Wealth Adviser

ISSUE 130 FEBRUARY 2026

depositphotos.com

Blended Families and Estate Planning

WHEN LOVE GETS COMPLICATED, SO DOES YOUR WILL

INSIDE

BY WEALTH ADVISER

Here is a scenario that plays out far more often than most people realise. A man remarries after a divorce. He and his new wife buy a home together as joint tenants, the way most couples do. He updates his will to leave everything to his wife, trusting that she will look after his children from his first marriage when the time comes. He dies. His wife inherits the house automatically through the right of survivorship, and the rest of his estate flows to her under the will. A few years later, she remarries – or simply updates her own will to favour her own children. His children receive nothing.

He did not intend to disinherit his children. But that is exactly what happened. This kind of accidental disinheritance is one of the most common outcomes in blended family estate planning, and it happens because well-meaning people apply traditional thinking to non-traditional family structures.

Australia's family landscape reflects this reality. According to the 2021 Census, 12 per cent of couple families with dependent children were step or blended families — roughly 280,000 households navigating these dynamics. That figure does not capture couples who came together after their children had left home, or de facto partners with adult children from prior relationships. The planning challenges extend well beyond the census definition.

The good news is that careful planning can protect everyone. But it requires thinking differently about how your estate fits together — and being willing to have some conversations that may feel uncomfortable.

The Core Challenge: Competing Obligations

In a first-marriage family, the interests of the surviving spouse and the children are generally aligned. Leaving everything to your partner works because whatever remains will eventually pass to the children you share.

In a blended family, this alignment breaks down. You have obligations to your current partner — someone you have built a life with, who may depend on you financially — and obligations to your children from a previous relationship, who may feel anxious about being overlooked. You may also have stepchildren you consider your own, even if the law does not automatically treat them as beneficiaries.

These obligations conflict not because anyone is acting in bad faith, but because the surviving partner's future is uncertain. They might remarry, face a property settlement under the Family Law Act, or make different decisions about their own will once you are no longer there. Your children have no legal guarantee that a good relationship with your current partner today will translate into an inheritance tomorrow.

Blended families generally need wills that provide for the surviving partner and ring-fence assets for children from the previous relationship simultaneously. Several strategies can help.

Property Ownership: The Trap Most Couples Walk Into

For many Australian couples, the family home is their single largest asset. How that property is owned can determine whether your estate plan works — or fails completely.

Most couples hold property as joint tenants. When one owner dies, their share passes automatically to the surviving joint tenant, regardless of what the will says. For a first marriage, this is usually fine. In a blended family, it can produce the accidental disinheritance scenario described above. Your will might say your children should receive your share of the home. It does not matter. Joint tenancy overrides the will.

The alternative is tenancy in common, where each owner holds a defined share — typically 50 per cent — that they can deal with independently. As a tenant in common, you can leave your share to whomever you choose. You can direct it into a testamentary trust, grant your partner a right to live in the property for their lifetime or until they remarry, and then have your share pass to your children.

Converting from joint tenancy to tenancy in common — known as severing the joint tenancy — is usually straightforward, though the process varies by state and territory. It typically involves lodging a form with the relevant land titles office and generally does not attract stamp duty where ownership proportions remain unchanged. In most jurisdictions it can be done unilaterally, though having a transparent conversation about the change is almost always the better approach. If you are purchasing a new property with a partner and either of you has children from a previous relationship, consider tenancy in common from the outset.

A related strategy is including a right of occupation or life interest in your will. This allows your surviving partner to continue living in the property — providing housing security — while ensuring your share ultimately passes to your children. The terms can specify that the right ends if your partner remarries, moves into care, or sells the property.

Wills: Why the Standard Approach Falls Short

A simple will — one that leaves everything to your spouse, or if your spouse does not survive you, to your children — is designed for a family where the spouse and the children are the same unit. In a blended family, that single pathway creates exactly the vulnerability already described.

Blended families generally need wills that provide for the surviving partner and ring-fence assets for children from the previous relationship simultaneously. Several strategies can help.

One approach is to make specific bequests — an investment property, a share portfolio, or a cash amount — directly to your children, with the remainder going to your spouse. This gives your children certainty and reduces the risk of a family provision claim, while still providing for your partner.

Another approach is a testamentary trust (covered in detail in a separate article in this series). In a blended family context, a testamentary trust can hold assets for your children while allowing income to be distributed to your spouse during their lifetime. This works well for larger estates where the administration costs are justified by the tax and protection benefits.

A more direct mechanism is a mutual will arrangement – a contractual agreement that neither you nor your partner will change your will after the other dies. The idea is to lock in the agreed distribution for both sets of children. However, mutual wills are inflexible, and the surviving partner is not literally prevented from making a new will – the remedy for a breach is typically a constructive trust claim by the disadvantaged beneficiaries after the survivor's death. They also do not prevent the surviving partner from spending or giving away assets during their lifetime. Most experienced estate planning lawyers will explore other options first.

Whichever structure you use, the will needs to be drafted by a solicitor who understands blended family dynamics. A template or DIY will is unlikely to address the layered obligations these families create.

Superannuation: The Asset Your Will Cannot Control

Superannuation sits outside your estate unless you take deliberate steps to bring it in. Your super balance is paid according to a death benefit nomination – not your will – and for many Australians, super represents one of their largest assets.

The most common blended family problem is outdated nominations. If you made a binding death benefit nomination during your first marriage and never updated it, that nomination may still direct your entire super balance to your former spouse. If your nomination has lapsed – binding nominations in many APRA-regulated funds expire after three years unless renewed, though some funds offer non-lapsing options and SMSF rules depend on the trust deed – your fund's trustee will use their discretion to decide who receives your benefit. In a blended family with competing claims from a current partner and children from a previous relationship, that discretionary process can take considerable time and produce an outcome no one is happy with.

Some members resolve this by splitting their nomination – directing a portion to their current spouse and a portion to their children. This is practical, but requires thought about proportions and tax consequences. Death benefits paid to adult children who are not financially dependent are taxed on the taxable component – at 15 per cent (plus Medicare levy) on the taxed element, or 30 per cent (plus Medicare levy) on the untaxed element – whereas benefits paid to a spouse are generally tax-free.

An alternative is to nominate your legal personal representative, directing your super into your estate for distribution according to your will. This gives you more control and can be useful where you want your will to manage the balancing act between your partner and your children. However, it also means your super may be accessible to creditors during estate administration and can expose the benefit to family provision claims.

The key action is to review your nomination whenever your circumstances change – and to check whether it is still valid and coordinated with the rest of your estate plan.

For SMSF members, the stakes are higher still. If you and your spouse are the only members and trustees, your death means a new trustee must be appointed. In a blended family, this can become contentious if the surviving spouse appoints one of their own children, potentially disadvantaging your children. A clear succession plan documented in the trust deed is essential.

Binding Financial Agreements: A Tool, Not a Solution

Binding financial agreements under the Family Law Act 1975 allow couples to agree in advance how their assets will be divided if the relationship ends. In a blended family, they can help delineate which assets each partner brought into the relationship, protecting pre-existing wealth for children from a prior relationship.

However, courts can set aside these agreements under section 90K of the Family Law Act in various circumstances – including fraud, non-disclosure of material matters, unconscionable conduct, or a material change in circumstances relating to a child. Both parties must receive independent legal advice before signing, and strict procedural requirements apply.

A binding financial agreement addresses what happens if the relationship breaks down during your lifetime. It does not govern what happens to your assets after you die. Estate planning and family law planning are complementary, not interchangeable – and both need professional attention.

Family Provision Claims: The Risk You Cannot Eliminate

In every Australian state and territory, certain people can challenge a will if they believe they have not been adequately provided for. These family provision claims are particularly common in blended families.

Eligible claimants typically include your spouse or de facto partner, your children (including, in some jurisdictions, stepchildren who were dependent on you), and anyone who was financially dependent on you. The specific rules vary by state, but the principle is consistent: a court can override your will if it considers the distribution inadequate for a claimant's maintenance and support.

Studies of Australian estate litigation indicate that adult children are consistently the most common claimants – accounting for around half to two-thirds of family provision cases in reviewed datasets – and that claimants achieve some change to the original distribution in roughly three-quarters of cases that proceed to judgment. In

blended families, the competing obligations between a new spouse and children from a prior relationship make it nearly impossible to satisfy everyone fully.

You cannot prevent a family provision claim entirely, but you can reduce the risk by ensuring all potential claimants receive some provision. A well-drafted will that demonstrates genuine consideration of every eligible claimant's needs — supported, perhaps, by a separate statement of wishes explaining your reasoning — puts your estate in a stronger position to defend a challenge. Leaving someone out entirely is far more likely to invite a successful claim than providing them with a defined, if smaller, share.

Executor Selection: An Underrated Decision

In a blended family, choosing the right executor matters more than usual. The executor administers your estate and manages conflicting interests among people who may not trust each other.

Appointing your current spouse as sole executor creates an obvious conflict if they are also a beneficiary and your children from a previous relationship are entitled to a share. Appointing one of your adult children creates the opposite risk. Some families address this with co-executors from each side, though this can create deadlocks. Others appoint an independent executor — a solicitor or professional trustee company — to remove the perception of bias. This costs more, but it can prevent disputes that would cost far more.

Having the Conversation

Perhaps the most important step is also the most difficult: talking about it. With your partner. With your children. With your stepchildren, if they are part of your life in a meaningful way.

These conversations are uncomfortable because they involve money, mortality and the acknowledgment that your family is not a single unit with perfectly aligned interests. But silence is almost always worse. Assumptions go unchallenged, expectations go unmanaged, and grief is compounded by the shock of discovering that the estate plan does not reflect what anyone expected.

You do not need to share every detail of your will. But being open about your intentions and reasoning gives everyone the opportunity to understand your decisions before they become irreversible. Your financial adviser can help facilitate this conversation if the dynamics are sensitive.

Discussion Points for Your Adviser

If you are in a blended family, there are several questions worth raising at your next review: How is your property owned, and is that structure consistent with your estate plan? Have you reviewed your super death benefit nomination since your most recent change in circumstances? Does your will adequately provide for both your current partner and your children from a previous relationship? Have you considered whether a testamentary trust, life interest or specific bequests would better serve your family? Is your executor appointment appropriate given the dynamics involved? Would a binding financial agreement complement your estate plan?

Estate planning in a blended family is not something you do once and forget. Regular reviews — ideally every two to three years, or after any significant life event — ensure your plan keeps pace with your life. The stakes are high, the emotions are real, and the consequences of getting it wrong can last a generation. But with the right advice and honest conversations, you can build a plan that protects everyone you care about.

References

1. *Australian Bureau of Statistics. 2021 Census of Population and Housing — Family Blending (FBLF) classification. 12 per cent of couple families with dependent children were step or blended families.*
2. *Australian Institute of Family Studies. "Families and Family Composition" fact sheet (aifs.gov.au), drawing on 2021 Census data. Step families: 182,229; blended families: 99,564.*
3. *Family Law Act 1975 (Cth), sections 90B–90D (financial agreements before, during or after marriage), section 90G (requirements for binding agreement), section 90K (circumstances in which court may set aside agreement).*
4. *Superannuation Industry (Supervision) Regulations 1994, Regulation 6.17A. Requirements for binding death benefit nominations, including three-year lapsing period for APRA-regulated funds. Note: High Court in Hill v Zuda Pty Ltd [2022] HCA 21 confirmed Reg 6.17A does not apply to SMSFs.*
5. *Australian Taxation Office. "Superannuation death benefits" — guidance on taxation of death benefits paid to dependants and non-dependants (ato.gov.au). Non-dependant beneficiaries: 15% (taxed element) or 30% (untaxed element) plus Medicare levy on the taxable component.*
6. *Moneysmart (ASIC). "Who gets your super if you die" — guidance on nomination types including lapsing, non-lapsing, and reversionary nominations (moneysmart.gov.au).*
7. *White, B., Tilse, C., Wilson, J., Rosenman, L., Purser, K. and Coe, S. "Estate Contestation in Australia: An Empirical Study of a Year of Case Law" (2015) 38(3) UNSW Law Journal 880. Analysis of family provision claims, claimant demographics and success rates.*
8. *Succession Act 2006 (NSW), section 57 (eligible persons for family provision claims); Succession Act 1981 (Qld), section 41; Administration and Probate Act 1958 (Vic), Part IV. Equivalent legislation exists in each state and territory.*

TESTAMENTARY TRUSTS

WHY MORE AUSTRALIANS ARE LOOKING BEYOND THE SIMPLE WILL

depositphotos.com

BY WEALTH ADVISER

Most people think of a will as a fairly straightforward document – it says who gets what when you die. And for many families, a simple will does the job well enough. But as wealth grows, family structures become more complex, and the tax and legal landscape shifts, an increasing number of Australians are discovering that how they leave assets can matter just as much as what they leave.

A testamentary trust is one of the most powerful tools available in estate planning, yet it remains one of the least understood. At its core, the concept is not complicated: instead of leaving assets directly to your beneficiaries, your will directs some or all of your estate into a trust that is managed on their behalf. The trust only comes into existence when you die – it is created by the will itself – and it can continue for decades, providing tax advantages, asset protection and flexible income distribution to your family long after your estate has been settled.

Understanding what a testamentary trust does, how it works, and where it fits in your broader planning can open up possibilities that a simple will simply cannot deliver.

What a Testamentary Trust Actually Does

When someone dies and their will directs assets into a testamentary trust, those assets are held and managed by a trustee rather than being handed over to beneficiaries outright. The trustee – who might be a family member, a professional trustee company, or a combination of both – then has the discretion to distribute income and capital to the beneficiaries named in the trust, according to the terms set out in the will.

This creates a layer of structure between the inheritance and the beneficiary. That structure serves several purposes, but the two that matter most to families are tax efficiency and asset protection.

The tax advantages flow from the way the law treats income earned inside a testamentary trust. Normally, if a family trust distributes income to a child under 18, penalty tax rates apply under Division 6AA of the Income Tax

For parents leaving assets to adult children who are professionals with liability exposure — doctors, company directors, builders, financial advisers — or who run their own businesses, this protection can be the most compelling reason to consider a testamentary trust.

Assessment Act 1936. The tax-free threshold drops to just $416, with rates of 66 per cent on the next band of income and the top marginal rate of 45 per cent thereafter. This makes sense as a policy measure: it prevents parents from simply shifting investment income into their children's names to avoid tax.

But testamentary trusts are treated differently. Income distributed from a testamentary trust to a minor beneficiary — provided it is derived from assets that came from the deceased estate — is classified as "excepted trust income" and is exempt from those penalty rates. This means the child is taxed at normal adult marginal rates, including access to the $18,200 tax-free threshold and the low income tax offset.

In practical terms, a child with no other income could receive up to approximately $22,575 in income from a testamentary trust in the 2025-26 financial year without paying any income tax at all — the combination of the $18,200 tax-free threshold and the $700 low income tax offset reduces the tax payable to zero. Medicare levy also does not apply at that income level due to low-income thresholds. By contrast, the same distribution from an ordinary family trust would attract penalty tax of more than $10,000.

For a family with three children under 18, a well-structured testamentary trust could shelter a meaningful amount of investment income each year — not through any artificial arrangement, but simply through the way the law treats inherited wealth.

It is worth noting that this concession was tightened from 1 July 2019. The concessional tax treatment now only applies to income generated from assets that were transferred to the trust from the deceased estate, or from the reinvestment of those assets. Money or assets injected into the trust from other sources — such as a distribution from a family trust or additional funds contributed after the death — will not attract the same treatment. This means careful record-keeping and clear separation of estate assets within the trust is essential from day one. Your adviser and accountant can help ensure this is managed correctly.

Asset Protection: Keeping Wealth in the Family

Tax efficiency tends to get the headlines, but for many families the asset protection benefits of a testamentary trust are equally valuable — and arguably more enduring.

When you leave assets directly to a beneficiary, those assets become part of their personal estate the moment they receive them. That exposes the inheritance to a range of risks: a relationship breakdown, a business failure, a lawsuit, or even simply poor financial management. A child who inherits $500,000 at 25 and goes through a divorce at 30 may find that a significant portion of that inheritance is treated as part of the matrimonial asset pool.

Assets held inside a testamentary trust, by contrast, are legally owned by the trustee — not the beneficiary. While family law courts retain the discretion to consider trust assets in property settlements, the trust structure creates a meaningful barrier. Courts have generally treated assets held in a testamentary trust — one that the beneficiary did not create and does not control — with more deference than assets the beneficiary holds personally.

This distinction also extends to creditor protection. If a beneficiary faces bankruptcy or is sued, assets held within a testamentary trust can offer significantly stronger protection than assets held personally, because the beneficiary does not own the assets outright. The trustee holds them on the beneficiary's behalf, and the beneficiary's entitlement is at the trustee's discretion. However, outcomes depend on the specific trust terms, the beneficiary's role in the trust, and the circumstances of any claim — so the protection, while meaningful, is not absolute.

For parents leaving assets to adult children who are professionals with liability exposure — doctors, company directors, builders, financial advisers — or who run their own businesses, this protection can be the most compelling reason to consider a testamentary trust.

How Testamentary Trusts Are Established

A testamentary trust is created through your will. It does not exist during your lifetime and has no legal effect until you die. This means the drafting needs to be done by an experienced estate planning solicitor who understands both the legal requirements and the practical implications.

The will itself sets out the terms of the trust: who the trustee is, who the beneficiaries are, what assets flow into the trust, and how the trustee should manage and distribute those assets. Most testamentary trusts are established as discretionary trusts, meaning the trustee has broad discretion to decide how much income or capital each beneficiary receives in any given year. This flexibility is one of the trust's

greatest strengths – it allows the trustee to adapt distributions to the changing circumstances of each beneficiary over time.

Some wills create the trust as an automatic structure that takes effect on death. Others make it optional – giving the executor or a beneficiary the choice of whether to activate the trust based on the circumstances at the time. This optional approach can be particularly useful because it allows the decision to be made with the benefit of hindsight, taking into account the tax position, asset composition and family situation that exist at the time of death rather than the time the will was written.

You can establish a single testamentary trust for your entire estate, or create separate trusts for different beneficiaries. Separate trusts give each beneficiary their own structure and prevent disputes about how income and capital are shared, but they also add administrative complexity and cost.

The key structural decisions – discretionary versus fixed entitlements, single versus multiple trusts, who acts as trustee – should be made in consultation with your solicitor and your financial adviser, because they have lasting implications for how the trust operates and how much flexibility it provides.

Choosing the Right Trustee

The trustee appointment is one of the most consequential decisions in the entire structure, and it is often the one that receives the least thought.

The trustee is the person or entity who will manage the trust assets, make distribution decisions, lodge tax returns, and exercise the discretions granted by the will. They are legally responsible for acting in the best interests of the beneficiaries, and their role can last for decades.

Many people appoint their surviving spouse as the initial trustee, with provisions for the role to pass to another family member or a professional trustee if the spouse is unable to continue. Others appoint an adult child, a trusted family friend, or a professional trustee company from the outset.

Each choice carries trade-offs. A family member may understand the family dynamics better and may act without charging fees, but they may also face conflicts of interest – particularly if they are both trustee and beneficiary. A professional trustee brings independence and expertise, but at a cost, and they may lack the personal understanding of the family's needs and values.

The wrong trustee appointment can undermine the entire purpose of the structure. A trustee who is too generous with distributions may deplete the trust earlier than intended. One who is too conservative may frustrate beneficiaries who have legitimate needs. And a trustee who lacks the financial literacy to manage investments and meet tax obligations can create compliance problems that are expensive to fix.

It is worth revisiting your trustee appointment periodically. Relationships change, health deteriorates, and people move overseas. Your will should include succession provisions for the trustee role, and your adviser can help you think through the scenarios that might require a change.

Common Mistakes That Undermine the Structure

Testamentary trusts are powerful when they are well designed and well maintained, but several common mistakes can erode their effectiveness.

The most frequent problem is simply failing to update the will after major life changes. A will drafted when your children were minors may not reflect the right structure once they are adults with their own families and financial circumstances. Divorce, remarriage, the birth of grandchildren, the death of a named trustee, or a significant change in the size or composition of your estate can all render an existing testamentary trust structure inadequate or even counterproductive.

Another common error is failing to coordinate the testamentary trust with superannuation death benefit nominations. Your super does not automatically form part of your estate – it is paid according to a binding death benefit nomination, or at the discretion of your fund's trustee. If your will creates a carefully structured testamentary trust but your super is paid directly to a beneficiary outside that trust, a substantial portion of your wealth bypasses the structure entirely.

For the trust to capture super proceeds, the death benefit generally needs to be directed to your estate (via a binding nomination to your legal personal representative), from where the executor can then transfer the funds into the testamentary trust. However, this approach has its own considerations – many funds only allow binding nominations to certain categories of beneficiary, and nominations can lapse or become invalid if not renewed. There is also the tax treatment of death benefits paid to non-dependant beneficiaries (which can attract a tax liability that would not arise if the benefit were paid directly to a tax dependant) and the potential for the estate to be exposed to creditor claims during the administration period. Getting this right requires close coordination between your financial adviser, your solicitor and your super fund.

Injecting non-estate assets into the trust after death is another pitfall. Since the 2019 changes to Division 6AA, the concessional tax treatment for minors only applies to income from assets that originated in the deceased estate. If the trustee borrows money, receives distributions from an existing family trust, or accepts additional contributions

from other family members, the income generated from those assets will not receive the same tax treatment. This can create a mixed pool of assets within the trust that requires careful tracking and separate calculations — adding cost and complexity.

Finally, some families establish testamentary trusts without considering the ongoing administration burden. A testamentary trust is a separate taxpaying entity. It needs its own tax file number, its own annual tax return, and its own financial records. The trustee must make and document distribution resolutions each year, maintain appropriate investment records, and comply with all relevant trust law obligations. These costs and responsibilities need to be weighed against the benefits, particularly for smaller estates where the administrative overhead may outweigh the tax and protection advantages.

When a Testamentary Trust Makes Sense — and When It May Not

A testamentary trust is not the right answer for every estate. The decision depends on the size and nature of your assets, the composition of your family, and the specific risks you are trying to manage.

The structure tends to add the most value when there are minor beneficiaries who would benefit from the concessional tax treatment, when beneficiaries face professional liability or business risk, when there is concern about a beneficiary's ability to manage a large inheritance responsibly, when family relationships are complex and a direct distribution could create conflict, or when the estate is large enough to justify the ongoing administration costs.

For smaller estates, or for families where the beneficiaries are financially stable adults with no particular asset protection concerns, a simple will with direct bequests may be perfectly adequate. The testamentary trust adds value through its structure, but that structure comes with costs — legal fees to draft, accounting fees to administer, and the ongoing responsibility of trusteeship. Your adviser can help you assess whether the benefits outweigh those costs in your particular circumstances.

Discussion Points for Your Adviser

If you are reviewing your estate plan — or creating one for the first time — a conversation about testamentary trusts is worth having. Your adviser can help you consider whether the size and composition of your estate would benefit from a trust structure, how your superannuation death benefit nominations interact with your will, whether your current trustee appointments remain appropriate, how the tax advantages apply to your specific family situation, and whether your will has been updated to reflect any changes in your circumstances since it was last reviewed.

Estate planning sits at the intersection of legal, tax and financial advice. Your financial adviser, solicitor and accountant each bring a different perspective, and the best outcomes tend to come from all three working together. If your will was drafted some time ago — or if you have never considered whether a testamentary trust might be relevant — raising the topic with your adviser is a sensible first step.

References

1. *Income Tax Assessment Act 1936 (Cth), Division 6AA, s102AG. Provisions relating to excepted trust income for testamentary trusts.*
2. *Australian Taxation Office. "Your income if you are under 18 years old." ATO guidance on excepted trust income and testamentary trusts (ato.gov.au).*
3. *Treasury Laws Amendment (2019 Tax Integrity and Other Measures No. 1) Act 2019. Changes to excepted trust income provisions for testamentary trusts, effective 1 July 2019. See also: Treasury Exposure Draft Explanatory Materials.*
4. *Australian Taxation Office. "Tax rates — Australian residents" for 2025-26 income year (ato.gov.au).*
5. *Australian Taxation Office. "Low income tax offset" (ato.gov.au). Maximum offset of $700 for taxable incomes up to $37,500.*
6. *Australian Taxation Office. "Superannuation death benefits" — guidance on binding death benefit nominations and payment to legal personal representative (ato.gov.au).*
7. *Australian Taxation Office. "Medicare levy reduction for low-income earners" (ato.gov.au).*

depositphotos.com

STAYING AHEAD OF THE SCAM

HOW TO PROTECT YOUR WEALTH FROM SOPHISTICATED FRAUD

BY WEALTH ADVISER

A retired teacher in regional New South Wales transfers $80,000 into what she believes is a high-performing cryptocurrency platform – endorsed, apparently, by a well-known tech billionaire in a video shared widely on social media. A small business owner in Melbourne answers a call from "his bank's fraud team" and, following their instructions to secure his account, watches $45,000 disappear. A couple in Brisbane receive an urgent voicemail from their daughter, crying and begging for help after a car accident – except their daughter is safe at home and never made the call.

These are not unusual stories. According to the National Anti-Scam Centre's Targeting Scams Report, Australians reported $2.03 billion in combined scam losses in 2024 across Scamwatch, ReportCyber, ASIC, IDCARE and the Australian Financial Crimes Exchange – a 25.9 per cent decrease from 2023. Investment scams alone accounted for $945 million of that figure. But while combined losses fell year on year, the trend in 2025 has shifted. Between January and September 2025, Scamwatch recorded $259.5 million in losses from 20 per cent fewer reports, suggesting that each successful scam is hitting harder than before.

What makes modern scams so effective is not that people are careless. It is that the techniques have become extraordinarily convincing. Understanding how these schemes work – and recognising the patterns before they reach you – is one of the most practical things you can do to protect your wealth.

Investment Fraud: The Biggest Threat to Your Savings

Investment fraud remains the single largest category of scam losses in Australia. The methods vary, but the core mechanism is consistent: criminals create the appearance of a legitimate, high-performing investment opportunity, build trust over time, then disappear with the funds.

Australia's superannuation system holds roughly $4.3 trillion in retirement savings, and regulators are increasingly concerned that it is becoming a soft target for fraud. In 2025, Scamwatch received more than 800 super-related scam reports, with losses totalling $22 million.

Consider how a typical scheme unfolds. You see an advertisement on social media – perhaps a sponsored post featuring a recognisable public figure apparently endorsing a trading platform. The ad links to a professional-looking website complete with market charts, account dashboards and client testimonials. You register your interest. Within hours, a well-spoken "account manager" calls to walk you through the platform and help you make a small initial deposit, often around $250 to $500.

Over the following weeks, your dashboard shows impressive returns. The account manager checks in regularly, building rapport and encouraging you to increase your investment. Some people are even allowed to make a small withdrawal early on – a deliberate tactic to build confidence. It is only when you try to withdraw a larger amount that the problems begin. Suddenly there are "tax obligations" or "release fees" that need to be paid before funds can be transferred. Communication becomes harder. Eventually, the platform goes dark.

The scale of these operations is significant. In 2024, the National Anti-Scam Centre referred more than 8,000 URLs for takedown, including over 2,000 investment-related scam websites referred to ASIC. But new ones appear constantly, and the speed at which criminals can build convincing digital storefronts means the window between launch and detection can be weeks – long enough to cause real damage.

The warning signs tend to be consistent. Unsolicited contact about investment opportunities, guaranteed or unusually high returns, pressure to act quickly, and platforms that are not listed on ASIC's register of licensed financial services providers are all red flags. If someone you have never met is offering you access to a can't-miss opportunity, the opportunity is almost certainly the scam itself.

Impersonation Scams: When Your Bank Is Not Your Bank

Impersonation scams exploit something fundamental: the trust we place in institutions we deal with every day. These scams involve criminals posing as representatives of banks, government agencies, telecommunications companies or even police, using spoofed phone numbers, official-looking text messages and convincing scripts to manipulate people into handing over money or personal information.

The mechanics are disturbingly simple. You receive a text message that appears to sit within your existing SMS thread from your bank, warning of suspicious activity on your account. You call the number provided – or a "fraud investigator" calls you – and you are walked through a series of steps to "secure" your funds. Those steps might involve transferring money to a "safe account," providing one-time passwords, or installing remote-access software on your phone or computer. By the time you realise something is wrong, the funds are gone.

Phone-based scams accounted for the highest overall losses of any contact method reported to Scamwatch in early 2025, with $25.8 million lost in the first four months of the year. Phishing scams – where criminals impersonate banks, government agencies or other trusted organisations via text, email or fake websites – generated $13.7 million in losses over the same period, up sharply from $4.6 million in the corresponding months of 2024.

What catches people out is the apparent legitimacy. The caller ID shows your bank's real number. The text appears in the same conversation thread as genuine messages. The language mirrors the kind of communication you would expect from a financial institution. But legitimate banks and government agencies will never ask you to transfer money to a different account for safety, provide passwords or PINs over the phone, or install software to "fix" a security issue. If you receive an unexpected call or message about your account, hang up and contact the institution directly using the number on your card or their official website.

Superannuation: An Emerging Target

Australia's superannuation system holds roughly $4.3 trillion in retirement savings, and regulators are increasingly concerned that it is becoming a soft target for fraud. In 2025, Scamwatch received more than 800 super-related scam reports, with losses totalling $22 million.

ASIC issued a pointed warning to superannuation trustees in January 2025, noting that the industry had been slow to respond to evolving scam and fraud risks. A subsequent review of 47 super fund websites found that many lacked

clear, accessible information to help members identify or report scams – with super funds scoring positively on only 40 to 60 per cent of measured criteria, compared to 80 per cent for the major banks.

The risks for members take several forms. Identity theft can be used to access super accounts, change contact details and redirect funds. Illegal early release schemes – often promoted through social media – promise to unlock super before preservation age in exchange for a fee, leaving members with depleted balances and potential tax penalties. And fraudulent rollover requests, where criminals impersonate members to transfer balances to accounts they control, have been flagged as a growing concern.

Protecting your super starts with basic digital hygiene. Use strong, unique passwords for your super fund login. Enable multi-factor authentication if your fund offers it. Monitor your account regularly for any unexpected changes to your contact details, beneficiary nominations or transaction history. And treat any unsolicited contact about your super – especially promises of early access – with deep scepticism.

The Scams Prevention Framework Act 2025, which received Royal Assent on 20 February 2025, introduced world-first obligations for banks, telcos and digital platforms to actively prevent, detect and disrupt scams – backed by penalties of up to $50 million per offence. Superannuation is not yet covered by the framework, but the government has indicated it may be included in future – a recognition that the sector needs stronger protections as scammers increasingly turn their attention to retirement savings.

The AI Factor: When You Cannot Trust Your Own Ears

Perhaps the most unsettling development in the scam landscape is the use of artificial intelligence to create synthetic voices and video. Voice cloning technology can now replicate a person's speech patterns, accent and tone using as little as a few seconds of recorded audio – the kind of snippet readily available from a social media video, a voicemail greeting or even a conference presentation.

In practice, this means a scammer can call you sounding exactly like your spouse, your child or your business partner, describing an emergency that demands immediate financial help. Phone-based scams remain the costliest contact method in Australia, and AI-generated voice cloning is contributing to this threat. Researchers at Swinburne University of Technology have warned that voice cloning has become one of the most confronting tools in the scam toolkit, with criminals needing only a few seconds of recorded audio to produce a convincing replica. Studies have consistently found that the majority of people cannot reliably distinguish a cloned voice from a real one.

Deepfake video adds another layer. In 2025, fabricated videos of well-known Australian media personalities and health experts were used to promote fraudulent investment platforms and fake health products on social media. These videos looked and sounded authentic enough to fool thousands of people before being taken down.

The defence against AI-powered scams is fundamentally human. If you receive an unexpected call from someone you know asking for money – no matter how convincing it sounds – pause, hang up, and call that person back on a number you already have saved. Establishing a family code word or phrase for emergencies can provide an additional layer of verification that no AI can replicate. And be cautious about how much of your voice and likeness you share publicly online, particularly on platforms where content can be easily scraped.

Life Transitions Create Vulnerability

It is worth acknowledging that scam vulnerability is not about intelligence or age. Anyone going through a significant life transition – bereavement, divorce, retirement, a health scare, a job loss – can find themselves in a state where the usual critical thinking filters are weakened. Scammers understand this and deliberately target moments of emotional upheaval, financial uncertainty or isolation.

If you are navigating a major change and find yourself contacted about a financial opportunity, an urgent problem with one of your accounts, or an unexpected request for money, treat that timing itself as a warning sign. It may also be worth having a conversation with family members who are less digitally confident about common scam patterns and what to look out for – not from a place of alarm, but simply to share awareness.

Red Flags Worth Remembering

Certain patterns appear across almost every type of scam, regardless of how sophisticated the delivery. Be alert to unsolicited contact about your finances from someone you were not expecting to hear from. Urgency and pressure to act immediately, before you have time to think or verify, is a hallmark tactic. Requests to move money to a "safe" account, pay fees to release funds, or provide passwords and personal details over the phone should always prompt you to stop and check independently. Offers of guaranteed high returns with little or no risk are a reliable indicator that something is not what it seems. And if any communication asks you to keep the matter confidential or not discuss it with your adviser, that secrecy itself is the clearest warning of all.

Discussion Points for Your Adviser

Scam awareness sits naturally alongside broader wealth protection planning. Your adviser can help you think

through a number of practical steps: reviewing the security settings on your superannuation and investment accounts, including passwords, multi-factor authentication and beneficiary nominations; ensuring your insurance coverage accounts for potential losses from fraud or identity theft; discussing how your broader financial plan would withstand an unexpected loss; and reviewing whether your estate planning documents — particularly powers of attorney — include appropriate safeguards against financial exploitation.

If you or someone you know has been affected by a scam, acting quickly matters. Contact your bank immediately to attempt to stop or recover funds. Report the scam to Scamwatch at scamwatch.gov.au to help disrupt the operation and protect others. If your identity has been compromised, contact IDCARE on 1800 595 160 for a tailored response plan. And let your adviser know — they can help you assess the financial impact and adjust your plan accordingly.

References

1. *National Anti-Scam Centre. "Targeting Scams Report 2024." ACCC, March 2025. Combined data from Scamwatch, ReportCyber, AFCX, IDCARE and ASIC.*
2. *National Anti-Scam Centre. "Australians report nearly $260M in losses as shopping scams surge." ACCC media release, November 2025.*
3. *National Anti-Scam Centre. "National Anti-Scam Centre calls for stronger business role to disrupt scams." ACCC media release, June 2025.*
4. *ASIC. "ASIC urges super trustees to step up and address serious gaps in anti-scam and fraud protections." Media release 26-014MR, February 2026.*
5. *ASIC. "Letter to superannuation trustees: Protecting Australians against scams and fraud." January 2025.*
6. *Scams Prevention Framework Act 2025 (Cth). Royal Assent 20 February 2025. Federal Register of Legislation, C2025A00015.*
7. *Swinburne University of Technology. Commentary on AI voice cloning scam risks, February 2026.*
8. *Scamwatch (scamwatch.gov.au). Consumer guidance on identifying, avoiding and reporting scams.*
9. *IDCARE (idcare.org). Australia's national identity and cyber support service. 1800 595 160.*

Q&A: Ask a Question

Question 1

What's the difference between an offset account and a redraw facility, and does it matter which one I use?

Both an offset account and a redraw facility can help reduce the interest you pay on your home loan, but they work quite differently – and the distinction can matter more than you'd expect.

An offset account is a separate transaction account linked to your mortgage. The balance in the account is "offset" against your loan, so you're only charged interest on the difference. For example, if you owe $500,000 and have $50,000 in your offset account, you're only paying interest on $450,000. The money remains yours and is accessible at any time.

A redraw facility, on the other hand, allows you to access extra repayments you've already made on the loan. While it can function similarly day to day, the key difference is that redraw funds are considered part of the loan rather than separate savings. This can have important tax implications – particularly if you later convert your home into an investment property. Redrawing funds for private use can create a mixed-purpose loan, which may complicate or reduce future interest deductibility. Using an offset avoids this issue because you're spending your own cash rather than re-borrowing from the loan.

Your adviser can help you understand which option best suits your lending structure and long-term plans.

Question 2

I've been named as the executor of a family member's estate. What does that involve and what should I be aware of?

Being named as an executor is a significant responsibility. As executor, you're legally responsible for administering the deceased's estate according to their will. This includes locating and securing assets, notifying relevant institutions, paying debts and taxes, and ultimately distributing what remains to the beneficiaries.

The process can be more involved than many people expect. You may need to apply for a grant of probate through the court, manage ongoing financial matters like super death benefit claims and insurance, and handle any disputes that arise among beneficiaries. Depending on the complexity of the estate, this can take several months or longer.

It's worth knowing that executors can be held personally liable if the estate isn't administered correctly – for example, if debts are overlooked or assets are distributed prematurely. You don't have to do it alone, though. Solicitors, accountants, and financial advisers can support you through the process, helping ensure obligations are met and the estate is settled efficiently and in line with the deceased's wishes.

Question 3

My spouse doesn't work or earns very little. Is there anything I can do to boost their super?

There are a couple of strategies worth considering if your spouse has a low income or isn't working. The first is making a spouse contribution – this is an after-tax contribution you make directly into your spouse's super fund. If your spouse's income is $37,000 or less, you may be eligible for the full tax offset of up to $540. The offset phases out and cuts off entirely at $40,000.

Another option is contribution splitting, where you arrange to transfer a portion of your own concessional (before-tax) contributions into your spouse's super account. This doesn't give you a tax offset, but it helps build your spouse's balance over time, which can be useful for retirement planning and managing the transfer balance cap down the track.

Both strategies are subject to contribution caps and eligibility rules, so it's important to check the details before acting. Your adviser can help you work out which approach suits your household and how it fits within your broader financial plan.

With all these topics, there is no single "right" choice. Your personal situation matters, and you should seek advice from a licensed financial adviser to understand what is most appropriate for you.

Michael Scorer
Grad Dip Fin Plan

Suite 8, 41 Catalano Circuit, Canning Vale WA 6155
PO Box 1430, Canning Vale DC WA 6970
t: 08 9256 1400
e: mscorer@tfscv.com.au
w: tfscanningvale.com.au

Total Financial Solutions
Canning Vale