



PROPERTY MORTGAGE STRATEGY

How to Use an Investment
Property to Pay Off Your
Mortgage Sooner



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Strategy Management



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W A R N I N G

This information may not be suitable to you because it contains general advice that has not been tailored to your personal circumstances. The 2026 Federal Budget introduced changes to negative gearing and capital gains tax that take effect from 1 July 2027 - these are summarised in section 3. Please seek personal financial, tax and/or legal advice prior to acting on this information.



Overview

One of the most common methods people use to pay off their mortgages sooner is by purchasing an investment property.

Unfortunately, many people do not structure these investment properties in the right way, and consequently do not realise the full benefit they intend on achieving at the outset of this process.

That is why we have put together this guide - to explain in simple terms, how you can avoid all the mistakes most property investors make, and realise the full potential of owning an investment property. Not just in terms of paying your mortgage off sooner, but in achieving a long term income stream that can support you into retirement, and help your kids long after you are gone.



We will be covering:

1. Deposit.

How do we get a deposit? Most people don't have \$70,000 lying around just like that, so we need to look at how we get a deposit without actually having any savings or any cash.

2. Structure.

How do we structure this investment? How do we make sure that it's structured in such a way that it's going to pay off your mortgage faster?

3. Property.

What type of property should you buy? There are so many different types of investments out there and we need to be making sure that we pick the right type of investment.

4. Tax.

How do we get the tax back? This is a crucial part of the whole structure.

5. Protection.

How do we protect ourselves? What if someone breaks a hole in the wall, or we don't have a renter for a couple of months?



Why Is This So Important?

Setup the Mortgage in your favour

Most people do not have their mortgages or their loans set up to benefit them, it's set up in the bank's favour. And unfortunately, the banks don't generally reach out to us and tell us that there's some better products out there. We actually have to do all the hard yards and research ourselves.

Use the right Facilities

The other issue is most people aren't using the facilities that are available to them such as offset accounts.



When should you Refinance?

Many people don't refinance at the right time. Refinancing is great to get a better rate, but most people refinance for the wrong reasons, such as to get a better kitchen or for an extension on the house, or even to buy a new car or caravan.

This typically results in extending the loan and this pushes things out even further, resulting in carrying the mortgage all the way into retirement. Then come retirement age, most people still have a mortgage hanging over their head.

Consider your Retirement

Most people do not have the kind of funds that are necessary to provide them with a comfortable and satisfying retirement, which is why doing something like this also helps you cover the shortfall most people will face in retirement.



Future Generations

Another big issue we come across on a daily basis is our future generations. We understand that in the era that we're living in right now, it's becoming more and more difficult to buy a house.

So just imagine what it's going to be like for our kids and future generations, and how affordable it's going to be for them?

This strategy also puts us in a position where we are able to help out our kids in the future.

Let's now have a look at how we can combat this and use this investment property to achieve our goals.



2026 Federal Budget Update

In May 2026 the Federal Government announced two significant changes to the way residential property investment is taxed. Both take effect from 1 July 2027, and both are directly relevant to anyone considering an investment property today.

Negative gearing limited to new builds.

From 1 July 2027, investors who purchase established (existing) homes after 7:30pm on 12 May 2026 will no longer be able to offset.

Good news for this strategy

This guide focuses on newly built investment properties - the only residential property type that retains full negative gearing AND the option of the 50% CGT discount. The strategy described in the following pages remains intact in full.



How to get a Deposit without any Savings

Please refer to the table below in the financial analysis.



Home Value

\$ 600,000

80% LVR

\$ 480,000

Home Mortgage

\$ 350,000

Useability Equity

\$ 130,000

Equity Release

\$ 130,000

Remaining Equity Position

\$ -

Final position against existing asset

Existing Loan

\$ 350,000

Investment Equity Release Loan

\$ 130,000



The first thing that we're looking to do in this sort of scenario is determine what your usable equity is.

The usable equity is essentially how much you can borrow under one of your existing assets. In most cases, the existing asset would be the owner-occupied home. However, an existing investment property can also be used.

In order to run through an example of how this works, we will need to make some assumptions regarding property values, interest rates and other relevant market factors, which are all outlined in each section.

For the purpose of this example, we're going to be using a home worth \$600,000.

80% of \$600,000 is \$480,000, and let's assume the existing home mortgage is \$350,000.



To calculate the usable equity, we look at the value of the home (\$600,000) and deduct 80% of the existing home mortgage (\$480,000), leaving us with \$130,000 in usable equity.

What this means is in addition to what you currently owe on your home, you can borrow an extra \$130,000 which equates to the full 80%.

In this scenario, we are looking to transform the equity within the home into cash, and use that cash to pay for the 20% plus costs that we will need to purchase the investment property.



Let's look at the investment property now, and refer to the table below when doing so. We will assume the investment property purchase price is \$500,000. And since it's for investment purposes, a bank will lend us up to 90%.



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Investment Purchase Price

\$ 500,000

Money bank will lend you at 80%

\$ 400,000

Remaining 20% Required

\$ 100,000

Stamp Duty

\$ 7,000

Solicitor Costs

\$ 3,000

Buffer

\$ 20,000

Total Amount Required

\$ 130,000



Since we've got a substantial amount of usable equity within our home, all we need to do is take out an 80% loan worth \$400,000.

And if we are taking out an 80% loan then we need to come up with 20% which is \$100,000.

Now, your stamp duties might cost you \$7,000, your solicitor costs might cost you \$3,000, and we want to build in a little bit of a buffer which we'll explain later.

Our final position then shows the existing home loan of \$350,000 and an investment equity release loan of \$130,000.

Final position against existing asset

Existing Loan	\$ 350,000
Investment Equity Release Loan	\$ 130,000



This \$130,000 goes towards your 20% plus costs, leaving an 80% loan of\$400,000 for the investment property.

Essentially, what we've done here for a \$500,000 investment property purchase is we have borrowed all up \$530,000, comprising your \$130,000 deposit and costs and \$400,000 purchase.

So essentially, we've borrowed more than 100% of the purchase price of the property but we've split it over our two properties.

We've got our 80% coming from the investment and our 20% plus costs coming from our home.

Final position against new investment

Investment loan	\$ 400,000
Total Lending for New Investment	\$ 530,000



How to Structure the Investment Property

The reason why we look to structure it like this is we want you to have two properties on two separate stand-alone titles, and we don't want them to be cross collateralised in any way.

Cross collateralising refers to the concept of using your existing asset as collateral for your new asset. We would like to avoid that at any cost because if anything happens to you or your investment property, we want to make sure that your home is safe.

Another reason why we look to structure it like this is we can build in that buffer that we mentioned earlier.

What we'll be doing now is going into a real life scenario and breaking down some figures for you.



We now have our equity release \$130,000 investment loan, and the \$400,000 home loan at 5% interest only.

Loan Amount | Type | Rate | Monthly

\$130,000 - Interest Only - 5.00% - \$542

\$400,000 - Interest Only - 5.00% - \$1,667

Total Monthly Repayments: \$2,208

The reason we're looking at something that's interest only is because we want you to prioritise paying off your home debt first - that's the debt that really ties you down. Whilst it does put a roof over your head, that's the only benefit you're receiving from it.

Your investment loans are generating tax deductible, so there's no point paying down the investment loan. We should keep our investment loan repayments at an absolute minimum to maximise the loan repayments towards our own home.

Let's assume we're getting \$550/wk in rent or \$2,383/month, less investment expenses, Council



Rates and your loan repayments. This leaves a monthly deficit of \$242 a month.

I.P Income/Costs	Weekly Amount	Monthly Amount
Weekly Rental Income	\$ 550	\$ 2,383
Investment expenses (7%)		\$ 167
FIXED Fee - Rates etc.. Average		\$ 250
Repayments (investment loan)		\$ 2,208
Total		-\$ 242

In this example we can also assume we're saving an extra \$10,000 a year in tax.

If you're doing a tax variation where you get your tax back throughout the financial year, you can divide that \$10,000 a year in tax savings by twelve months, giving us an extra \$833 per month.

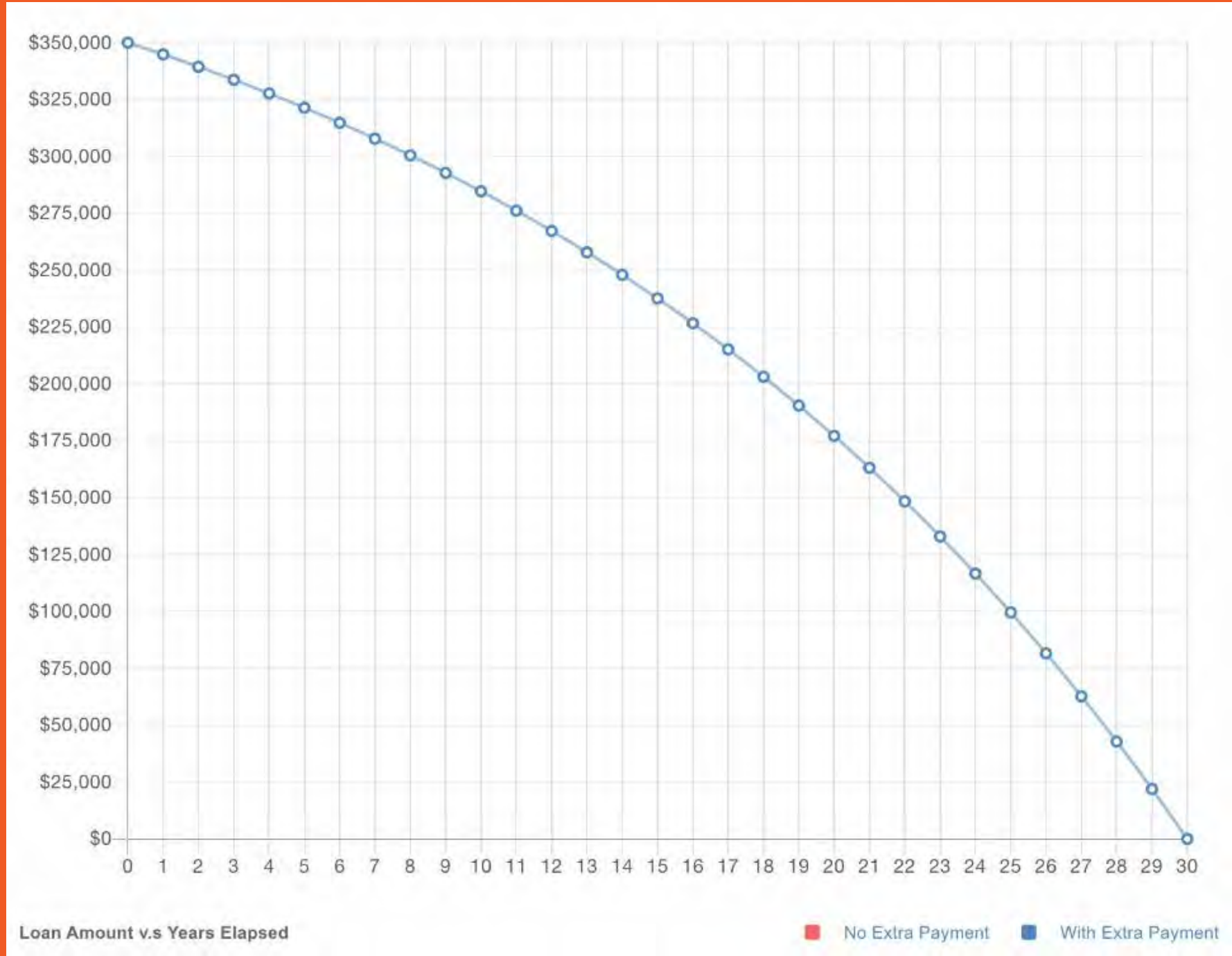
Breakdown:	(per month)	(per year)
Rental:	-\$ 242	-\$ 2,902
Tax:	\$ 833	\$ 10,000
Refinance		\$ -
Surplus:		\$ -



We now have an extra \$592 per month or \$7,098 per year that we can put towards paying off the home.

Summary	(per month)	(per year)
TOTAL (Yearly)		\$7,098
TOTAL (Monthly)	\$592	
TOTAL (Fortnightly)	\$273	
TOTAL (Weekly)	\$137	

Let's see what this does to our loan repayments.





So here we've got our \$350,000 home loan. For the purpose of this example, we've got a 30 year loan term at a rate of 5%.

If we go to our table view, the second last column is the interest that you would pay over the life of the loan.

Over 30 years on a \$350,000 loan at 5%:

Total interest paid: approximately \$326,395

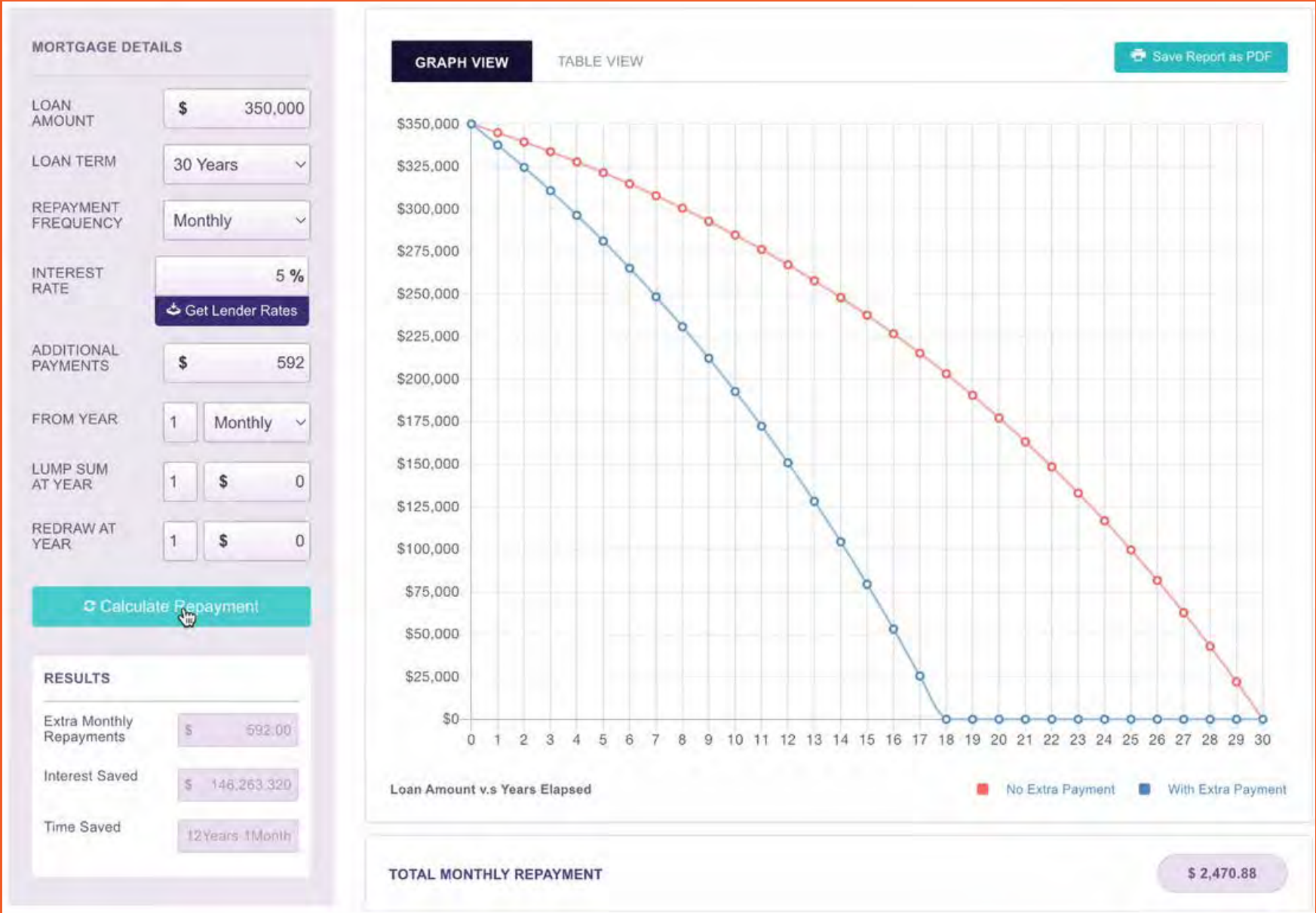
Monthly repayment: \$1,879

Year 30 Month 1	1,878.88	1,787.43	91.45	329,839.86	325,887.75	20,160.14
Year 30 Month 2	1,878.88	1,794.88	84.00	331,634.74	325,971.75	18,365.26
Year 30 Month 3	1,878.88	1,802.35	76.52	333,437.09	326,048.27	16,562.91
Year 30 Month 4	1,878.88	1,809.86	69.01	335,246.96	326,117.28	14,753.04
Year 30 Month 5	1,878.88	1,817.40	61.47	337,064.36	326,178.75	12,935.64
Year 30 Month 6	1,878.88	1,824.98	53.90	338,889.34	326,232.65	11,110.66
Year 30 Month 7	1,878.88	1,832.58	46.29	340,721.92	326,278.95	9,278.08
Year 30 Month 8	1,878.88	1,840.22	38.66	342,562.14	326,317.61	7,437.86
Year 30 Month 9	1,878.88	1,847.88	30.99	344,410.02	326,348.60	5,589.98
Year 30 Month 10	1,878.88	1,855.58	23.29	346,265.60	326,371.89	3,734.40
Year 30 Month 11	1,878.88	1,863.32	15.56	348,128.92	326,387.45	1,871.08
Year 30 Month 12	1,878.88	1,871.08	7.80	350,000.00	326,395.24	0.00



We're going to be paying \$326,000 in interest, which is quite significant.

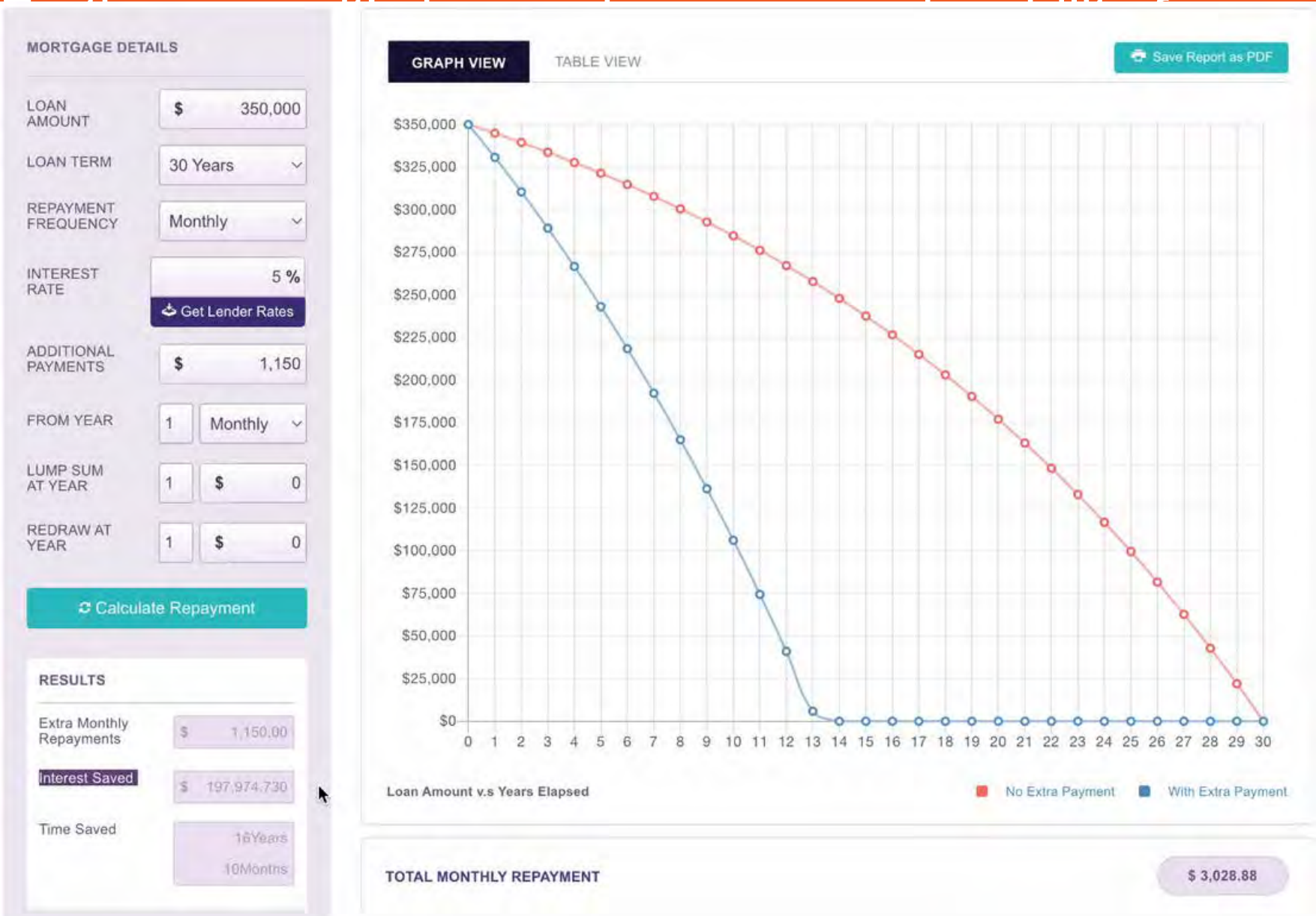
But now we've got an additional \$592 that we can put towards our owner-occupier loan.



So instead of paying the home off in 30 years, we'll pay it off in 18 years. And the interest saved is going to be close to \$150,000, which is with just the one investment property.



By paying down your owner-occupier debt quicker, you're increasing your usable equity quicker so you can utilise this process over and over again.



If we're able to consider our second investment property sooner, we can assume our monthly surplus would increase to approx. \$1,150, which will further reduce the term to 14 years, saving close to \$200,000 in interest.



Now the beauty about what we're doing here is we're achieving two goals.

Firstly, we're paying down our owner-occupier debt quicker. Our owner-occupier debt is our bad debt, our bad debt that really ties us down.

Secondly, by paying down our own occupier debt quicker, we're therefore increasing our usable equity in our property so we can utilise this process over and over again.

We can then build ourselves a portfolio to a point where we're able to retire comfortably and be assisted through the rental income or passive income during retirement.



How to buy the right type of Property

You also need to ensure that you have a tax effective investment - and from 1 July 2027, the type of property you choose matters more than ever. Under the 2026 Federal Budget changes, negative gearing for residential property is being limited to new builds.

Purchasing a newer investment property therefore not only delivers the depreciation benefits that help you get more tax back throughout the year, but is now the only residential property type that retains full access to negative gearing and the option of the 50% CGT discount.

Whilst new Properties typically allow for maximum depreciation benefits which helps to reduce the holding cost of an Investment Property, you also need to consider the capital growth potential of a property.

Whilst properties in established inner suburban areas may appear to provide greater capital appreciation possibilities, the reality is that you will always pay a premium for any property in an established area.



New properties in outer growth areas will invariably provide both the depreciation advantages and capital growth prospects typically not found in the inner suburban and more established areas.

The reason for this is that the outer growth corridors of any major city do not yet have the infrastructure that the inner suburban areas enjoy. However, most of these areas see enormous infrastructure projects like train stations, roads, schools, childcare centres etc being worked on, and these are the factors that typically lead to high capital growth opportunities.

As an example, in the past 5 years we have seen enormous growth in the western suburbs of Melbourne. Our clients were purchasing 4 bedroom homes for between \$300,000-\$325,000, and most of these properties are now worth in excess of \$500,000.



How to get your Tax back

We also need to ensure that we use a tax variation rather than waiting until the end of financial year to get that tax back.

A Tax Variation, or PAYG Withholding Variation, allows you to adjust the tax which is deducted from your pay each pay cycle.

This ensures that you receive this extra money in your pay packet throughout the year, rather than having to rely on a tax refund at the end of the financial year.

Importantly, the 2026 Federal Budget changes to negative gearing and CGT do not remove or restrict PAYG Withholding Variations, depreciation deductions, or any of the other tax mechanics described in this guide. For new build investment properties, all of these tools remain available in full.



How to Protect yourself?

You also need to understand how to protect yourself from any risks associated with owning an investment property.

There are insurances for things like this; if a tenant leaves early, or a neighbour's kid whacks a cricket ball over the fence and goes through one of your windows, you've got insurance to help cover this.

But we need funds immediately because sometimes the insurance payments can take a little bit of time to process, and this is where the buffer fund comes in. Having those funds there for a rainy day that you can access immediately helps cover you in the meantime, while you're waiting for that insurance money to come in.



How can an Expert help you?

One of the big reasons you might want to get some expert advice comes down to time. Many people do not have the time, or the capacity, to go out and research all the different areas and then try to decipher what's right, what's wrong, and what's a complete waste of time.

The other factor is mistakes. Making mistakes is something we don't really want to do, sometimes it's unavoidable, but most people are looking at these things a little bit later in life, and that is giving them less time to make mistakes.

Lastly, it's for free. Our strategy sessions are free, most of our planning and meetings are free, and in fact most of our services don't cost our customers anything.



To give you a quick example, we do make money as a company but that would be on something like the back end.

If we were to help with a refinance and find a better interest rates and restructure the loans more effectively, we make our money from the banks.

At Freedom Strategy, we help everyday Australians accomplish these types of things on a daily basis. We show people how to utilise their taxes more effectively to put into investment strategies, and we try to structure this in such a way that helps them pay off their mortgage faster.

We look at this as our number one priority.

We want to make sure that our customers are debt free as soon as possible, so that leading into retirement, they're going to be in a much better position financially.



Now as a part of our team we've got finance experts who specialise in loan structuring, refinancing, and investment lending. We have strategy consultants who specialise in tax, retirement and investment strategy. We also have Financial Planners who look at superannuation, risk management and insurances.

We look at your situation from a holistic point of view, from multiple angles in order to determine what is the best option or options for you to ensure you achieve the goals that you need to.

If you've already started your investment journey and feel like you're flying blind and haven't set up a structure correctly, or even if you haven't done anything yet and you would like to get your foot in the door and implement some of these strategies yourself, we run our free strategy sessions Monday to Friday over Zoom.

These strategy sessions typically take 30-45 minutes and allow you to understand what your options are, and are completely obligation free.



What to do next

If you would like to discuss your options with one of our consultants, please call us on (03) 9192 9955 or complete the form below and email info@freedomstrategy.com.au

With the 2026 Federal Budget changes taking effect from 1 July 2027, now is a particularly good time to review your strategy. We can walk you through exactly how the changes affect your situation, and how the new rules can be used to your advantage when investing in new build properties.

NAME:

EMAIL:

PHONE:



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