

Debt Recycling: A Tax-Efficient Wealth Building Strategy

Debt recycling is a financial strategy that transforms non-deductible home loan debt into tax-deductible investment debt while building wealth. This strategy involves using equity or savings to pay down your home loan, then reborrowing that amount to invest in income-producing assets.

How Debt Recycling Works:

Home Loan
Non-deductible



Investment Loan
Tax-deductible



Income Assets
Shares/Property

Key Benefits:

- Tax-deductible interest on investment loans
- Accelerated wealth building while reducing debt
- Improved after-tax investment returns
- Faster mortgage reduction through investment income

Requirements:

- Stable income and good cash flow
- Sufficient equity in your home
- Long-term investment horizon
- Financial discipline and risk tolerance

Important Considerations:

- Higher risk strategy as it involves borrowing to invest
- Must invest in income-producing assets
- Maintain clear separation between personal and investment funds
- Professional advice recommended for proper setup

Note: This strategy involves risks including market volatility and interest rate changes. Seek professional financial advice before implementing.