

THE TAX METHOD

# How Australian Homeowners Are Using Their Tax To Help Pay Off Their Home Faster

**The full strategy, explained in plain English**

You have probably seen the idea online and wondered if it is real. This guide explains exactly what some Australian homeowners are doing, step by step, so you can understand how it actually works before you ever speak to anyone.

Prepared by Daniel Bowler, Finance Specialist (Dip. FMBM) | MoneyQuest Lalor

## 01 THE IDEA

# Where does your tax actually go?

For most homeowners, the answer is simple: a large slice of your income goes to the ATO every year, and your home loan is paid down slowly with what is left over. Nothing wrong with that, it is just the default. Almost nobody is ever shown that there is another way to put that same tax to work.

The core idea: instead of your tax simply leaving your pocket each year, some homeowners structure their finances so the tax benefits of an investment are **redirected toward paying down their own home loan faster**. It is not a loophole and it is not the ATO paying your mortgage. It is a deliberate, legal strategy that finance professionals call debt recycling.

## First, your usable equity

Everything starts with the equity you have already built in your home. As a general rule, lenders let you access up to around 80% of your home's value, less what you still owe.

### An illustrative example

- Home value: \$850,000
- 80% of value: \$680,000
- Less current mortgage: \$450,000
- Illustrative usable equity: about \$230,000

That usable equity is the raw material for the whole strategy. It is capital you have already built, currently sitting idle.

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### 03 THE METHOD

## How it actually works, step by step

This is the part the ad promised. Here is the full approach, in order.

1

### **Access a portion of your usable equity**

You set up a separate loan split against the equity you have already built. Keeping it separate from your home loan is critical, it is what keeps everything clean for tax purposes.

2

### **Use it to buy an income-producing investment**

That borrowed money is used toward an income-producing asset, most commonly an investment property. Because the borrowing now has an investment purpose, the rules change in your favour.

3

### **Claim the deductions you are entitled to**

The interest on the investment borrowing, along with costs like depreciation, are generally tax-deductible. These deductions reduce your taxable income, which can create a meaningful annual tax benefit at your marginal rate.

4

### **Redirect the tax benefit onto your home loan**

Instead of that tax benefit simply disappearing, you channel it, along with the investment's income, back onto your non-deductible home loan. Round after round, your home loan shrinks faster while you build an asset.

The result over time: your 'bad' home-loan debt is paid down faster using money that used to be lost to tax and idle equity, while you quietly build an investment asset alongside it.

## What this could look like (hypothetical)

### Illustrative example only

Take a household on a combined income with usable equity of around \$230,000. By directing a portion of that equity into a geared investment, the deductible interest and depreciation might reduce their taxable income each year. At a typical marginal rate including the Medicare levy, that reduction can translate into a four or five figure annual tax benefit. Redirected onto the home loan year after year, illustrations commonly show the mortgage cleared sooner than it otherwise would have been. The exact figures depend entirely on the individual, which is what the free review works out for you.

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## The honest fine print

- This strategy involves taking on investment debt and investing. All investing carries risk, including the risk the investment underperforms.
- Loan structure is everything. Mixing investment and personal borrowing in one loan can permanently reduce deductibility. It must be set up correctly.
- It is not for everyone. It suits homeowners with stable income, real usable equity, and a long enough time horizon.
- Tax treatment depends on your circumstances and can change. This is general information, not tax advice.
- Done right, with the right guidance, it can be powerful. Done wrong, it can cost you. That is exactly why step one is a conversation, not a product.

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