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Editorial

Something has been bothering me.

The recent budget has produced its usual flurry of commentary (and rightfully so). However, one thing that has stood out over the last month or so, is a pervasive sense of uncertainty. Perhaps not only a product of the measures themselves, but the contradictory explanations offered by those responsible for them.

June housing market

Residential real estate underpins Australia's wealth landscape. Whether this continues to be the most productive destination for capital is a question worth debating, and one I'm keen to hear readers' views on.

Quarterly Median House Prices June 2026

	Median	Month	This Year	1 Year	2 Year
Sydney	\$1,725,934	-1.1%	-2.7%	1.5%	6.3%
Melbourne	\$1,071,880	-1.4%	-4.4%	-0.8%	1.4%
Brisbane	\$1,215,690	-0.6%	4.3%	16.6%	27.1%
Adelaide	\$1,125,032	-0.6%	2.4%	10.9%	21.8%
Perth	\$1,212,448	0.0%	8.4%	21.6%	35.5%
Hobart	\$774,167	-0.2%	3.2%	10.3%	17.0%
Darwin	\$795,525	1.3%	4.6%	19.3%	27.5%
Canberra	\$978,536	-1.9%	-2.9%	1.7%	1.2%
National	\$1,274,503	-0.9%	-0.3%	6.2%	12.3%

Source: Property Update. "Falling home prices accelerate over June". 29 June 2026.

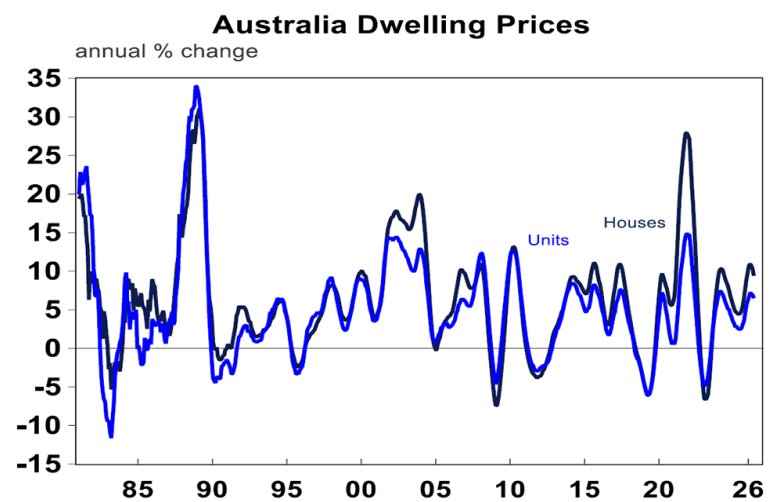
Either way, it's no surprise that many eyes have been cast on property valuations since May 12th. Findings from Property Update show that house prices in capital cities have continued to fall over June with the monthly rate of decline now accelerating.

Trouble in paradise

Naturally, these headline figures have elicited fears of a housing-induced economic downturn.

When recently questioned about dwindling dwelling values and lower auction clearance rates, Housing Minister Clare O'Neil stated that *"We see periods of very significant house price growth and then we see the market make a correction, and that's what we're seeing at the moment."*

Indeed, O'Neil is partially correct about the cyclical nature of the Aussie housing market. But as AMP reports, the down-cycles tend to be short-lived and prices generally fall ~5%, which they view as modest. However, the point of contention here was the technical definition of 'correction', which generally implies a drop of 10% in equity market terms.



Source: AMP.

Jim Chalmers recently walked back O'Neil's comments about a "correction":

"We have seen a softening in house prices in recent months even before the Budget, and that's a reflection of a whole range of factors including changes in interest rates, softness in the broader global and domestic economies, as well as any other influences from the Budget and the like."

This diverges from the view at the beginning of this budget cycle, where it was [asserted](#) that the government were *"taking pressure off the housing market, by taking a serious approach to housing..."*. It would be intellectually dishonest to infer that easing some of this pressure (as described) wouldn't reveal itself in the eventual cooling of prices.

The result of this back and forth between O'Neil and Chalmers has resulted in a muddled message that has satisfied very few. A far cry from any unilateral agreement on the future of residential property prices. But this isn't a discussion about semantics. Importantly, I think it raises a simpler question: if affordability was the stated objective of budget measures, is a moderation in prices not a foreseeable (perhaps even necessary) outcome? And if that is not the objective, then what is?

Shadow Treasurer Tim Wilson described the situation as “complete disarray,” arguing the Government did not appear to know its own policy aim. Whether or not one agrees with that assessment, the contradiction is undeniable. It is difficult to present a policy as ambitious while simultaneously assuring every constituency that nothing fundamental will change. In attempting to offend no one, the Government has managed to confuse everyone.

A broader note on the budget blame game

One thing the budget coverage has made painfully clear is how quickly parts of the media will reach for a generational-war narrative. Older Australians have been cast as beneficiaries of an inflated market and younger Australians as victims of it. This budget has sought to reverse this "intergenerational inequity", with the changes being framed as dramatic win for young Aussies at the expense of older investors. As though assigning fault to one age group will improve affordability for another.

As someone in the younger cohort, I understand the appeal of that storyline, but it does little to improve my own prospects or those of my peers. Vilifying predecessors who were simply beneficiaries of the economic circumstances of their time, does nothing to address the structural forces shaping today's market. It does the opposite. It reduces a complex, long-term issue to a simplistic morality play.

Housing affordability has always been a structural issue shaped by planning constraints, construction capacity, migration flows, tax settings and decades of bipartisan decisions. It is not the product of personal virtue or personal failure. The danger in this framing is that it obscures the real issues and encourages resentment rather than understanding. Playing the generational blame game is a poor substitute for serious policy introspection.

This Budget (just like every other one before it) deserves scrutiny. Investors across all generations alike make long-term decisions based on the signals they receive. What concerns me is the mixed signalling. If the Government intends to reshape the price landscape, it should say so plainly. If it intends to preserve the status quo, then it should say that plainly. What it cannot do, is attempt both simultaneously and then expect the public to interpret the ambiguity in a constructive way.

Simonelle Mody

Also in this week's edition...

After the recent changes on SMSFs using LBRAs to purchase new residential properties, **Meg Heffron** explores [how wide the ban really is](#).

It's been a tough time for Aussie equities after a long record of outperformance. **Mark LaMonica** examines whether the lag is a [temporary setback or whether there are structural forces at play](#).

Tony Dillion models the [30% minimum tax on capital gains](#) to reveal anomalies that introduce unexpected distortions.

Sam Heithersay from **Fidelity** discusses why [the next generation of Australian equity leadership](#) may not be found in familiar sectors.

Global growth is facing mounting pressure from all angles. **Matt Reynolds** from **Capital Group** believes [AI-related investment may prove enough to reshape the outlook for markets](#).

Many retirees pass away with their wealth intact. **Joseph Darby** looks at a case study from New Zealand to help determine [what drives the cautionary spending behaviour](#).

IPO frenzy has fizzled but is yet to disappear. Director of Retirement Planning, **Christine Benz** [shares her own investment philosophy](#) and how a set of core beliefs can tune out distractions.

Meg on SMSFs: How wide is the ban on LRBAs?

Meg Heffron

To get its capital gains tax and negative gearing changes through the Parliament, the Government agreed to act on one of the Greens' longstanding bugbears : SMSFs borrowing to buy residential property.

Obviously this is bad news for those about to embark on a borrowing – so what exactly is happening and how will it impact SMSFs?

What is changing?

In all super funds, the starting position is that super funds can't borrow.

The only reason "Limited Recourse Borrowing Arrangements" (or LRBAs) even exist is that they're a specific exception to this general rule that was introduced in 2007. (And I should note – it's an exception that applies to all super funds, not just SMSFs. SMSFs just tend to use the exception differently.)

This particular exception only allows borrowing to occur if the arrangement meets a number of strict conditions – including that the borrowed money is used to buy a single "acquirable asset". Until now, the term "acquirable asset" has been broad enough to buy pretty much anything a super fund could normally invest in. In practice, constraints presented by the addition of the word "single" has meant that most borrowings related to property.

What will change under the proposed amendment as an extra condition will be added – if the single acquirable asset is real property, then it must be "business real property" (which is a defined term for super purposes).

When will the LRBA ban start?

It will only apply (commence) from the 45th day after the whole Bill was passed and received Royal Assent (26 June 2026). That means it will start from 10 August 2026. So it won't catch acquisitions occurring right now or acquisitions that have happened in the past.

It specifically doesn't stop people refinancing existing LRBAs over residential properties or acquisitions where contracts are exchanged before 10 August (even if settlement doesn't occur until after 10 August).

What does it mean?

This isn't just a ban on LRBAs for residential property, it's a ban on LRBAs for any real property that's not business real property.

And remember some property that feels like commercial property falls short of being business real property. For example, a mixed use property such as a shop with a residential flat upstairs, isn't business real property. One of the requirements for business real property is that it's used "wholly and solely" in the business with some modest exceptions.

For most people, that means buying residential property with a loan in their SMSF will no longer be an option.

It won't matter whether the residential property is a new build or established property. While these are treated differently for some of the Government's other changes (negative gearing, for instance, will still be allowed for new builds just not existing properties), there's no distinction in the LRBA ban.

Some paradoxes about residential property

Some property 'looks' residential but is actually business real property. The classic example is a home that's used as a doctor's surgery. As long as it's being used wholly and exclusively in a business (the doctor's business), it's business real property and could still (even under the new ban) be purchased using an LRBA.

Sometimes residential property is business real property for a time but not forever. In the example above, the use of the property could change (for example, the doctor moves out and the SMSF decides to refurbish and return the home to its original use as a home). That would be a problem.

Other times it depends on who owns the property. For example, someone who is running a business renting out investment properties can argue – if the scale of the operation is large enough and it meets other 'business' tests – that a house is 'stock' in that commercial enterprise and therefore business real property. Occasionally people use this argument to allow them to transfer an investment property their business already owns into their SMSF (as SMSFs can acquire business real property from members and related businesses but not other property).

But once it's in the fund, if it's no longer part of the business enterprise it presumably stops being business real property. I imagine that means even this arrangement is ruled out in future but we'll have to see. Interestingly if you applied a genuinely 'point in time' test to an arrangement like this (ie, exactly what is being bought by the SMSF when it takes out the loan?) it would be hard to argue that it's business real property for the acquisition rules but not the borrowing rules. That said, I suspect very few people will be able to take advantage of it in any case.

What's still allowed?

SMSFs can still buy residential property **without** a loan.

If they want to borrow, they can still buy other things under an LRBA:

- Commercial property that meets the business real property definition (but as above, it would need to *keep* meeting it)
- Shares or units in managed investments – as long as it treats the whole holding as a single indivisible investment (ie, the SMSF couldn't sell part of the holding while the LRBA was in place)

Is it too late to get in now?

Unless a transaction is already well underway I suspect it is. Certainly those who haven't yet set up an SMSF are highly unlikely to be able to get everything in place before the ban takes effect.

What does the future hold?

It will be interesting to see what this change does for SMSF growth – which is currently at unprecedented levels.

Looking at the SMSF sector as a whole, the ATO's latest statistics report that around 6.7% (\$67 billion) of all assets in all SMSFs was invested via an LRBA at 30 June 2024. But this doesn't represent the debt, it represents the value of the assets SMSFs have bought with their loan (the actual debt is a lot lower - \$26 billion). It's also worth noting that around 40% of these LBAs related to non residential property – which will still be allowed.

I would love to know whether the statistics for newly established funds are materially different – are the people currently flocking into SMSFs doing so because they intend to borrow and buy residential property or are they doing something different?

Or has the ability to borrow perhaps piqued their interest but once they learn about all the things an SMSF can do, they don't go ahead with the borrowing and instead invest their SMSF elsewhere?

I guess we'll have to wait and see.

Meg Heffron is the Managing Director of [Heffron SMSF Solutions](#), a sponsor of Firstlinks. This is general information only and it does not constitute any recommendation or advice. It does not consider any personal circumstances and is based on an understanding of relevant rules and legislation at the time of writing.

For more articles and papers from Heffron, [please click here](#).

Why Australian shares are falling behind the world

Mark LaMonica CFA

The change came a long way back—but at first it didn't show. The manner remains intact for some time after the morale cracks.

- F Scott Fitzgerald

The 2023 Credit Suisse Global Investment Returns Yearbook puts the Australian share market at the top of the global leaderboard for returns since 1900. Australia has the highest returns over the 123 years of the study in USD terms and the second highest in AUD terms.

This is an envious long-term historical track record of success for our local market. But things haven't been great lately.

The question for investors today is whether the recent relative underperformance is an aberration or a harbinger of things to come. I set out to answer this question.

Australia against the world

I've looked at the returns of well-known passive ETFs covering global markets over one, three, five and ten-year periods.

If a hedged version was available from the same provider I included those ETFs as well. A hedged ETF removes the impact of currency changes. To represent the Australian market I picked Vanguard Australian Shares ETF which covers the ASX 300.

ETF	Ticker symbol	1-year returns	3-year returns	5-year returns	10-year returns
Vanguard Australian Shares ETF	VAS	6.98%	10.91%	7.90%	9.02%
iShares S&P 500 ETF	IVV	16.25%	19.17%	15.55%	15.45%
iShares S&P 500 AUD Hedged ETF	IHVV	28.06%	21.39%	11.91%	13.56%
Vanguard MSCI Intl ETF	VGS	14.55%	17.95%	13.76%	13.24%
Vanguard MSCI Intl (Hdg) ETF	VGAD	27.26%	20.76%	11.74%	12.65%
iShares MSCI Emerging Markets ETF	IEM	37.91%	20.40%	8.42%	9.80%
iShares Europe ETF	IEU	6.87%	12.94%	10.26%	8.97%
Vanguard FTSE Asia ex Japan Shrs ETF	VAE	38.99%	20.93%	9.00%	10.87%
iShares MSCI Japan ETF	IJP	17.23%	15.58%	10.34%	9.17%

The Australian market has universally underperformed with the exception of the European ETF IEU over one and ten years.

The returns include dividends but don't incorporate the impact of franking credits. However, the only ETFs that outperformed by less than 2% per year on this chart are the emerging market ETF IEM over five and ten-year periods, the Japan ETF IJP over ten years and the Asia ETF VAE over five and ten-year periods. Historically franking credits have added approximately 2% to overall returns in Australia.

For investors with a goal to maximise returns the retrospective message is clear – all of your money should have been invested in a globally diversified non-Australian portfolio. The more allocated to Aussie shares the lower the returns.

It is easy to look at historic data and opine on what an investor should have done. It is harder to figure out a strategy for the future.

To try and determine if this pattern of underperformance will continue it is worthwhile exploring why the Australian market has been lagging global peers.

A good place to start is one of the biggest differences between local and global markets – how dividends are treated in Australia.

A different approach to dividends

To end the double taxation of dividends, franking credits were introduced on 1 July 1987. No other country in the world has such a generous system where full imputation is offered and franking credits are refundable.

Dividends are more attractive in Australia than they are in other markets. Unsurprisingly Australian companies responded and the amount of earnings dedicated to dividends rose from approximately 40% to around 80% within a decade.

This all makes a good deal of sense. In Australia dividends became more valuable and companies want to keep investors happy...so they paid higher dividends.

Other markets have gone in a different direction and companies are paying out less in dividends. For instance, the S&P 500 had an average dividend payout rate of 49% during the 1980s. In 2025 the S&P 500 dividend payout rate was roughly 32%.

It is clear the market in Australia is different from global markets. Whether that is good or bad depends on your perspective. But understanding how the Australian market works is a key input into making the right decisions to achieve your goals.

Dividends and returns in Australia

The following chart shows returns from a dividend focused ETF – Vanguard Australian High Yield - compared to the Vanguard Australian Shares ETF.

ETF	Ticker symbol	1-year returns	3-year returns	5-year returns	10-year returns
Vanguard Australian Shares ETF	VAS	6.98%	10.91%	7.90%	9.02%
Vanguard Australian Shares High Yld	VHY	19.88%	15.83%	11.57%	10.34%

The dividend-focused ETF outperformed the overall index. This is an anomaly in a period with strong returns. Investing theory and history suggests that high dividend payers – which the ETF is designed to capture - lag in bull markets while outperforming during periods of market turmoil.

To understand why requires an exploration of the three factors that contribute to returns – dividends, changes in valuation levels and earnings growth. In periods of above average returns the key return driver is often changes in valuation levels that anticipate the start, or continuation, of strong earnings growth.

As valuation levels increase earnings growth becomes more attractive. If a company can grow earnings by 10% a year *and* investors are willing to pay more for those earnings a share price can rapidly increase. Shares with high dividends often have lower growth and investors rotate away from them in bull markets.

During a bear market when valuation levels decrease, earnings growth becomes less valuable. In the face of a market contraction many investors gravitate to a more certain source of returns – dividends.

The following table for the S&P 500 is illustrative of this effect.

Decade	Description	% of returns from dividends
1970s	Stagflation and significant bear market	73%
1980s	Falling interest rates and the start of a long-term bull market	28%
1990s	Continued strong returns with the dotcom bubble inflating	16%
2000s	The lost decade with the dotcom bust and GFC when overall returns were negative	More than 100% given negative returns
2010s	Recovery from GFC and beginning of tech driven bull market	17%
2020s	Post-covid bull market and the AI frenzy	12%

A similar effect is not occurring in the Australian market

Over the last decade things look very different in Australia. About 55% of the returns came from reinvested dividends for VAS while 72% of returns for VHY came from reinvested dividends.

Investing \$10,000 a decade ago resulting in \$6,453 in total income for holders of VAS and \$9,166 for holders of VHY. That income difference resulted in a higher return for VHY.

While overall valuation levels have increased in Australia over the last decade there has been little earnings growth.

The following table shows the ten largest companies in the ASX in 2016 along with their annual returns and annual net income growth rate over the last ten years.

Company	Ticker	Annual return	Annual net income growth
Commonwealth Bank	CBA	10.31%	1.11%
Westpac	WBC	5.17%	-1.46%
ANZ Group	ANZ	7.37%	-2.38%
National Australia Bank	NAB	7.23%	0,85%
Telstra	TLS	2.77%	-6.45%
BHP Group	BHP	17.19%	16.79%
CSL	CSL	1.84%	7.60%
Wesfarmers	WES	11.60%	1.83%
Woolworths Group	WOW	9.43%	-7.70%
Scentre Group	SCG	1.81%	-4.12%

Only two companies on the list grew annual net income at a rate higher than inflation. Most fell well short of inflation with four companies generating negative annual returns over the decade.

Three companies have been replaced on the list of the ten largest ASX companies. Woodside, Macquarie and Rio Tinto replaced Telstra, Woolworths and Scentre.

Looking at the US market shows the difference in growth rates. The following table shows the ten largest companies in the US in 2016.

Company	Ticker	Annual return	Annual net income growth
Apple	AAPL	26.34%	7.69%
Alphabet	GOGL	25.72%	23.34%
Microsoft	MSFT	23.20%	23.65%
Berkshire Hathaway	BRK.A	13.16%	10.77%
Exxon Mobil	XOM	7.32%	5.97%
Amazon	AMZN	20.85%	62.74%
Meta	META	17.23%	32.27%
Johnson & Johnson	JNJ	9.24%	4.69%
JP Morgan	JPM	18.82%	8.85%
Wells Fargo	WFC	7.31%	-0.70%

Wells Fargo is an outlier as the last ten years has been marked by an ongoing reputational and regulatory crisis. But for the remaining companies, net income growth has been impressive. Returns have followed suit.

Five companies have been replaced on the list of the ten largest S&P 500 companies. NVIDIA, Broadcom, Tesla, Micron and Eli Lilly replaced Berkshire, Exxon Mobil, Johnson & Johnson, JP Morgan and Wells Fargo.

This same pattern is evident when looking at the overall index. The All Ordinaries Index in Australia has grown earnings at approximately a 4.50% annual rate over the last decade while the S&P 500 has grown earnings by around 13%.

There are several factors which may explain why growth is lower in Australia. The largest companies in Australia operate in slower growing sectors. Additionally, the higher dividend payout rate means less earnings are available to reinvest in growth. There is also a disturbing lack of productivity growth in the Australian economy.

These factors are related but they are all leading to lower overall growth for Australian companies. Valuation levels have increased in both the US and Australia but earnings growth hasn't kept pace in Australia. Dividends haven't been high enough to make up the difference. That is why returns are lower.

Will this change going forward?

There is little evidence to suggest that things will change. The top Australian companies still operate in industries with lower expected growth. Franking credits still make dividends more attractive for Australian investors. Productivity is still dropping.

There is reason to believe lower growth is structural and unless there is another commodity super cycle Australia may continue to lag. The new tax proposal may further embed slower growth.

The proposed tax changes to capital gains are not final but they will make dividends even more attractive on a relative basis than capital gains. There is even more incentive for Australian companies to reward shareholders with dividends.

Investors are already responding to the proposed change in taxation and seeking out income focused investments in Australia. Income ETFs had their best month ever of inflows in May according to Global X with \$243 million going into yield focused share ETFs. This will further encourage companies to pay dividends.

Final thoughts

Each investor has a unique set of goals and portfolios should be aligned with what an investor is trying to achieve.

For income investors seeking the highest grossed up yields the Australian market remains attractive. For investors that are focused on capital gains global markets may be a better bet over the long-term.

More nuance is required for investors – like myself – that are seeking dividend growth. If earnings don't grow over the long-term dividends can't grow regardless of the payout rate.

This all comes down to the mix of investments in a portfolio. My portfolio is heavily weighted towards global shares for growth and I use the local market for grossed up yield. My plan is to continue to increase my allocation to the local market as I get older and yield becomes more attractive.

Too often commentary about investing is focused on declaring a particular investment good or bad. But that misses the point.

Markets and individual investments are just tools for investors. The key is picking the correct tools for the job you are trying to accomplish. For some investors Australian shares may no longer be the right fit.

Mark LaMonica, CFA, is Director of Personal Finance at Morningstar Australia.

The strange effect of the 30% minimum capital gains tax

Tony Dillon

In reference to the proposed new capital gains tax arrangements before parliament, Anthony Albanese told the House of Representatives post-budget that, "we're moving towards the system that was in place before 1999 to tax real gains, not nominal gains."

Except that that is not entirely true. Yes, indexing the capital cost base to inflation is being reinstated to replace the 50% discount on realised capital gains, but the smoothing of gains over five years to alleviate the bunching effect of realising a lump sum in a single year has not been revived.

And a 30% minimum tax on real gains has been introduced that has never existed before, intended as a disincentive to investors realising gains in years of low marginal tax rates due to retirement or by design.

Although sketchy as to how the 30% minimum tax would work when announced, details of its calculation have now emerged.

In a multi-step procedure, the real capital gain is first multiplied by 30% to give the minimum capital gain tax liability. Tax liabilities are then calculated according to the current tax schedule, for both total taxable income including the gain, and for taxable income excluding the gain. If the difference is less than the minimum CGT liability determined prior, then top-up tax to that minimum applies.

A numerical example using the [2025-26 tax schedule](#):

A real capital gain of \$50,000 is realised in a year with \$40,000 of additional taxable income.

The minimum CGT liability would be $30\% \times \$50,000 = \$15,000$.

Tax on the \$90,000 total income would be \$17,788.

[\$4,288 plus 30c for each \$1 over \$45,000]

Tax on the \$40,000 non-capital gain income would be \$3,488.

[16c for each \$1 over \$18,200]

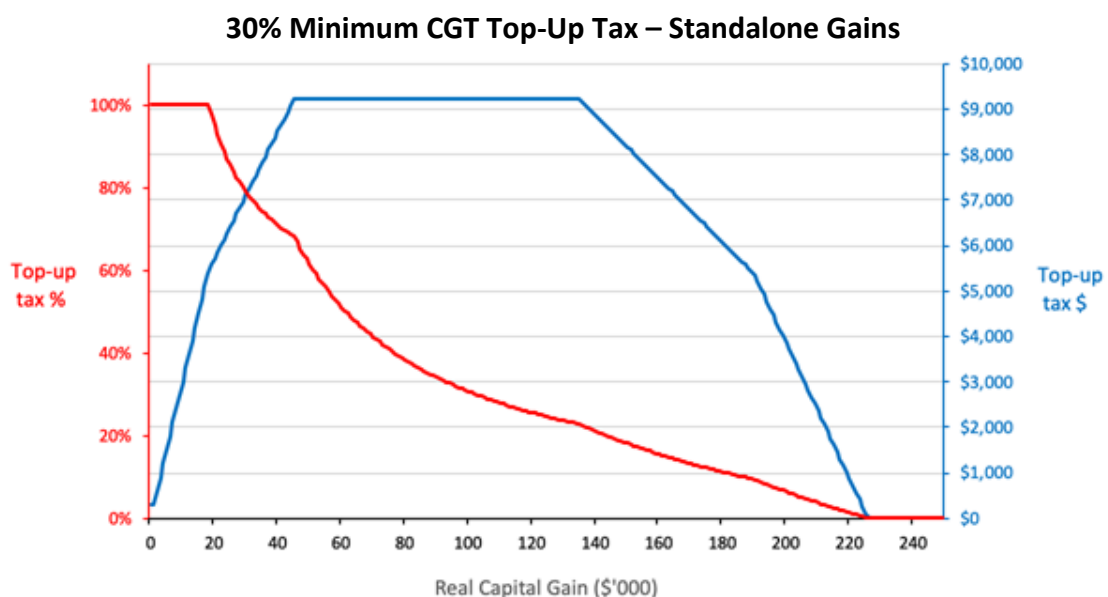
$\$17,788 - \$3,488 = \$14,300$, which is less than the minimum CGT liability by \$700.

\$700 top-up tax applies. Which represents 4.7% of the total tax liability.

If however, there was no other income in the year, tax on the \$50,000 gain under the tax schedule would be \$5,788. Top-up tax in that instance would therefore be \$9,212, or 61.4% of the total tax liability, which highlights the punitive nature of the new 30% minimum tax on gains.

Focusing on gains without other income in a tax year, top-up tax rises steeply with small gains, peaking at \$9,212 for gains from \$45,000 to \$135,000, which coincides with the 30% marginal tax rate band. From \$135,000 it begins to run down, reaching zero on a gain of \$225,746, the point at which the effective tax rate on income is 30%.

In percentage terms, on a standalone gain of \$45,000, top-up tax represents 68.2% of the total tax liability, running down to 22.7% at \$135,000, and ultimately 0% at \$225,746.



This is a strange pattern. The top-up tax starts out progressive, becomes a virtual flat tax for a \$90,000 stretch to \$135,000, and from that point is steeply regressive as the top-up tax slides down to \$0 at \$225,746 and beyond. This tax element creates a reverse-progressive situation for the mid- to upper-tax brackets where the top-up tax falls as the size of the gain increases.

And even if you consider a high-income year with a large gain, let's say a \$200,000 salary with a \$250,000 real gain. The gain sits entirely within the 45% marginal tax bracket, attracting \$112,500 tax. If the gain was deferred to a year of no income, tax on the gain would fall to \$78,638, with no top-up tax because the 30% floor is already exceeded. The tax liability drops by about \$34,000, with the effective tax rate falling to 31.5%. The incentive to defer the gain remains enormous, with the 30% minimum tax ceasing to have any effect at this level.

This doesn't look like a system that would disincentivise those with successful investments, to cash in during years of low other income. Yet the Budget Explainer says that the policy "reduces the benefit of taxpayers deferring capital gains realisation to years where their marginal tax rates are low."

It is a system with a virtual separate capital gains tax schedule superimposed on the ordinary income tax schedule. It takes the 0% and 16% bands and replaces them with 30%. The 30% band is untouched, but then inexplicably, the 37% band drops down to 30%, and even the 45% band drops to 30% for standalone gains between \$190,000 and \$225,746, before reverting back to 45% beyond that.

When the minimum tax was announced without calculation detail, [I had assumed](#) that logically, it would be applied by simply replacing the 0% and 16% brackets with 30% exclusively for capital gains. That would mean a flat 30% for the first \$135,000, then leave the 37% and 45% brackets unchanged.

Such an approach would still see the top-up tax peak at \$9,212 on a standalone gain of \$45,000, but it would be maintained at that amount, and never run-off no matter the size of the gain. And while the size of this penalty would be insufficient to eliminate the incentive to defer larger gains, at least it would reduce that incentive. This system would:

- avoid regressivity.
- maintain a penalty at higher gains.
- ensure a deterrent for deferral of gains, no matter the size.
- simplify the application of the 30% minimum tax without the need for a clumsy multi-step procedure.

Instead though, we have a policy design that uses a flat-rate floor to fix a perceived problem with income timing strategies, but which in the end contradicts the intention of the Bill. Smaller gains suffer reduced progressivity, while larger gains continue to have a pathway to time realisations to their advantage.

Even though the tax package has now passed the Senate, the government continues to bow to pressure and make changes to the legislation. Let's hope this contentious 30% CGT floor is also under consideration for a rewrite.

[Tony Dillon](#) is a freelance writer and former actuary. This article is general information and does not consider the circumstances of any investor.

The next phase of Australian equity leadership

Sam Heithersay

Australian equities are navigating an increasingly complex macro backdrop. Inflation remains above the RBA's target range, geopolitical tensions are disrupting supply chains and energy markets, and the path for interest rates is proving more uncertain than expected at the start of the year. While the domestic economy has held up relatively well, higher funding costs and weakening consumer momentum are creating a more uneven earnings environment.

At the same time, the foundations remain supportive. Employment is still robust, population growth continues to underpin activity, and Australia is well positioned as a strategic supplier of resources and energy in a more fragmented global economy.

A shift in market leadership

However, beneath the surface, a more important shift is taking place centred on market leadership. For much of the past decade, Australian equity returns have been dominated by banks and domestic yield exposures, supported by falling interest rates, stable regulation and a concentrated market structure. While banks still benefit from resilient asset quality and strong capital positions, the conditions that drove sustained outperformance are becoming less powerful.

We believe the market is now entering a period where leadership is likely to broaden. Higher rates and slower credit growth are beginning to constrain parts of the domestic economy that benefited most from abundant liquidity. At the same time, elevated bank valuations leave less room for disappointment. This raises a critical question for investors: does leadership shift away from domestic financials to businesses exposed to structural global themes?

Structural drivers are gaining momentum

There are increasing signs that this transition may already be underway. A higher-for-longer rate environment makes it more difficult for expensive defensives and long-duration income exposures to sustain the valuation premiums seen in the post-GFC period. In contrast, areas leveraged to structural shifts including deglobalisation, supply-chain security, energy transition and AI-driven change, are becoming more influential drivers of returns.

- **Commodities** are one of the clearest expressions of this shift. While traditionally viewed through a cyclical lens, the drivers of many resource markets increasingly appear structural. Governments and corporates are prioritising supply-chain resilience, energy security and domestic industrial capability in ways not seen for decades. At the same time, many markets are entering this period with constrained supply, low inventories and years of underinvestment, increasing sensitivity to even modest changes in demand.
- **Rare earths** are a leading example. China's dominance across the supply chain has accelerated Western efforts to develop alternative sources, creating a structurally different demand environment for non-China producers. Similar dynamics are emerging in copper, lithium and other critical minerals, where long-term electrification demand is intersecting with geopolitical priorities and limited supply growth.

- **Gold** has also benefited, though for different reasons. Central bank diversification away from the US dollar, combined with heightened geopolitical risk, is reinforcing demand for hard assets. This dynamic appears less tied to recession fears and more to a broader reassessment of monetary and geopolitical stability.
- **Energy** is another key theme. Higher prices continue to pressure consumers, reinforcing a preference for more defensive exposures over discretionary spending. However, at a national level, Australia remains a reliable supplier of LNG, coal and uranium into a world increasingly focused on supply security. This is supporting national income and parts of the earnings base despite softer domestic conditions.

Importantly, a genuine shift in market leadership is unlikely to be defined by a short-term rotation into commodities alone. A more durable transition would require evidence that markets are increasingly rewarding structural earnings growth, supply scarcity and global positioning over domestic leverage and housing exposure.

Several indicators to watch

First, broader earnings contribution outside the financial sector. Historically, market returns have been narrow, with banks and defensives accounting for much of the market's earnings growth. A sustained increase in earnings breadth across resources, infrastructure and globally exposed growth businesses would signal a more durable shift in leadership.

Second, continued strength in capital expenditure across energy, mining and industrial supply chains. Unlike past cycles, many of these investments are driven by policy and national security priorities rather than purely cyclical demand, which could support a longer-duration earnings cycle.

Third, the impact of AI and digital transformation. While parts of the technology sector have already priced in disruption, the key question is which companies emerge stronger. Competitive advantages driven by data, customer relationships and scale will become increasingly important.

How we are thinking about portfolio construction

Rather than viewing sectors in isolation, the focus is increasingly on identifying businesses exposed to structural tailwinds that can persist across multiple economic cycles. As a result, Australian equities may become less driven by traditional domestic exposures and more influenced by global themes such as scarcity, technological change and economic realignment.

In the near term, this is likely to result in greater earnings dispersion and more volatile leadership. Over the longer term, however, returns are likely to be driven less by sector allocation alone and more by owning businesses able to sustain and strengthen their competitive advantages through changing economic, geopolitical and technological environments.

Key takeaways

- Resilient economy but rising rates and softer demand are driving a more uneven earnings outlook.
- Bank-led market leadership is fading as higher rates and valuations reshape the opportunity set.
- Returns are shifting toward structural global themes like energy, AI and supply-chain security.

Sam Heithersay is an Australian equities portfolio manager at [Fidelity International](#), a sponsor of Firstlinks. The views are their own. This content is issued by FIL Responsible Entity (Australia) Limited ABN 33 148 059 009, AFSL 409340 ('Fidelity Australia'), a member of the FIL Limited group of companies commonly known as Fidelity and Fidelity International. This content is intended as general information only. You should consider the relevant Product Disclosure Statement available on our website www.fidelity.com.au.

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Global market growth hinges on Iran War and AI rollout







Matt Reynolds

Global economic growth is coming under pressure due to the Iran war, rising oil prices and ongoing trade disputes. But one powerful engine is more than making up for it: AI-related investment spending.

My colleague, economist Darrell Spence believes the artificial intelligence boom is so massive that even if activity in all other sectors contracted, overall economic growth could remain in positive territory, especially in the United States.

We have been on the cautious side when it comes to the outlook for US growth, but it is still possible that GDP could be significantly higher than expected — in the range of 2.5% or more. That is how much the AI arms race is contributing to overall economic growth.

Iran war and AI are pulling the global economy in opposite directions

Variable	 Global growth	 U.S. economy	 European economy	 Fed policy	 Inflation	 Currency
Consensus	2.9%	2.1%	1.2%	3.75-4.0%	3.5%	USD weaker
Capital Strategy Research (CSR) views vs. consensus	In line	Mixed	Above	In line to below	Above	In line
Summary of CSR view	Presuming a relatively shorter and contained war, global growth is likely to remain steady, with a weak housing market and soft consumption weighing on China and Japan.	The economy continues to hold up as strong AI support helps offset high energy costs. A sluggish labor market remains a downside risk.	We expect slightly stronger euro-area growth and inflation. The ECB is likely to hike and BoE to cut in 2026. Less fiscal tightening in the U.K and France.	CSR views the prospect of rate hikes as less likely than the market may be pricing in. Look for the Fed to move cautiously.	The inflation picture looks stickier beneath the surface as chemical input costs, energy, geopolitics and tariffs continue to pressure prices.	The U.S. dollar may face downward pressure as its interest rate advantage relative to other economies continues to narrow.

Sources: Capital Group, Bloomberg. As of 31 May 2026. Consensus figures are based on mean Bloomberg consensus estimates for US CPI change in 2026 ("US inflation") and 2026 year-over-year GDP growth for the world ("global growth"), the United States ("US economy") and the European Union ("European economy"). Consensus figures for "Fed policy" are based on the implied federal funds target range based on futures pricing for December 2026. Consensus "currency" figure is based on DXY futures pricing through December 2026. The views of individual

portfolio managers and analysts may differ from Capital Strategy Research (CSR) views. Stagflationary: economic environment categorised by high inflation coinciding with slow economic growth (GDP) and high unemployment. ECB: European Central Bank. BoE: Bank of England. DXY: US Dollar Index.

For the US and the rest of the world, much depends on the duration and severity of the Iran war, mounting inflationary pressures, weakening consumer fundamentals, and whether the AI boom marches on or fizzles out.

There is a tug of war between these global economic forces, and it could be a while before a clear winner emerges. In the meantime, economic growth driven solely by one sub-sector of the economy may not necessarily be healthy growth.

Likewise, my colleague Beth Beckett says Europe is facing a stagflationary shock before year-end, as higher energy prices weigh on activity. She expects a much smaller shock than we saw in 2022, thanks in part to stronger manufacturing activity and looser fiscal policy in Germany.

Higher defence spending in Europe has already provided a significant boost to the region's aerospace and defence companies, and that is expected to continue as geopolitical conflicts increasingly shape the global landscape.

In Asia, look for a weak housing market and slowing global trade to weigh on China's economy while Japan remains sluggish as the conflict in the Middle East impairs export activity. Both countries are dealing with an energy crunch due to the Iran war. As long as the Strait of Hormuz remains closed or partially blocked, restricted oil supplies could further constrain economic growth, particularly once strategic reserves are depleted. Prior to the war, China was by far the largest buyer of Iranian oil.

Oil shock is a risk, but we have been here before

The Iran war is a stark reminder that the world still runs on oil. When supply is threatened, the impact of higher oil prices spreads quickly to businesses, consumers and global markets.

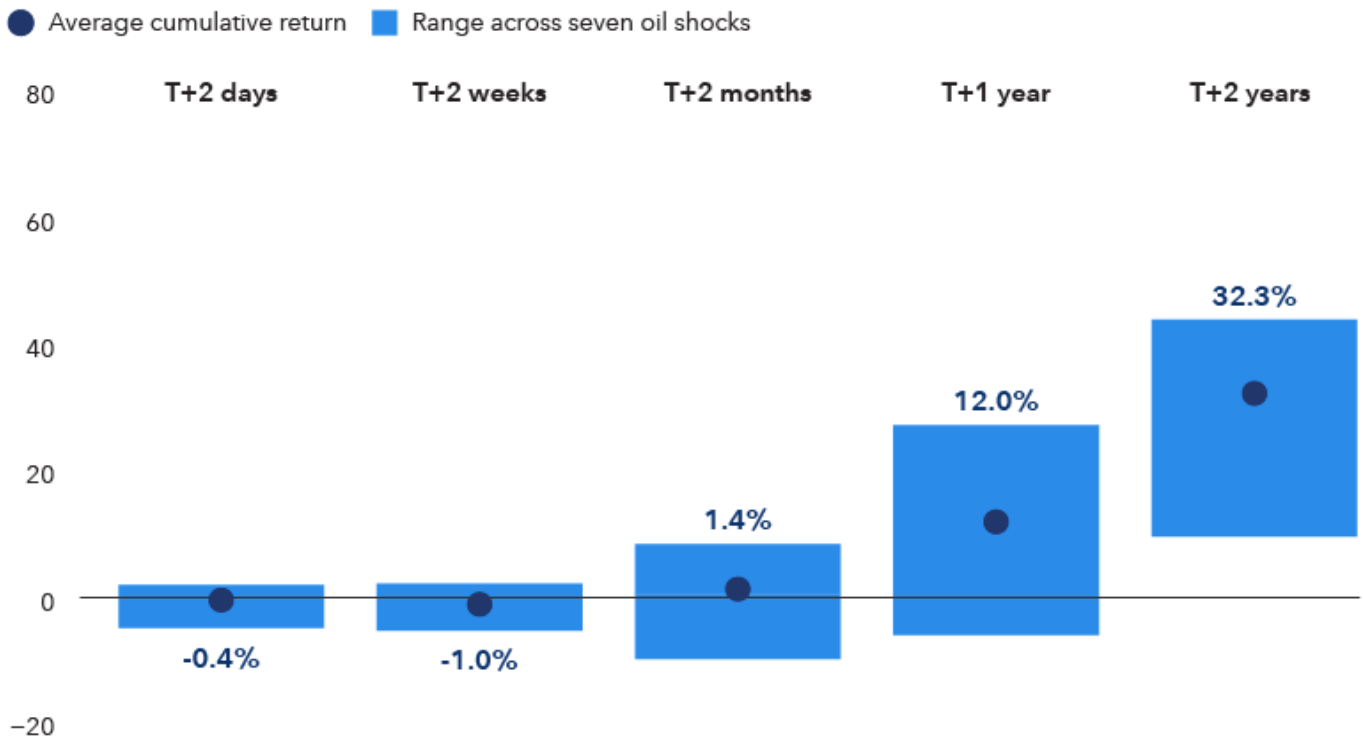
About one-fifth of the world's oil supply moves through the Strait of Hormuz, off the coast of Iran, so any disruption there is almost immediately reflected in fuel prices. Even in the United States, the world's largest oil producer, the price of gasoline at the pump has jumped nearly 53% since the war started.

My equity portfolio manager colleague Paul Benajmin recently said that there are very real economic risks, and the costs would only compound as the war drags on. He believes a persistent conflict could trigger weaker equities, a stronger US dollar and widening credit spreads.

The good news is, over the past two decades, stock markets have generally bounced back from geopolitical shocks because they have not resulted in prolonged physical supply outages. Across seven oil supply shocks since the First Gulf War in the 1990s to Russia's invasion of Ukraine in 2022, equities fell on average by 1% two weeks following the disruption, then rose 1.4% a month later, 12% a year later and 32.3% over the next two years. It's a helpful reminder that markets are forward-looking and may already be anticipating a resolution to the present crisis.

Wars have pushed oil prices higher, but stocks have recovered relatively fast

S&P 500 Index returns following geopolitical-related oil supply disruptions
1990-2024 (%)



Sources: Capital Group, Bloomberg, S&P Global. Geopolitical shocks include: Gulf War (8/1990), Second Gulf War (3/2003), Niger Delta supply disruptions (2/2006), Arab Spring, Libya Civil War (2/2011), Hormuz closure risk, Iran sanctions (12/2011), drone attack on Saudi installations (9/2019), Russian invasion of Ukraine (2/2022). Event dates are aligned to the nearest observable market price (“T”). If a shock occurs on a non-trading day, the prior trading day is used as the start date. Horizon returns are measured using the first available trading day on or after the stated calendar horizon (e.g., “T+2 days”). Figures reflect total returns. As of 31 May 2026.

Interest rate outlook is murky at best

While the recent Federal Reserve (Fed) meeting kept rates unchanged, Chair Kevin Warsh signaled a more hawkish tone with inflation concerns indicating a potential tightening bias at the Fed.

Indeed, US employment data may hold the key to the Fed’s next move, even as war-driven inflation intensifies. Fed officials have indicated in recent months that supporting the labour market may have to take precedence over the fight against inflation.

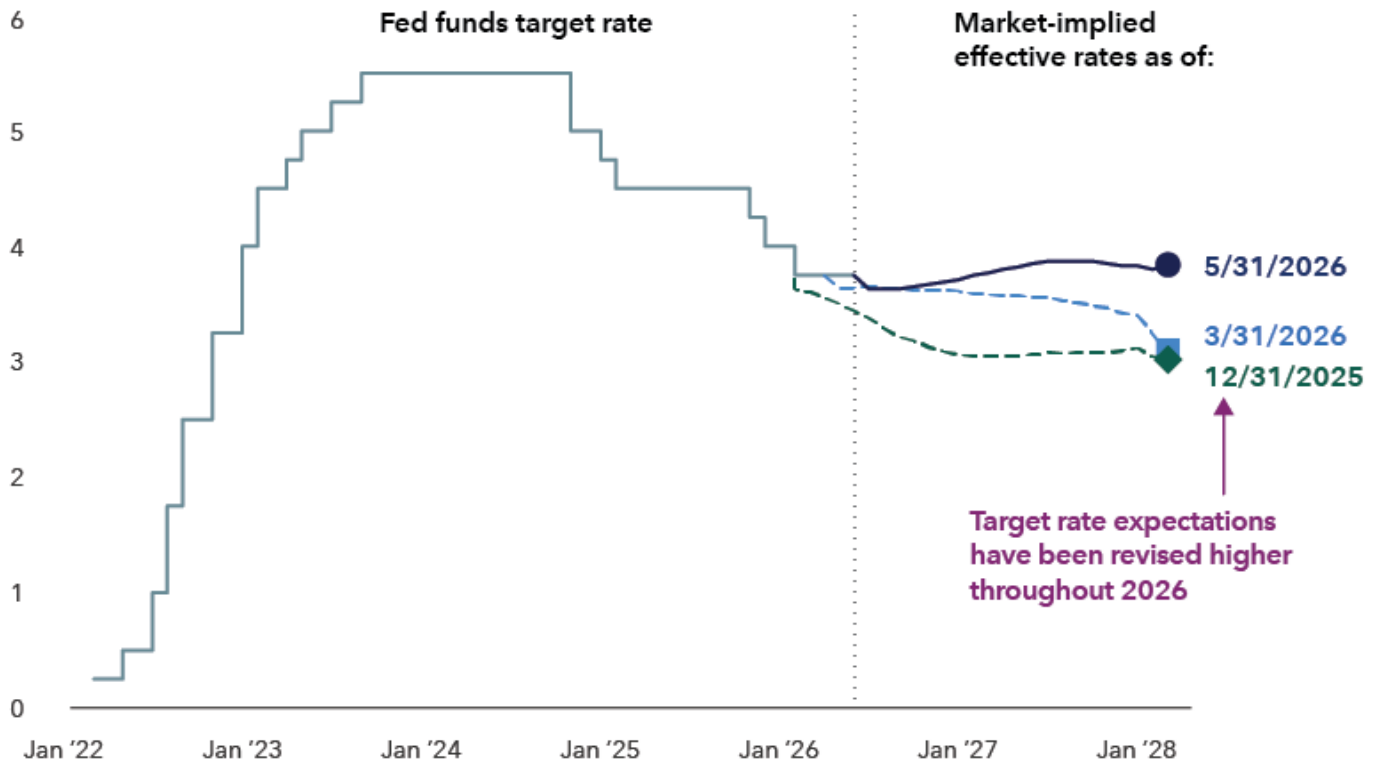
Inflation has moved sharply higher. The US Consumer Price Index climbed 4.2% in May, the largest jump since April 2023. The increase was primarily driven by higher energy costs, which rose 23.5% compared to a year ago.

My fixed income colleague Chitrang Purani notes that labour markets are weaker than they were a few years ago but remain steady overall. He says the war is keeping inflation above the Fed’s 2% target and may weigh on non-AI business investment as well as consumer demand. That combination increases the risk of a more pronounced slowdown in growth.

Policymakers will remain patient: the labour market has been stable, with slower job growth offset by slower labour force expansion, but if this balance were to shift toward a rising unemployment rate the Fed will likely look past near-term inflation risks.

With the U.S. job market softening, the Fed has room to cut rates

Fed funds actual vs. market implied (%)



Sources: Capital Group, Bloomberg, US Federal Reserve. Fed funds target rate reflects the upper bound of the Federal Open Markets Committee’s (FOMC) target range for overnight lending among US banks. As of 31 May 2026.

US midterm elections: Volatility, then stocks have rallied

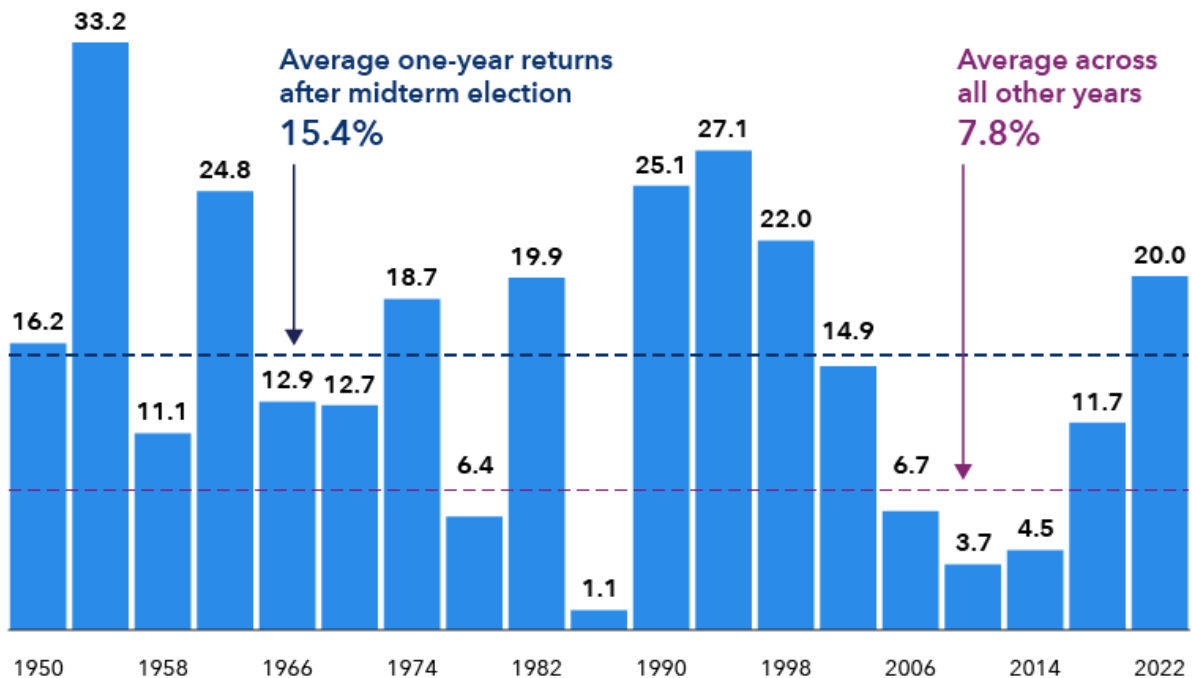
With everything else happening in the world, investors may not be focused on the US midterm elections yet. But this pivotal contest is just a few months away, and it could have a noticeable effect on the stock market, if history is any guide.

To gauge the impact, Capital Group examined more than 90 years of S&P 500 Index data, and it turns out that stocks do exhibit some unique characteristics during midterm years. Market volatility tends to rise, returns tend to be muted and, once the outcome is known, stocks tend to rally.

So far, the competing forces of rising corporate earnings, the Iran war and a powerful rally in AI stocks are driving market activity but that could change as investors turn their attention to what is likely to be a rancorous election season.

US stocks have generally rallied after midterm-election volatility

S&P 500 Index price return one year after midterm election



Sources: Capital Group, S&P Global, RIMES. Calculations use Election Day as the starting date in all election years, and 5 November as a proxy for the starting date in other years. Only midterm election years are shown in the chart. Price returns exclude the reinvestment of dividends and capital distributions. As of 31 December 2025.

The silver lining is that returns have tended to be strong during the full year following midterms elections, averaging 15.4% since 1950. Still, for long-term investors, these short-term moves do not normally mean much. My colleague Chris Buchbinder believes there may be bumps in the road, and investors should brace for short-term volatility, but don't expect election results to be a huge driver of investment outcomes one way or the other.

Plus, at this point, it is just too close to call.

Capital Group's political economist Matt Miller sums this up well, in saying that historically speaking, the party in power tends to face setbacks in the midterms, and so history favours the Democrats. But remember, the US is still far from Election Day. Five months is a lifetime in politics. He believes we will see an enormous amount of energy and well-funded advertising campaigns that could make this election closer than people expect. It might just give Republicans a chance to eke out what today would be considered a surprise win.

Matt Reynolds is an Investment Director for [Capital Group Australia](#), a sponsor of Firstlinks. Statements attributed to an individual represent the opinions of that individual as of the date published and may not necessarily reflect the view of Capital Group or its affiliates. This article contains general information only and does not consider the circumstances of any investor. Please seek financial advice before acting on any investment as market circumstances can change.

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The retirees who can't spend

Joseph Darby

A retiree sits on a comfortable balance, takes only the minimum drawdown from an account-based pension, and frets about money anyway. Ask why they don't spend more and the answer comes back in the language of caution. What if I live longer than expected? What if the market turns? What if I need care? The fear is understandable. The odd thing is how often it persists in people who, on any sober reckoning, have more than enough.

What the rules can explain

In Australia, some of that caution is rational, and it traces straight back to the Age Pension. The pension is means-tested. For many asset-tested part-pensioners the binding constraint is the assets test, which reduces the payment by three dollars a fortnight for every thousand dollars of assessable assets above the threshold, though Centrelink also applies an income test and pays whichever produces the lower amount. Run those assets down and the pension rises to fill part of the gap. So the system, perversely, nudges those retirees toward spending rather than holding on. Yet the deeper instinct to preserve the balance does not bend to that arithmetic, and from inside the Australian system the rational and the instinctive are often difficult to disentangle.

By comparison, New Zealand lets you pull them apart.

Across the Tasman, the state pension works in a completely different way. Called NZ Super, it is universal. It is paid at a flat rate to almost everyone over 65, regardless of income, savings, or the value of the home. There is no asset test and no income test. A retired millionaire and a retiree with nothing receive the same fortnightly payment, and whatever you draw from your own savings has no effect on it at all.

That design strips out the one part of the puzzle that policy can explain. In New Zealand there is no means test to respond to, rationally or otherwise. If means-testing was the real driver of underspending, New Zealanders, free of it, should spend their savings more readily than Australians.

They don't.

What the rules cannot explain

New Zealanders who reach retirement with money behind them are still strikingly reluctant to touch it, and the country's Retirement Commission has put numbers to the spending aversion. Its Older People's Voices research, surveying more than 1,400 people aged 65 and over, found the bulk of older people with assets were still reluctant to crack open the nest egg. Most chose to spend only the returns or to keep growing their investments, and only one in ten drew a regular income from their savings at all. The

Commission's own diagnosis was that people struggle to make the shift from a saving mindset to a spending one.

A fair objection is that New Zealand has its own quirks. Housing dominates household wealth there, as it does in Australia, and the wish to leave something for the children is just as common. Neither explains the pattern away, because each has a close Australian counterpart. What New Zealand removes, and Australia cannot, is the means test. Take that away and the reluctance remains. The New Zealand evidence does not prove the case on its own, but it strongly suggests the hesitation runs deeper than any pension rule.

Think about what society asks of a good saver. For decades they delay gratification. The dutiful saver watches a balance grow and learns, correctly, to avoid spending it down. Every year of working life rewards the instinct to add to retirement savings, not subtract. The discipline carrying someone safely to retirement is built entirely around not spending. Then, on a single notional day, we expect them to reverse the habit of a lifetime and start drawing the money down. The muscle that built the balance is the one we now ask them to relax, and it does not relax on command.

What the Australian numbers do and don't say

How big is the Australian version of this? The honest answer is that the figure is contested, and it pays to be precise about why. Treasury and the researchers measuring total wealth are counting one thing; super funds discussing account balances are counting another. Treasury's Retirement Income Review in 2020 found most people die with the bulk of the wealth they had at retirement still intact, and that most drew their superannuation at close to the minimum rate. A separate 2017 study by Asher and colleagues, later cited by the Grattan Institute, found the median pensioner died still holding around 90% of the wealth with which they were first observed. Super fund bodies push back, noting that most people have little super left late in life.

Both pictures can be true. Super balances naturally run down with age, while total net worth, dominated by the family home and other assets, is preserved or even grows. Measure super alone and you see depletion. Measure the whole balance sheet and you see wealth retained rather than spent.

The legislated minimum drawdown does not help, because it is widely misread. For a retiree aged 65 to 74 the minimum is 5% of the account balance a year, rising with age. Many treat the figure as a recommended income. It is nothing of the kind. It is a floor, the least you must withdraw to keep the account's tax concessions, set to stop super being used purely as a shelter. Drawing the minimum and no more is not a spending plan. For many it is a way of not spending while staying inside the rules.

None of this dismisses the fears driving the caution. People do not know how long they will live, what their health will cost, or what markets will do in the years they most depend on them. Wanting to leave something for children, especially children facing their own housing pressures, is a decent impulse rather than a mistake. Some retirees do draw down with confidence, usually those with a lifetime annuity or a clear spending rule that gives them permission. They are the exception. For most, the response to uncertainty is to freeze, and the freeze tends to outrun the actual risk by a wide margin.

What does this mean for someone near the end of their working life? Mostly, it means seeing the reluctance for the habit it is. The instinct that built your retirement is a poor guide to enjoying it. Saving and spending pull on opposite muscles, and the discipline you trained for decades will quietly resist

being switched off. It is not a verdict on what you can afford. The hard part of retirement was never building the money. It is giving yourself permission to spend it.

Joseph Darby is a financial adviser and chief executive of [Become Wealth](#), a New Zealand financial advisory and investment management firm. The views expressed are the author's own. Nothing in this article constitutes personalised tax or financial advice.

Here's my investment philosophy. What's yours?

Christine Benz

An email from a reader got me thinking about my investment philosophy.

"Often, financial authors, advisors, and experts refer to investment philosophy. What do they mean by this, and what are the principles of forming one?"

I responded, but it was such a good question—and frankly, such a thought-provoking exercise for me to articulate my own investment philosophy—that I wanted to share my response more broadly.

Investment philosophy versus investment strategy

An investment philosophy is a set of core beliefs that you'll use to guide your plan and your decisions; it underpins your strategy. An investment strategy, meanwhile, is where the rubber meets the road; it's the approach you'll take to executing your philosophy. Perhaps you'll maintain a focus on smaller-cap and value stocks, for example, or keep things ultrasimple with broad-market index funds. You could take it a step further and articulate a process that you'll use, like the screens you would run to identify worthy smaller-cap value companies, or how often you'd rebalance your asset-class exposures if you're using broad-market index funds.

The reason it's important to start with a philosophy is that it can help keep you on track and tune out distractions. For example, while SpaceX [SPCX](#) captured headlines over the past few weeks with its initial public offering, an investor operating with the philosophy that active security selection is futile could simply pay attention to whether the company was likely to be included in major indexes. (The passive investor wouldn't even have to do that, really.)

Make your investment philosophy personal

As with investment strategy, your investment philosophy should be pretty straightforward. In fact, if you have more than five or so core principles, you're probably making it more complicated than it needs to be. Think big picture. What views do you have about investments that are unwavering and are so ingrained that they're practically an extension of your personality? If your principles fit that description, it means you're much more likely to stick with the philosophy through thick and thin.

As I thought through my own investment philosophy, here's what I came up with. And remember, you don't need to agree with me! The best investment philosophies are personal rather than copied from someone else.

5 principles of my investment philosophy

Principle 1: KISS (Keep It Simple, Stupid!)

This is my core belief: A minimalist approach to investment selection and portfolio oversight beats a more complicated one any day. Prioritizing simplicity points toward a portfolio of broadly diversified managed funds, especially low-cost index funds and exchange-traded funds. It's straightforward to select such holdings and assemble them into a portfolio with your desired asset class exposures. Maintaining it is also simple. A thorough once-annual portfolio review, where you determine whether rebalancing is in order, will be plenty. This is the classic [“good enough” approach](#).

A side benefit of keeping it simple is that it enables you to ignore a lot of the noise in the investment world. I have [a large and growing “too hard” pile](#)—investments that just aren't worth the bother and might only have had a marginal benefit to our plan even if we owned them. [I also happily ignore a lot of the financial news flow](#). (Apologies, CNBC.) Whether it's the latest inflation reading or a hot IPO, it's unlikely to have a significant impact on my investments. I might pay attention because it affects the world we're all living in, but I would never adjust my portfolio in response to the news flow.

Principle 2: Maintain ample liquidity

While I am comfortable with heavy equity exposure in my portfolio, [I also like the peace of mind that having a large-ish cash cushion affords](#). Intellectually, I know that holding cash isn't great from an investment standpoint. While interest rates are higher today than they were a few years ago, cash yields are pretty thin gruel once you factor in inflation. Nonetheless, I consider cash to be a core luxury good at this life stage, allowing us to cover big-ticket outlays at a moment's notice while also feeling comfortable with our aggressively positioned long-term portfolio. We've been deliberately adding to our fixed income holdings as retirement approaches (all of my new contributions have been going into bonds for the past several years!), but I know we'll also continue to carry an ample cash cushion because of the mental peace that it affords.

Principle 3: Let time horizon guide you

In a related vein, another of my core beliefs is that it makes sense to use anticipated spending horizon to guide what to invest in and how much risk to take. If you have a long time horizon (say, over 10 years), you can reasonably hold equities because it's quite rare for stocks to be down over that time frame: They've landed in the black in more than 90% of rolling 10-year periods. But for shorter spending horizons, stocks are risky. That's where bonds and cash come in.

That's the basic intuition behind [the Bucket approach to retirement portfolio planning](#), where you use an anticipated spending horizon to guide your allocation to each of three main buckets: a “spend now” bucket that holds cash, a “spend soon” bucket that holds high-quality short- and intermediate-term bonds, and a “spend later” bucket that holds a globally diversified stock portfolio. The beauty of a Bucket approach is that it's extremely customizable. You're using your planned spending for the foreseeable future to decide how much to drop into each of the buckets. It's also a healthy form of accounting that can help investors stick with their long-term investments because they know their near-term spending needs are safe.

Principle 4: Be mindful of costs

It was one of the great privileges of my career to get to know and learn from Vanguard founder Jack Bogle. Among his many pearls of wisdom, he pointed out that the beauty of index funds isn't so much that markets are consistently efficient. They're often not. Rather, it's simply that index funds have a cost advantage over active funds that, when compounded over a number of years, translates into a serious outperformance edge.

Bogle's message has broader applicability for an investment program, too. That's because costs are a rare element of investing that you exert some level of control over. In addition to selecting low-cost investments, make sure you're getting good value for your money if you're paying for financial-planning and investment advice. Also pay attention to tax efficiency by prioritizing tax-sheltered investment accounts (assuming they're low-cost!) and employing tax-efficient holdings in taxable accounts.

Principle 5: Get the big things right

Finally, a core principle for me is to not allocate time toward small decisions that won't have a meaningful impact on our plan's success or failure. Over the years, I've observed investors obsessing over topics like whether to carve out a separate allocation to real estate stocks or if it makes sense to hold foreign stocks in an IRA or taxable account. Of course, it's fine to spend time on those issues if they're of interest to you, but where you land on them is unlikely to significantly affect whether you achieve your financial goals.

Instead, I prefer to spend my time focusing on getting the big stuff right, like staying employed and growing my income, living within my means and sticking to a steady savings program, and maintaining a sane asset allocation. If I stay focused on those sorts of activities and decisions, everything else should fall into place.

The author does not own shares in any securities mentioned in this article.

*[Christine Benz](#) is director of personal finance and retirement planning for Morningstar. She is also the author of *How to Retire: 20 Lessons for a Happy, Successful, and Wealthy Retirement*. This article does not consider the circumstances of any investor. Minor changes have been made to the [original US version](#) for an Australian audience.*

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