

How helping the planet can help your wallet

A growing number of Australians are realizing an investment in solar energy is not just a good environmental decision; it's also a sound financial investment.

Consider these trends: The cost of solar power has dropped 58 per cent in five years, and may fall another 40 to 70 percent by 2040. The average annual bill for households with 3 kW solar panel systems is estimated to be about half of the bill for those households that do not use solar panels for their power.

Clearly, if you want to install solar panels on the roof of your home or business, it's a good time to jump on the wagon. But which investment is right for you?

How to invest?

- **Capital Purchase**

What it is: If you have the capital, you could purchase a solar panel system outright. While the size and the types of components vary, the average cost of a 5kw system is around \$6,000. Government subsidies may reduce this cost further.

Pros: You'll have few running costs, and when you sell your property later a solar system can increase its value. Additionally, you'll start saving money on power from the start, meaning you'll eventually recoup the cost of the initial investment - an investment that's also tax deductible.

Cons: You have to maintain the system yourself, which can be hard. You also need to double-check your chosen system's performance because figures can be overstated. Otherwise you could end up with a slower return on your investment. Also, make sure to keep track of the government rebate program. The Australian Competition and Consumer Commission recently recommended it be abolished by 2021.

- **Pay As You Go Solar**

What it is: With a Power Purchase Agreement (PPA), you can install a solar panel system without the upfront capital cost.

Pros: The energy company will install everything, and you commit to pay for the units of power that you produce at an agreed-upon rate for a fixed period of time. This rate is usually lower than the market rate for power from the grid. You also save money by using less power from the grid, and through feed-in-tariffs or rebates. Once you pay off the cost, the energy company will give you the system for free. It will also look after the system for you for as long as the agreement is in place. It's also tax deductible.

Cons: If you move, you'll need to do a buyout at a lower rate or transfer the contract to the next resident. Make sure your system is not too large, or you could end up paying for electricity you're not using.

- **Lease/Chattel Mortgage**

What it is: If you don't have the money upfront, you can take a business loan, a chattel mortgage, or equipment lease. In all cases you're borrowing money that you need to repay monthly with a fixed interest rate.

Pros: If your lease or loan has a long term, your monthly payments can be lower than the savings from your power bill. It's tax deductible, and your payments are fixed. Interest tends to range between 6 and 7 per cent.

Cons: You may have to do your own maintenance. If the system isn't working as expected, or not generating the anticipated savings, you're still obligated to make your payments. If the money you save from using less grid power is less than your monthly payments, you will have to wait until you repay the loan before you realize any savings.

Help the planet, help your wallet

If you decide to go solar with any of these options, you should be able to recoup your investment quickly through energy savings and financial incentives.

Energy consumers are clearly taking advantage of this investment opportunity in droves. More than 3 million solar panels were installed on Australian residential rooftops in 2017 alone, while nearly half of large Australian businesses are transitioning to renewable energy. Australian businesses are now generating twice as much solar power than just two years ago. Overall investment in renewable energy in Australia jumped by a record 147 per cent to \$8.5 billion in 2017. Of this, \$4.9 billion was invested in solar energy.

As we move toward a more sustainable future in all aspects of life, we're also seeing the financial benefits. Using solar energy isn't just a lifestyle choice; it's a financial investment -- and a sound one at that.