

# Mortgage Reduction Strategy

## Objectives

- 1 Reduce the amount of non-deductible debt held (eg. mortgage or credit card debt).
- 2 Make a positive contribution to the long term generation of investment wealth.
- 3 Diversify portfolio assets to reduce the risk of future portfolio volatility.

## Case Study



Michael:

- Is married with three children.
- Has a mortgage over his home of \$200,000 with a 20 year term remaining.
- Will earn taxable income of \$100,000 this year from salary and his other investments.

His financial goals are to:

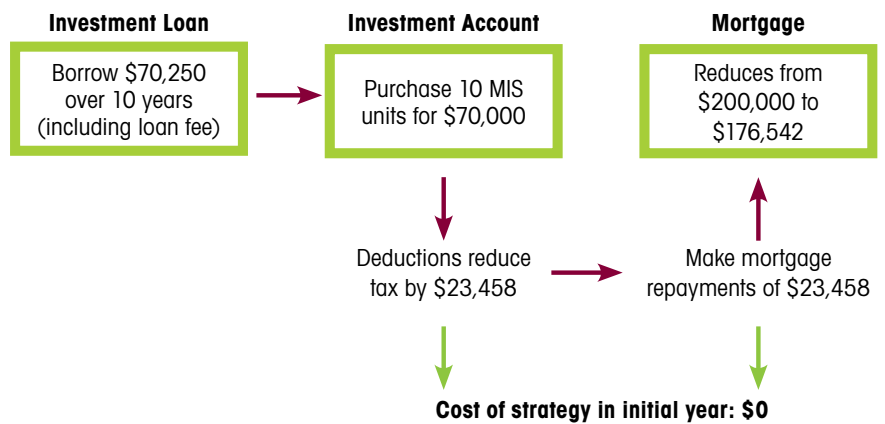
- Increase the value of his investment portfolio.
- Reduce his mortgage.
- Reduce fluctuations in the market value of his portfolio.

Michael is able to fund additional investment costs in the short term in order to enhance long term wealth.

## Strategy

Michael borrows \$70,000, plus \$250 for the loan fee, to purchase 10 units in a diversified forestry managed investment scheme (i.e. the Project) which will provide income from the harvest of timber over 21 years.

He receives tax deductions as a result of the purchase of units which will cause a reduction in his tax. He uses this saving to make an additional payment towards his mortgage.



Immediately following the implementation of the strategy, Michael's wealth has increased by \$7,610.

Reduction in mortgage:	\$	23,458
Value of Project units	\$	52,402
Investment loan	-\$	70,000
Loan fee	-\$	250
<b>Increase in net wealth</b>	<b>\$</b>	<b>7,610</b>