THE FLOOR WORKSHEET

The return the market has to clear before investing beats paying your mortgage down.

Finance with Fred · Debt Clarity Tools · Education, not advice.

Fill in the two yellow cells. Nothing else. Everything below them calculates itself.

STEP 1 · YOUR TWO NUMBERS

Your note rate	**6.50%**	The rate printed on your note. Not what you remember.
Your long-term capital gains rate	**15.0%**	0%, 15%, 18.8% or 23.8%. Pick from the table on the right.

0%	under $98,900 taxable married / $49,450 single — or a retirement account
15%	the common case
18.8%	15% plus the 3.8% net investment income tax
23.8%	20% plus the 3.8% net investment income tax

STEP 2 · WHAT HAPPENS TO YOUR RATE

Your note rate, as written	6.50%	Where everybody starts, and stops.
The monthly-compounding step	0.20%	Your loan charges monthly. A market return is quoted yearly.
Your rate, compared like for like	**6.70%**	This is the true pre-tax floor. Already above your note.
The tax step	0.58%	Interest you never pay is untaxed. A gain is not.

YOUR FLOOR

7.3%

READ IT LIKE THIS

Below 7.3%, the extra money does more good on the loan. Above it, the market was worth it. Your note rate (6.5%) was never the line — it sits 0.78 points below it.

STEP 3 · TWO THINGS THAT MOVE YOUR FLOOR, AND ONE THAT ENDS IT

If your rate starts with a three	Not you — your floor is high enough that the argument is real.
If your mortgage interest is really deductible	Your floor falls, sometimes a long way. Interest only starts working after your other itemised deductions clear the standard deduction. Read your own return before you believe anybody about this.
If your employer matches any of it	The match wins. Neither side of this floor beats free money. Fill that first.
If you have no cash cushion	Build that first. A house you cannot eat is not safety. And a card charging more than 7.3% goes before either.

AND THE ONE THE ARITHMETIC CANNOT ANSWER

If the market fell hard the month after you moved that money — could you still make the payment, and could you still sleep? If both answers are yes, your floor is just arithmetic, so go and solve it. If either one is no, your floor is not really the number above, whatever the sum says, because you would sell at the bottom. A constraint belongs in the calculation.

Education, not advice. Fred is not your advisor. Your own note, your own return, and somebody licensed are the last word on it.

debtclaritytools.com · The Payoff Planner Pro does all four of the questions this page raises, on your own numbers.