

WEALTH

Don't write off gold's polish – it could save you from an AI crash



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ANALYSIS

Investor attention has been almost completely hijacked by AI and the growing profits of AI-related companies. So enamoured are investors that hype and the fear of missing out have overwhelmed the plunging cash-flows and rising debt of the hyper-scalers, geopolitical concerns, rising interest rates and even the almost inconceivable US net debt and financing picture.

Favour towards AI has grown to such an extent that it seems even the need for gold as a hedge against currency debasement and geopolitical instability has taken a back seat. Gold has retreated almost a quarter from its all-time high. And while that might pain many of the people who were then queuing up in Sydney's Martin Place to buy physical gold, I wonder whether investors should take a second look (not at physical gold of course, but ETFs that track gold, which are always a better deal).

In theory, an era plagued by mounting sovereign debt burdens and structural inflation should mean that gold provides a reliable shield against the erosion of purchasing power. It carries zero counterparty risk, cannot be devalued by monetary printing presses, and it potentially stabilises multi-asset portfolios when traditional equity and bond correlations break down during systemic crises.

The structural arguments for owning a little gold remain robust. According to the World Gold Council's 2026 Central Bank Gold Reserves Survey, which evaluated the asset allocation strategies of 74 central banks across advanced, emerging, and developing economies, official demand is accelerating to unprecedented heights.

A record-breaking 45 per cent of surveyed central banks said they planned to increase their gold holdings over the next 12 months, whereas a mere 1 per cent intended to reduce them. More broadly, 89 per cent of the central banks surveyed expected total global central bank gold reserves to expand over the coming year, and 84 per cent projected them to be higher five years from now.

Their accumulation of gold is primarily driven by rising geopolitical risks, inflation-hedging, and an explicit structural pivot away from Western fiat currencies. Notably, roughly 74 per cent of respondents projected that the US dollar would command a significantly or moderately lower share of global reserves over the next five years, making substantial room for gold allocations.

At the same time that institutional demand is surging, the supply curve remains stubbornly inelastic. Global mine production has remained essentially flat since 2016, despite steady gains in the gold price to record highs. Stagnating supply is the direct result of more than a decade of se-

verely curtailed exploration budgets and capital expenditures, leading to an acute lack of major new deposits. It's worth remembering it takes between 10 and 20 years to bring a mine from initial discovery to its first physical pour. Therefore, no meaningful supply relief is on the horizon.

This combination of record sovereign buying and flat production should create a powerful fundamental setup for rising long-term gold prices. Of course, the question I cannot answer is whether those long-term gains occur from here or from some lower level.

While the structural supply-demand dynamic favours long-term bulls, the recent pullback has left pundits divided. The recent pullback, not only in gold, but in silver and crypto as well, has led some commentators to declare the currency debasement trade has run its course. However, analysis by UK-based macroeconomic researcher CrossBorder Macro provides a far more nuanced perspective, suggesting the trade "never quite began in the way many investors describe it".

CrossBorder's Michael Howell believes gold's dramatic upward trajectory was less about a generic Western inflation narrative and far more dependent on China's domestic monetary policy. This domestic devaluation drew in Chinese private investors, transforming the Shanghai gold market into the marginal price setter for global bullion.

Consequently, according to Howell, gold has become highly sensitive to liquidity injections by the People's Bank of China. Because Beijing enforces a strict domestic ban on cryptocurrency investments, domestic monetary excess flows directly into physical bullion rather than digital assets like bitcoin. While the Federal Reserve's hawkish narrative and a stronger US dollar certainly created short-term headwinds, it was the PBoC's decision to sharply contract net money market liquidity by roughly 3 trillion Chinese Yuan (about 10 per cent) around March that acted as the primary catalyst for gold's recent correction. The long-term macroeconomic conditions appear to favour gold, as central banks systematically swap out US dollars for physical bullion to safeguard national reserves. In the short-term, however, direction might just remain determined by China's liquidity cycle.

According to Howell, the PBoC continued its buying streak, recently adding about 10 tonnes of gold to its reserves. This signals that institutional strategic buyers are using short-term liquidity-driven dips to accumulate the metal. And as China inevitably restarts its domestic printing presses to reflate its real estate market and erode its domestic debt burdens, Chinese private hoarding will resume, and align with central bank buying.

When the AI bubble inevitably bursts, it will take a bunch of assets with it. A little gold may prove a useful portfolio diversifier – something I didn't really think I would hear myself say.

Roger Montgomery is founder and CIO at Montgomery Investment Management.

Australia's surging superannuation balances are stoking a rise in disputes

ANTHONY KEANE

Superannuation is playing an increasing role in divorce and inheritance battles as ballooning balances give family members more incentive to pick a fight.

Lawyers and wealth specialists have noticed an increase in superannuation's role in inheritances and divorces, and they say many families are confused about just how super is treated as an asset when passed on.

New figures from the Australian Taxation Office show that average super balances for over-75s have surged 59 per cent to \$525,000 in less than a decade, and are generally up between 30 per cent and 60 per cent for other age groups.

Why battles begin

Wallmans Lawyers special counsel Zeena Anthony-Qureshi says super disputes could arise for several reasons, including competing claims from spouses, former spouses, children and dependants, the validity of death benefit nominations, and death benefit payment decisions made by super fund trustees.

"Super is becoming a more significant feature of both family law disputes and estate litigation as Australians accumulate larger super balances and transfer increasing amounts of wealth between generations," she says.

Ms Anthony-Qureshi says super is treated as property by the Family Law Act and can be divided between splitting spouses, and it also occupies a unique position in succession law because it does not automatically form part of a person's estate.

"Unless there is a valid binding death benefit nomination or other governing mechanism in place, the trustee of the super fund generally determines who receives the death benefit," she says.

"This is surprising for families who consider that a will directs distribution of all assets."

Justice Network director Hayder Shkara says super is now one of the largest assets people hold after their family home.

"This is especially true for couples separating later in life, where one or both parties may have accumulated significant balances over decades of work," he says.

Mr Shkara says families often run into trouble with super death benefits because they mistakenly believe that nominating a future beneficiary once is enough.

"Binding nominations can lapse, be invalid, or become inappropriate after major life events.



Older break-ups are bringing larger super balances into play

'It's my super': The myth fuelling divorce battles

such as separation, divorce, re-marriage, having children, or entering a blended family," he says.

"People often update their will but forget their super nomination, and that is where disputes arise."

Mr Shkara says there has been a number of legal cases where super has caused serious family conflict, including the well-known Katz v Grossman case involving a self-managed super fund.

"After the father died, his daughter became the remaining trustee and paid the death benefit to herself, despite the expectation that it would be shared with her brother," he says.

"The case is often used as a warning about SMSFs and the importance of controlling who becomes trustee after death. The court ultimately did not force her to share the benefit with her brother. That is what makes the case so important."

Protecting your decisions

Mr Shkara says people could help keep their super free from legal challenges by having a binding death benefit nomination, and reviewing it after major life events.

AUSTRALIANS' AVERAGE SUPER BALANCES

Age bracket	2014-15	2023-2024	Growth
18-24	\$7175	\$9783	36%
25-29	\$21,854	\$27,822	27%
30-34	\$40,184	\$54,009	34%
35-39	\$61,135	\$91,265	49%
40-44	\$85,247	\$134,054	57%
45-49	\$112,066	\$182,866	63%
50-54	\$147,712	\$238,616	62%
55-59	\$208,193	\$301,151	45%
60-64	\$279,950	\$371,379	33%
65-69	\$346,222	\$437,422	26%
70-74	\$369,958	\$492,903	33%
Above 75	\$331,318	\$525,439	59%

Source: Australian Taxation Office

"Superannuation is not just a retirement account anymore ... if it is not planned properly, it can become one of the biggest sources of family conflict," he says.

Mr Shkara says a big misconception during divorces is "it's my super so I get to keep it", with the main income earner not realising that their superannuation could be split between warring parties.

Financial adviser Helen Baker

says this is more often the male who has worked more while the female raised children.

"He will say 'I worked and you weren't working so that's my super and you can't have it,' she says.

"There's a misnomer that the wife is not entitled to that, and they're only entitled to part of the home. A big issue in super today is around second marriages or kids

from previous relationships, and how does all that get managed."

Ms Baker says the law states that it takes two people in a family to build wealth.

"For better or worse, for richer for poorer, you're all in, and that works for de facto too," she says.

Ms Baker says binding death benefit nominations in super can help prevent challenges, but people need to understand it can only go to an eligible beneficiary such as a spouse, child, financial dependent or interdependent.

Relatives such as parents or siblings can only get your super if it is nominated to go to your estate, she says.

Ms Baker says people can also consider protecting assets through a discretionary testamentary trust, which recently escaped Labor's plans for a minimum 30 per cent tax.

"Any of it can go to wherever you want it to go, but you need to make sure the left hand and the right hand are working together," she says.

"For example, if you say in your will that you want your sister to

create a testamentary trust to manage money for the kids, but in your super you leave it directly to the kids, that won't work.

"Make sure the nominations and the will and insurances as well all work together, so there's the one track of where it's going and why it's going there."

Ms Anthony-Qureshi agrees that your superannuation strategy should align with your will, and adds that people with self-managed super should carefully consider who would step in as trustee in the event of their death or incapacity.

"No strategy can completely eliminate the risk of family law claims, family provision claims or disputes concerning super death benefits," she says.

"However individuals who maintain current nominations, integrate their super in their estate planning discussions, address SMSF control issues, properly document family arrangements and regularly review their plans are generally in a much stronger position than those who fail to address these matters."

Your key property questions answered by our experts

JAMES KIRBY
ASSOCIATE EDITOR – WEALTH

Sweeping changes to capital gains tax, negative gearing and borrowing inside self-managed super funds have left many investors confused over how they will be affected in the months ahead.

Property investors in particular are struggling to digest the newly legislated measures. From July 1,

2027, capital gains tax on an asset held for more than 12 months will no longer get a 50 per cent discount; rather, the tax will be indexed to account for annual inflation. Also, negative gearing will no longer be allowed for existing properties, but will be allowed for new housing stock. SMSFs will be banned from borrowing for residential property from August 10 this year. In a special episode of The Australian's The Money Puz-

zle podcast, ProSolution Private Clients founder Stuart Wemyss joined Associate Editor Wealth James Kirby to answered key questions sent in by our listeners. This is an edited extract of the top five questions.

Q: We purchased our home in January 1985, and it has been our primary place of residence since. Will this be let off the CGT impost as pre-CGT?

A: Your home is exempt. No CGT will apply because the property is your main residence.

Q: If negative gearing is only allowed on new houses, don't you also think land bankers, including family trusts, will more likely sell to developers to satisfy the demand from investors and others for new housing?

A: It is likely to take at least one to two years before supply can meaningfully respond to any increase in investor demand. In the meantime, that extra demand is likely to put upward price pressure on existing new-build projects, because more investors will be di-

rected towards them. These properties will also be actively pitched to investors on the basis of their tax advantages. My concern is that a "tax benefit premium" will simply be built into the purchase price, which means investors may pay more upfront for the same underlying asset.

Q: I own just one property in Canberra, my primary residence. Like many southern Australians, I dream of relocating to Queensland. If I buy another house in Queensland, and that becomes my primary residence, can I retain and negatively gear my current house in the ACT?

A: Yes, you can negatively gear the Canberra property after you move, because it is grandfathered. The negative gearing clampdown applies only to residential property acquired after 7.30pm on May 12, 2026. Your Canberra house, owned now as your home, was acquired before that.

Q: The new CGT on investment property commences next financial year. I am an investor whose grandfathered property needs to be valued prior to June 30, 2027. Who can be classified as a valuer, eg, a real estate agent or a registered valuer?

A: There are two possible