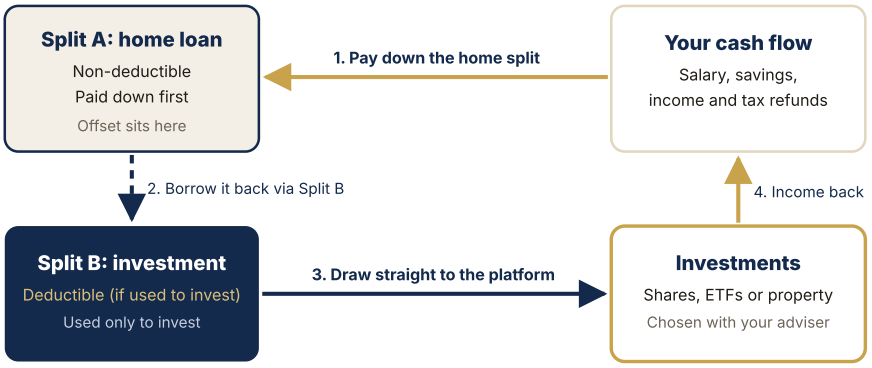
How a Debt Recycling Loan Is Structured

Two splits, one offset, one portfolio, and the direction every dollar moves.

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Reading the Diagram

Split A is the home loan: non-deductible debt, with your offset linked to it. Every spare dollar goes here.

Split B is the investment split: borrowing used only to invest, drawn by redraw straight to your investment account.

Both sit against your home as security, with separate account numbers. The ATO looks at what borrowed money was used for, not what secures it.

How the Money Moves

1. **Split the loan.** Set up Split A (home) and Split B (investment) before any funds move.
2. **Redraw to invest.** Redraw from Split B directly to your investment account, then buy.
3. **Collect the income.** Dividends and distributions go to Split A or its offset.
4. **Add the tax refund.** Any refund from the deduction also goes onto Split A.
5. **Repeat.** As Split A falls, draw the next tranche, often as a new split.

Keep Each Split Clean

Do

- Keep the offset on Split A
- Use Split B only for income-producing investments
- Label each split by purpose and tranche
- Keep statements for every split

Don't

- Redraw Split B for anything private
- Route redraws through an everyday account
- Pay investment income onto Split B
- Merge splits when you refinance

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