a significant increase in phishing emails, phone calls and deceptive text messages pretending to be from trusted sources like banks, government agencies, and Australia Post. Recently, scammers impersonating Australia Post sent deceptive messages to more than 600,000 Australians.

Too many Australians fall victim to these attacks — over 552,000 last year alone — and many mistakenly believe they can easily spot scams. However, advances in AI are making it increasingly difficult to distinguish between legitimate and fraudulent communications.

This tax season and beyond, staying safe online requires continuous vigilance. By using unique passwords, activating Multi-Factor Authentication (MFA), and verifying unexpected communications, you significantly reduce your risk of falling victim to cybercrime.

To protect your personal and financial information, follow these essential cybersecurity practices:

Always use unique passwords: Ensure each online account has a distinct, strong password. Using the same password across multiple accounts dramatically increases your risk. If one account is compromised, all others become vulnerable. Unique passwords for every account greatly enhance your online security.

Activate MFA: MFA provides an essential extra security layer by requiring additional verification beyond your password. Even if a hacker steals your password, MFA can prevent unauthorised access by sending a unique code to your mobile device or requiring another verification step.

Stay vigilant by following these simple but powerful guidelines:

Be sceptical of unsolicited messages: Always treat unexpected texts or emails with suspicion. If you receive a message you're not anticipating, verify its authenticity directly with the sender through contact details you already know and trust — not through details provided in the suspicious message.

Validate before you click: Hackers often target email accounts first, using compromised accounts of people you know to send malicious emails. Even if the message seems to come from someone familiar but you weren't expecting it, don't click on links or download attachments without verifying first.

Seek support if needed: Remember, support is always available. Reach out directly to the trusted financial institution or your financial adviser if you are unsure.

Thinking ahead? Let's talk about strategies for creating a positive financial future.

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