Hurdle Rate Worksheet

Does your expected after-tax return clear the after-tax cost of the loan?

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Your Numbers

A. Investment loan rate	% a year, illustrative	**B. Marginal tax rate incl. Medicare**	% from the table
C. After-tax cost of borrowing	A x (1 - B). The after-tax hurdle	**D. Expected income yield**	% a year, before tax
E. Expected growth	% a year	**F. Rough after-tax return**	D x (1 - B) + E
G. The gap	F - C		

2026-27 Resident Marginal Rates

Taxable income	Tax rate	Incl. 2% Medicare
$18,201 to $45,000	15%	17%
$45,001 to $135,000	30%	32%
$135,001 to $190,000	37%	39%
Over $190,000	45%	47%

Worked Example

Line	Illustrative rate	On $100,000
A. Loan rate	6.00%	$6,000
B. Marginal rate	39%	
C. After-tax cost	3.66%	$3,660
D. Income yield	4.00%	$4,000
E. Growth	3.00%	$3,000
F. After-tax return	5.44%	$5,440
G. Gap	1.78%	$1,780

Reading the Gap

Comfortably positive, with a long horizon: the maths supports the strategy. Thin or negative: paying down the home loan may serve you better.

Line F ignores franking credits, which lift it, and tax on growth when you sell, which lowers it. Your tax agent can refine it. The example is illustrative only, not a quote or forecast.

The online calculator shows the same test as a pre-tax break-even return, so its figure sits above line C: debtrecyclingloans.com.au/hurdle-rate-calculator/

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