# Your PERSONAL WEALTH

Autumn 2026

We hope you enjoy this Autumn edition of Your Personal Wealth.

In addition to our market update, we look at the impact of interest and inflation rates, how you can make the most of superannuation in your 30s, and the difference between good and bad debt, highlighting the benefits of borrowing for wealth creation rather than consumption.

Happy reading!


Inflation forecast Page 1

Market update Page 1

30s Super playbook Page 3

Rising interest Page 3

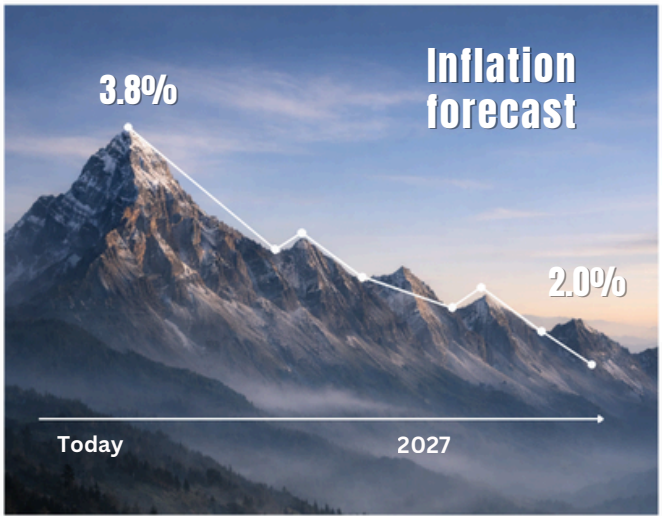
Good vs bad debt Page 4


## Inflation target rate forecast

RBA economic forecasts indicate inflation won't return to the 2–3% band until mid-2027, with core inflation taking even longer.

Why it matters:

- If inflation lasts longer, and you are retired, you might need to **adjust pension drawdown rates**.
- You should allow for **higher-than-expected living costs** when budgeting, especially if approaching or in retirement.



## Changing themes in global markets present opportunities in 2026

The share markets delivered strong returns in 2025, which continued into 2026, though the ride was at times bumpy.

This caps off a three-year period of unusually positive returns.

*Continue reading on page 2*

*Continued from page 1*

## The big picture

- Strong market returns have continued; however, the drivers of returns have changed over the last year, pivoting away from the US and Artificial Intelligence (AI).
- Developed markets are expecting earnings to broaden from the returns from AI that have dominated over the last three years. However, headwinds may lead to subdued and volatile returns for major indices.
- Opportunities increase from active management in developed markets and in other asset classes, including emerging markets, global listed infrastructure and global listed property.

## How investments performed to 31 Jan 2026

Global shares did very well. Surprisingly, and despite the strength of the US economy, the US share market lagged much of the developed world. Investors are beginning to question whether AI companies' profitability can be maintained amid substantial capital expenditures. The stronger Australian and sharply weaker US dollar significantly reduced returns for Australian investors in global shares.

High global liquidity, along with extreme risk sentiment, has led to speculative behaviour in many markets. In the US and in Australia, quality companies were sold off despite many having solid earnings outlooks.

Emerging markets are a major investment theme, delivering very strong returns.

In Australia, the Resources sector (especially gold and base metals) drove returns in the past year, a significant turnaround from the prior year, when led by banks and technology. In January, the Healthcare sector rebounded after being the worst performer in 2025.

Australian small cap stocks delivered impressive returns over the past year, a reversal from 2024 when large cap stocks dominated. Listed property dropped sharply due to the expected RBA rate hike, which occurred in early Feb 2026.

Australian bond returns were below cash due to rising yields, although global bonds exceeded the cash rate of 3.6% over 1 year.

## The numbers (to January 31, 2026)

| Asset Class % | CYTD | 3 months | 6 months | 1 year | Ann.3 year | Ann. 5 Year | Ann.10 year |
|---|---|---|---|---|---|---|---|
| Global Shares in USD | 3.0 | 4.1 | 13.1 | 22.4 | 19.6 | 12.5 | 13.3 |
| Global Shares in AU | -2.0 | -2.7 | 4.0 | 9.0 | 19.8 | 14.5 | 13.4 |
| US Shares in AU | 3.4 | -4.9 | 1.2 | 3.6 | 21.4 | 17.1 | 15.7 |
| Emerging Markets in AU | 3.6 | 2.3 | 14.0 | 27.9 | 17.6 | 7.8 | 10.6 |
| Australian Shares | 1.8 | 0.4 | 3.1 | 7.4 | 9.8 | 10.2 | 10.1 |
| Australian Small Companies | 2.7 | 2.7 | 17.3 | 22.8 | 12.1 | 7.5 | 9.5 |
| Australian Listed Property | -2.7 | -4.6 | -2.8 | 1.6 | 11.1 | 9.2 | 7.5 |
| Australian Bonds | 0.2 | -1.3 | -0.5 | 3.2 | 2.9 | -0.3 | 1.9 |
| Global Bonds (Hedged AUD) | 0.2 | 0.2 | 2.1 | 4.3 | 3.3 | -0.4 | 1.8 |

## Looking ahead

We're positive about 2026 overall, with decent earnings expected. However, possible challenges include: the developed world (excluding the US) slowing; high sovereign debt levels; inflation re-emerging in the US and Australia; elevated valuations; and geopolitical tensions.

Australia's economy shows some improvement with rising business investment and consumer confidence (though from low levels). However, productivity remains low, manufacturing confidence is very weak, and the recent spike in inflation and the increase in interest rates add to cost-of-living pressures.

Our investment recommendations are positive on growth assets and quality credit, but focused on active management. Additionally, sub asset classes are showing relative value and appear better positioned for this stage of the cycle.

## Conclusion

In times of uncertainty, we suggest:

- Diversification across different asset classes.
- Remain flexible and incorporate active management.
- Review currency hedging strategies.
- Use bonds and high-quality credit for income and stability.
- Regularly rebalancing your portfolio to maintain target allocations.
- Seek to incorporate some inflation protection through listed global property and infrastructure.

# Your 30s Super playbook: Build wealth while sleeping

Here's a truth most Aussie 30-somethings discover too late: the super contributions you make this decade will outperform those you make in your 40s and 50s, even if you contribute less.

Why? Because time is your secret weapon, and compound returns are doing the heavy lifting.

## The power of early contributions

Think of your super like a snowball rolling down a mountain. When you're 30, that snowball has 35 years to gather momentum before you reach retirement. Every dollar you contribute today earns returns, and those returns earn returns, creating an exponential growth pattern known as compounding that can transform modest contributions into substantial wealth over time.

## Salary sacrifice vs after-tax contributions

Your 30s present a strategic fork in the road. Should you salary sacrifice (concessional contributions) or boost your after-tax (non-concessional) contributions? For most Australians, salary sacrifice is the winner. This is because salary sacrifice contributions are taxed at just 15% inside super, compared to your marginal tax rate, which could be 32% (including Medicare levy) or higher. For example, if you're earning $90,000, every $1,000 you salary sacrifice saves you $170 in tax.

If you are a high-income earner, an additional 15% tax may apply to your concessional contributions, bringing the tax rate for those contributions to 30%. However, being a high-income earner, your marginal tax rate is expected to be 47%, including the Medicare levy. This means making concessional contributions may still be tax effective.

For the 2025-26 Financial Year, the concessional contribution cap is $30,000, including your employer's 12% Superannuation Guarantee contributions. On a $90,000 salary, with your employer contributing $10,800, you have $19,200 in available concessional contributions cap space.

- **Salary sacrifice advantage:** Tax-effective, reduces taxable income, ideal for most working Australians.
- **After-tax contributions**: Useful when you've maxed out concessional caps or have a low income (potentially attracting government co-contributions) [1].
- **The sweet spot**: For those with super balances under $500,000, you can carry forward unused concessional caps from the previous five years, a golden opportunity to catch up [2].

## Choosing the right investment option

Your 30s afford you the luxury of time to recover from market volatility, making this the prime decade to embrace growth-focused investments. Performance matters enormously over decades. A fund delivering 7% annually versus 5% can mean a difference of hundreds of thousands of dollars at retirement. You can compare your fund's long-term returns (10+ years) and fees using tools like the government's YourSuper [3] comparison tool.

A 30-year-old adding $50 per week to their super could see that translate to an extra $100,000-plus at retirement. That's not sacrifice; that's strategic wealth building.

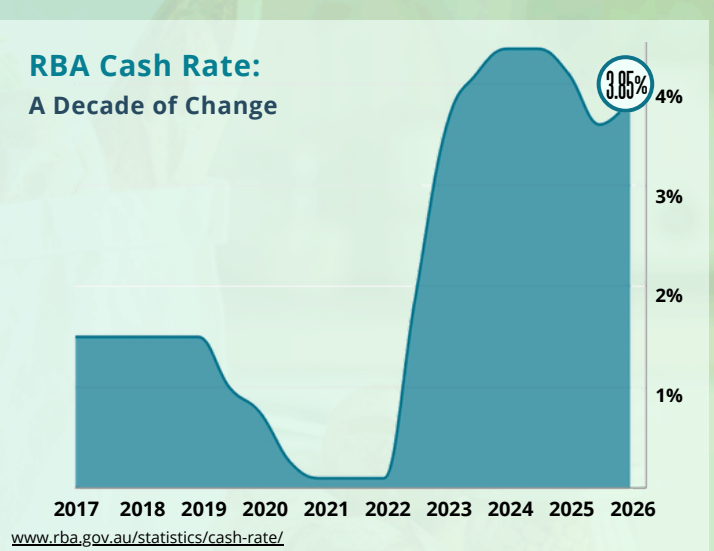
[1] Government co-contribution: up to $500 per year if you earn $62,488 or less and make after-tax contributions (2025-26)
[2] www.ato.gov.au/tax-rates-and-codes/key-superannuation-rates-and-thresholds/contributions-caps
[3] www.ato.gov.au/calculators-and-tools/super-yoursuper-comparison-tool

# Interest rates rising, with first rate hike since 2023

The Reserve Bank of Australia (RBA) lifted the cash rate to 3.85% in February 2026, marking the first increase in more than two years amid unexpectedly high inflation.

Why it matters:

- If you are retired and have savings, you might be able to secure higher interest rates for your savings. Shop around for the best rate. If you are close to retiring, but still are paying off your mortgage, you might face higher repayments and reduced borrowing capacity.
- Your investment portfolio (especially if it is income-focused) might experience some volatility as markets reprice rate expectations.



# Debt, tax-deductible path to wealth or consumer trap?

Sarah borrowed $700,000 at 5.8% to purchase an investment property that generates $650 in weekly rent and has tax-deductible interest. Next door, Marcus owes $18,000 across three credit cards at 20% interest, funding holidays and new furniture. Both have debt. Sarah is building wealth tax effectively, while Marcus is hemorrhaging money to interest charges.

## When borrowing builds wealth

The distinction between good and bad debt is defined primarily by mathematics and opportunity cost. Good debt has a simple litmus test. Does it generate income or appreciate in value faster than the cost of borrowing?

The RBA cash rate is at 3.85%, and investment property loans typically sit around 5.5-6.5% [1].

This debt can still be "good" because:

- **The interest is tax-deductible**: If you borrow to acquire an income-producing asset like a rental property or shares that pay dividends, you can claim the interest as a deduction [2]. At a 32% marginal tax rate (including Medicare levy), a $40,000 annual interest bill effectively costs you $27,200 after tax.
- **The asset (usually) appreciates:** While property values fluctuate, Australian capital cities have historically delivered long-term growth that often exceeds borrowing costs.
- **Rental income reduces your net cost**: A well-selected investment property with strong rental yield can be cash-flow neutral or even positive, meaning tenants are essentially paying down your debt while you build equity.

Business loans used to expand operations or investment loans used to invest in dividend-paying shares, can also qualify as good debt if structured properly, although they carry higher risk and require more sophisticated management.

## Good debt requires discipline.

The moment you redraw from your investment loan to fund a holiday, that portion becomes bad debt; the interest is no longer deductible because it's not being used for income-producing purposes.

## The true cost of consumer debt

Bad debt is borrowing funds for consumption rather than wealth creation. Recent data shows the average unpaid credit card balance has jumped to $1,780, up 10% in just 12 months [3]. At 22% interest, paying this off over 24 months means you'd pay $436 in interest on top of the original $1,780 debt.

That's money that could otherwise have been building your portfolio or contributing to super.

[1] Best investment home loan rates in February 2026 | Finder
[2] Interest on loans used to purchase income-producing assets like rental properties is tax-deductible. Only the portion of the loan used for investment purposes qualifies for the deduction.
[3] https://www.canstar.com.au/credit-cards/national-debt-february-2025/

**Daniel Twentyman and 20man Enterprises Pty Ltd t/as Surf Coast Wealth Management are Authorised Representatives of Lifespan Financial Planning (AFSL 229892)**

**Mobile:** 0410 123 200
**Email:** daniel@surfcoastwm.com.au
**Website:** surfcoastwm.com.au

SURF COAST WEALTH MANAGEMENT

**Disclaimer:** The content in this newsletter is of a general nature only and are not to be taken as recommendations as they might be unsuited to your specific circumstances. The contents herein do not take into account the investment objectives, financial situation or particular needs of any person and should not be used as the basis for making any financial or other decisions. Your Lifespan adviser or other professional advisers should be consulted prior to acting on this information. This disclaimer is intended to exclude any liability for loss as a result of acting on the information or opinions expressed.