ARCH CAPITAL

WHITE PAPER SUMMARY

The 2026 Wealth Planning Reset

Why high-net-worth families must rethink trust structures, and why integrated financial advice matters more than ever.

The 2026–27 Federal Budget proposes significant reforms to Australia's wealth and tax framework. Several measures remain subject to the passage of legislation, and their final form may change. For high-net-worth (HNW) families, the changes to trust taxation, capital gains, and property gearing fundamentally reshape how wealth should be structured, protected, and transferred.

The Government has proposed a minimum 30% tax applying to discretionary trust income (subject to legislated exclusions and transitional arrangements), representing a significant shift away from traditional income-splitting strategies. Combined with the removal of the 50% capital gains tax discount and restrictions on negative gearing, these reforms require a coordinated, whole-of-wealth response.

This white paper outlines the key changes, their implications for HNW families, and why a total financial advice model, integrating tax, investment, estate, and structural planning, is now essential. It concludes with how **Arch Capital's Total Financial Wealth Service** provides comprehensive, multidisciplinary support required in this new environment.

> **The bottom line:** these reforms are not a minor adjustment — they represent a whole-of-wealth challenge that requires a coordinated, multidisciplinary response rather than fragmented, siloed advice.

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1 The New Trust Tax Regime: A Structural Break from the Past

1.1 The 30% Minimum Tax on Discretionary Trust Distributions

From 1 July 2028, the Government proposes a minimum 30% tax applying to the taxable income of discretionary trusts, subject to legislated exclusions and transitional arrangements.

This change eliminates the longstanding ability to:
→ **Stream** income to lower-tax family members
→ **Use** multi-trust structures to manage tax leakage
→ **Optimise** distributions annually based on changing family circumstances

For HNW families who rely on trusts for asset protection, succession planning, and tax efficiency, this is a paradigm shift.

1.2 What This Means for HNW Families

The new regime creates several immediate challenges:
→ **Higher** tax leakage across family groups
→ **Reduced** flexibility in managing investment income
→ **Less** effective multi-entity structures
→ **Greater** scrutiny of trust arrangements and beneficiary entitlements

Trusts remain valuable for asset protection and estate planning, but their tax effectiveness has materially changed. Families must now evaluate whether existing structures remain fit for purpose.

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2 Capital Gains Tax Reform: Timing Becomes Critical

From 1 July 2027, the Government has proposed replacing the current 50% CGT discount with an inflation-indexation model for future gains, subject to legislation. It will be replaced by:

→ **Cost**-base indexation, and
→ **A minimum** 30% tax rate on realised gains

For families with large, embedded gains in property, equities, or private business assets, this requires:
→ **Forward** planning of disposals
→ **Reassessment** of long-term investment strategies
→ **Consideration** of alternative tax-deferred or tax-capped structures

The combination of trust tax changes and CGT reform significantly reduces the attractiveness of holding appreciating assets in discretionary trusts.

3 Negative Gearing Restrictions: A Shift in Property Strategy

From 1 July 2027, the Government has proposed limiting negative gearing concessions to eligible newly built residential property, with existing arrangements intended to be grandfathered, subject to legislation.

For HNW families with substantial property portfolios, this means:

→ **Reduced** tax benefits for established property acquisitions
→ **Potential** rebalancing toward new-build or build-to-rent projects
→ **Reassessment** of gearing strategies within family groups

Property remains a core asset class for many families, but the tax landscape has changed.

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4 The Combined Effect: A Wealth-Planning Reset

Taken together, the reforms represent a structural reset of longstanding tax and investment strategies for HNW families.

Key implications:
→ **Traditional** trust-based income splitting is no longer effective
→ **Capital** gains events require proactive timing and modelling
→ **Property** gearing strategies must be re-evaluated
→ **Multi**-entity family structures may need simplification or redesign
→ **Investment** portfolios should be reviewed through a tax-aware lens

5 Why Total Financial Advice Is Now Essential

The new tax environment demands integration, not fragmentation. Historically, many families have relied on separate advisers for tax, investment, estate planning, and structuring. Under the new rules, this siloed approach creates risk:
→ Tax decisions affect investment outcomes
→ Investment decisions affect trust distributions
→ Trust distributions affect estate planning
→ Estate planning affects long-term tax leakage

Without coordination, families may inadvertently increase tax exposure, reduce investment efficiency, or create structural complexity that no longer serves them.

Total financial advice is now essential because:
→ Tax and investment strategy must be designed together
→ Trusts, companies, SMSFs, and personal ownership must be evaluated as a system
→ Capital gains timing requires multi-year modelling
→ Family governance and succession planning must align with new tax realities

HNW families need a single advisory partner capable of seeing the entire picture.

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6 Arch Capital's Total Financial Wealth Service

Arch Capital has designed a comprehensive, integrated service specifically for HNW families navigating the new tax landscape.

6.1 What the Service Provide

Structural Review	Assessing trusts, companies, SMSFs, and personal ownership under the new tax rules.
Tax-Aware Investment Strategy	Aligning portfolio construction with the new CGT and trust tax environment.
Capital Gains Modelling	Multi-year projections to optimise disposals before and after 1 July 2027.
Property Strategy	Evaluating gearing, new-build opportunities, and long-term portfolio design.
Family Governance	Ensuring structures support intergenerational wealth transfer under the new rules.
Ongoing Oversight	Regular reviews, scenario modelling, and strategic updates as legislation evolves.

6.2 Why HNW Families Choose Arch Capital

→ Integrated expertise across tax, investment, structuring, and estate planning
→ Deep experience with multi-entity family groups and complex wealth structures
→ Proactive modelling that anticipates tax changes rather than reacting to them
→ Clear communication and executive-ready reporting for family decision-makers
→ A single point of accountability for the entire wealth strategy

Arch Capital's Total Financial Wealth Service is built for families who want clarity, confidence, and control in a rapidly changing environment.

Founder Spotlight: Nigel Baker

Nigel Baker BCom CFP CA

DIRECTOR, ARCH CAPITAL

Nigel founded Arch Capital with a simple but powerful conviction: high-net-worth families deserve advice that is both technically exceptional and deeply human. After two decades advising sophisticated investors, trustees, and multi-entity family groups, Nigel saw a recurring problem: families receiving fragmented advice from disconnected specialists, exposed to inefficiencies and structural risks that compound across generations.

His philosophy rests on three values — **Clarity**, advice free from jargon; **Stewardship**, wealth managed with a multi-generational lens; and **Accountability**, a single advisory partner responsible for the whole strategy. As Australia enters a new era of tax reform, that founding vision has never been more relevant.

Clarity	**Stewardship**	**Accountability**
Advice that is transparent and free from jargon	Wealth managed with care and a multi-generational lens	One partner responsible for the entire strategy

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Conclusion: The Time to Act Is Now

The proposed 2026 reforms could materially affect wealth planning strategies if enacted. For HNW families, the cost of inaction is high:

→ Higher tax leakage
→ Inefficient structures
→ Missed opportunities to optimise capital gains
→ Reduced flexibility in managing wealth across generations

A coordinated, total financial advice model is now essential to protect and optimise family wealth.
Arch Capital stands ready to guide families through this new landscape with clarity, precision, and strategic foresight.

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