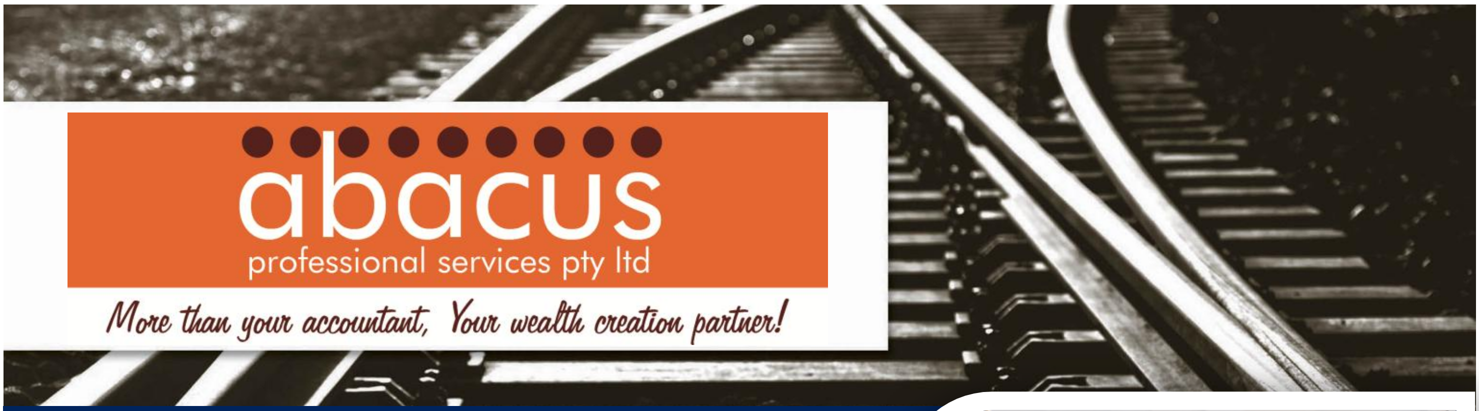
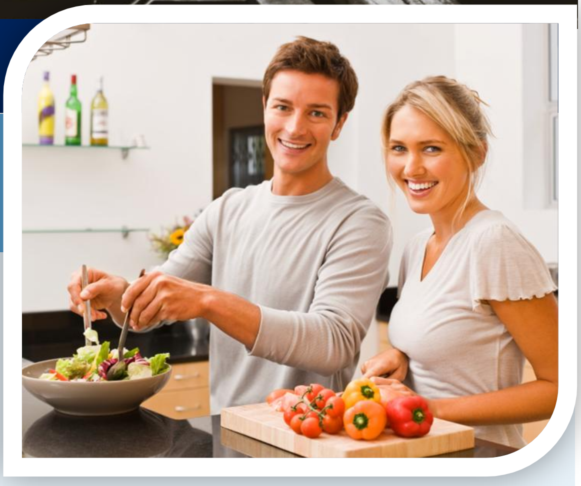


Mortgage Reduction



Description

Borrow to invest in property to take advantage of future capital growth to eliminate or reduce non-deductible mortgage debt.

CASE STUDY - *PAUL & SARAH*

• Paul & Sarah's home value	$450,000
• Mortgage	$310,000
• Mortgage term	16 years
• Interest rate	7.0%
• Current monthly repayments	$2,702.00

GOAL

Paul and Sarah wish to pay off their home sooner.

STRATEGY

- Purchase a $470,000 investment property off-the-plan with a rental return of $400 per week and interest rate of 7%
- Borrow 100% of the property purchase price plus stamp duty and legal costs on an interest only loan
- Reduce mortgage repayments to $2,191 per month on a 25 year principal and interest loan
- Running costs on the investment property, after tax will be $118 per week

ASSUMPTIONS

- Paul & Sarah's marginal tax rate is 31.5%
- Investment property appreciates by 7%pa over 10 years
- Interest only loan on investment property
- After 10 years sell investment property:
    - Investment Property value = $924,561 (Equity = $451,761)
    - Capital Gains Tax = $100,549
    - Mortgage Balance = $240,660
    - Proceeds from sale of investment property = $331,920

OUTCOME

Paul & Sarah have now repaid their mortgage 6 years earlier, plus saved $194,544 in future mortgage repayments and have surplus funds of $91,260 after their mortgage has been paid off.