April 2025

As we move into April, and hot on the heels of the recent Federal Budget, Prime Minister Anthony Albanese has announced a national election for May 3 - kicking off an April campaign centred on tax cuts and cost-of-living relief.

Meanwhile fears of inflation in the United States and alarm about unpredictable and escalating tariffs saw sharp falls on Wall Street during March, particularly in the final week.

In Australia, the events in the US, conflicts in Ukraine and the Middle East and the start of the federal election campaign have all made their mark. The S&P/ASX 200 reacted with an almost 5% drop during March.

The Australian dollar, in the doldrums all year, improved slightly during the month before ending lower at around 63US cents.

Economic growth was up 0.6% in the December quarter and 1.3% for the year and household wealth climbed 0.9% in the same period.Inflation rose 2.4% in the 12 months to February, a slight softening from the previous month's increase of 2.5%.

Consumer sentiment recorded a 4% rise in March, according to the Melbourne Institute and Westpac Bank Sentiment index. The RBA's decision to cut interest rates in February and a further easing in cost-of-living pressures have provided a clear lift.

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2025-26 FEDERAL BUDGET: SPOTLIGHT ON TAX

In the shadow of an upcoming election, Jim Chalmers' fourth Budget delivered small but unexpected tax cuts for all Australian taxpayers.

The modest cuts were delivered against a backdrop of growing economic uncertainty, with the treasurer emphasising the need for national resilience in the face of rapid global change.

Tax cuts for everyone

In a surprise revelation, the treasurer announced two new tax cuts in the 2025 Budget.

The first is a cut in the lowest personal income tax rate, which covers every dollar of a taxpayer's income between $18,201 and $45,000. The current 16 per cent rate will reduce to 15 per cent in 2026-27 and be lowered again to 14 per cent from 1 July 2027.

According to the government, the reduction will take the first tax rate down to its lowest level in more than half a century. Combined with the 2024 tax cuts, an average earner will be paying $2,190 less in 2027-28 compared with 2023-24.

The second tax cut is an increase of 4.7 per cent to the Medicare low-income threshold for singles and families. This means the Medicare Levy will not kick in until singles earn $27,222, rather than the current $26,000 level. The threshold for families will rise from $43,846 to $45,907, while single seniors and pensioners will have their threshold increase from $41,089 to $43,020.

Energy relief for small business and households

The Budget also provided small businesses and households with a welcome additional energy bill rebate to cope with the burden of high energy costs.

Around one million eligible small businesses will receive an additional $150 directly off their energy bills from 1 July 2025. This will extend the government's energy bill relief until the end of 2025, as the previous rebate scheme was due to end on 30 June.

Abolition of non-compete clauses and licensing reform

Some businesses may be less pleased with the Budget announcement of a planned ban on non-compete clauses covering low- and middle-income employees leaving for another business or to start their own.

Competition law will be tightened to prevent businesses making arrangements that cap workers' pay and conditions without their knowledge or agreement, or that block them from being hired by competitors. The government claims this will increase affected employees' wages by up to 4 per cent as they will be able to move to more productive, higher-paying jobs.

Work will also begin on a national occupational licence for electrical trades, which is intended to provide a template for other industries where employees are currently restricted from working across state and territory borders.

Beer excise freeze

Government support for the hospitality sector and alcohol producers was also announced in the Budget.

Indexation of the draught beer excise and excise equivalent customs duty rates will be paused in a measure costing about $165 million over five years.

Strengthening competition law

Small business will benefit from the government's decision to work with the states and territories to extending unfair trading practices protections to small businesses.

Over $7 million will be provided over two years to strengthen the Australian Competition and Consumer Commission's enforcement of the Franchising Code.

Subject to consultation, protections from unfair contract terms and unfair trading practices will be extended to all businesses regulated by the Franchising Code.

Supporting Australian businesses

Local companies will also benefit from $20 million in additional support for the Buy Australian Campaign, which encourages consumers to buy Australian-made products.

The Budget further supported local businesses with $16 million in funding for a new Australia-India Trade and Investment Accelerator Fund.

Additional ATO tax compliance funding

The ATO will be happy, with the 2025 Budget providing $999 million over the next four years to extend and expand its tax compliance activities.

This includes additional funding for the shadow economy and personal income tax compliance programs, together with $50 million from 1 July 2026 to ensure the timely payment of tax and unpaid super liabilities by businesses and wealthy groups.

Information in this article has been sourced from:

– The Budget Speech 2025-265 (https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/speeches/2025-26-budget-speech-parliament-house-canberra)

– and Federal Budget support documents (https://budget.gov.au/)

It is important to note that the policies outlined in this publication are yet to be passed as legislation and therefore may be subject to change.

How POLITICAL EVENTS affect the markets

From the economy bending policies of Trump 2.0 to the growing strength of the far right in Europe, the new alliance between Russia and the United States, the wars in Ukraine and the Middle East, and the US President's vow to upturn world trade rules, the markets are certainly navigating tricky times.

In recent months we've seen volatility in some areas but cautious optimism in others in a reflection of the hand-in-glove relationship between politics and markets.

Of course, economic policies, laws and regulations – think tax increases or decreases, new business regulations or even referendums – have a big effect on how investors allocate their portfolios and that impacts market performance.

In 2016, when the United Kingdom voted to leave the European Union, the UK pound plunged and more than US$2 trillion was wiped off global equity markets.[i]

In the following four years until Brexit was finally achieved in 2020, the FTSE 100 performed poorly compared to other markets as domestic and international investors looked elsewhere to avoid risk. While it has risen since a massive drop during the coronavirus pandemic, the exodus of companies from the London Stock Exchange continues with almost 90 departures in 2024.[ii]

Interest rate movements and any hint of political instability can also bring about a sell off or a rally in prices, with companies holding off on capital investment and causing economic growth to slow.[iii]

Global oil prices rose 30 per cent in 2022 when Russia invaded Ukraine causing European stock markets to plunge 4 per cent in a single day.[iv] Since then, oil prices have fluctuated and are now back to pre-war levels and gold has reached new heights as investors globally look for a safe haven from high geopolitical risks.

Do elections have an effect?

Elections, which almost always cause market disruptions during the uncertainty of the campaign period and shortly after the vote is known, have featured strongly in the past six months or so.

A review of 75 years of US market data has found that, while there may be outbursts of volatility in the lead up to the vote, there's minimal impact on financial market performance in the medium to long term. The data shows that market returns are typically more dependent on economic and inflation trends rather than election results.[v]

Nonetheless, the noisy 2024 US Presidential campaign saw some ups and downs in markets during the Democrats' upheaval and the switch to Kamala Harris as candidate. Donald Trump's various policy announcements on taxes, immigration, government cost cutting and tariffs both buoyed and dismayed investors.

Analysis by Macquarie University researchers of the three days before and after election day found significant abnormal returns in US equities immediately after the vote.[vi]

But the surge was short-lived as investor sentiment fluctuated. Small cap equities with more domestic exposure experienced the highest returns while the energy sector also saw substantial gains, in anticipation of regulatory changes.

While currently the S&P500 and the Nasdaq have both gained overall since the election, there's been extreme share price volatility.

How Australia has fared

Meanwhile, any impact on markets ahead of Australia's upcoming federal election has so far been muted thanks to the volume of world events.

The on-again off-again US tariffs are causing more concern here for both policymakers and investors. Tariffs on our exports could mean higher prices and a drop in demand for our goods and services, leading to economic uncertainty.

In early February, the Australian share market took a dive immediately after President Trump's announcement of tariffs on Mexico, Canada and China, wiping off around $50 billion from the ASX 200. They recovered slightly only to fall again later as the Reserve Bank cut interest rates. In the US, some tech companies delayed or cancelled their listing plans because of the volatility and uncertainty caused by the announcements.[vii]

Amid a turbulent start to 2025, most economists agree the markets are unlikely to hit last year's 7.49 per cent achieved by the S&P ASX 200.

Reserve Bank of Australia governor Michele Bullock is similarly downbeat on the prospects for the year, saying uncertainty about the global outlook remains 'significant'.[viii]

Please get in touch if you're watching world events and wondering about the impact on your portfolio.

i https://finance.yahoo.com/news/post-brexit-global-equity-loss-203340844.html?guccounter=1
ii https://www.ft.com/content/aef053ce-c94d-4a72-8dce-bdbf56dd67e1
iii https://www.stlouisfed.org/publications/review/2023/12/01/policy-instability-and-the-risk-return-trade-off
iv https://www.analyticsinsight.net/finance/why-financial-markets-are-sensitive-to-political-uncertainty
v https://www.usbank.com/investing/financial-perspectives/market-news/how-presidential-elections-affect-the-stock-market.html
vi https://theconversation.com/2024-presidential-election-u-s-equities-surged-then-retreated-after-trumps-victory-243778
vii https://www.nytimes.com/2025/02/18/technology/tech-ipo-delays.html
viii https://www.rba.gov.au/media-releases/2025/mr-25-03.html

Turbocharge your super before 30 June

More than half of us set a new financial goal at the beginning of 2025, according to ASIC's Moneysmart website. While most financial goals include saving money and paying down debts, the months leading up to 30 June provide an opportunity to review your super balance to look at ways to boost your retirement savings.

What you need to consider first

If you have more than one super account, consolidating them to one account may be an option for you. Consolidating your super could save you from paying multiple fees, however, if you have insurance insider super, you may be at risk of losing it, so contact us before you make any changes.[i]

How to boost your retirement savings

Making additional contributions on top of the super guarantee paid by your employer could make a big difference to your retirement balance thanks to the magic of compounding interest.

There are a few ways to boost your super before 30 June:

Concessional contributions (before tax)

These contributions can be made from either your pre-tax salary via a salary-sacrifice arrangement through your employer or using after-tax money and depositing funds directly into your super account.

Apart from the increase to your super balance, you may pay less tax (depending on your current marginal rate).[ii]

Check to see what your current year to date contributions are so any additional contributions you may make don't exceed the concessional (before-tax) contributions cap, which is $30,000 from 1 July 2024. [iii]

Non-concessional contributions (after tax)

This type of contribution is also known as a personal contribution. It is important not to exceed the cap on contributions, which is set at $120,000 from 1 July 2024.[iv]

If you exceed the concessional contributions cap (before tax) of $30,000 per annum, any additional contributions made are taxed at your marginal tax rate less a 15 per cent tax offset to account for the contributions tax already paid by your super fund.

Exceeding the non-concessional contributions cap will see a tax of 47 per cent levied on the excess contributions.

Carry forward (catch-up) concessional contributions

If you've had a break from work or haven't reached the maximum contributions cap for the past five years, this type of super contribution could help boost your balance – especially if you've received a lump sum of money like a work bonus.

These contributions are unused concessional contributions from the previous five financial years and only available to those whose super accounts are less than $500,000.

There are strict rules around this type of contribution, and they are complex so it's important to get advice before making a catch-up contribution.

Downsizer contributions

If you are over 55 years, have owned your home for 10 years and are looking to sell, you may be able to make a non-concessional super contribution of as much as $300,000 per person - $600,000 if you are a couple. You must make the contribution to your super within 90 days of receiving the proceeds of the sale of your home.

Spouse contributions

There are two ways you can make spouse super contributions, you could:

- split contributions you have already made to your own super, by rolling them over to your spouse's super – known as a contributions-splitting super benefit, or
- contribute directly to your spouse's super, treated as their non-concessional contribution, which may entitle you to a tax offset of $540 per year if they earn less than $40,000 per annum

Again, there are a few restrictions and eligibility requirements for this type of contribution.

Get in touch for more information about your options and for help with a super strategy that could help you achieve a rewarding retirement.

i https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/growing-and-keeping-track-of-your-super/keeping-track-of-your-super/transferring-or-consolidating-your-super

ii https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/growing-and-keeping-track-of-your-super/how-to-save-more-in-your-super/salary-sacrificing-super

iii https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/growing-and-keeping-track-of-your-super/caps-limits-and-tax-on-super-contributions/concessional-contributions-cap

iv https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/growing-and-keeping-track-of-your-super/caps-limits-and-tax-on-super-contributions/non-concessional-contributions-cap