

Rant #7 - You Can't Force a Horse to Drink

People never fail to amaze me in this world. It is quite amazing how illogical people can be.

As you all may recall, I recently wrote about [the analysis and decision I made to go solar](#)...it was a no brainer.

Well, anytime I get excited about something, I naturally share that excitement with others. I pretty much become an evangelist.

My wife and I were having dinner one night a few weeks back catching up with her parents. They had just returned from a month long road trip.

I had brought up the fact that we had decided to go Solar while they were gone. They were immediately interested, so I proceeded to tell them everything I had learned over the past 6 weeks of research before I finally signed the dotted line.

Of course I also shared how fabulous the numbers penciled out.

My in-laws were shocked at how cheap it actually was. This was mostly because my wife's grandfather had installed solar way before it had gone mainstream, and it put him back about \$100K (\$60K after the tax credit). But that was years ago.

A long story short they said they were interested in getting a quote to see how it would pencil out for them.

While still at dinner, I did the back of the napkin math, and told them that since my system was about \$15K (before the tax credit), that their system would need to be about 3X the size. Their house is 2X the size of ours, plus they have a 3,000 sqft workshop and a pool.

Knowing that there were some price breaks for bigger systems, I estimated the cost of their system at \$40K (or about \$28K after the federal tax credit).

I Set Them Up With the Solar Rep to Get a Quote

The rep came out and collected the information he needed in order to give my in-laws a quote to go solar. The numbers I had given them were in the ball park. The cost of their system would be \$42K before the tax credit and \$29K after the tax credit.

They really didn't want to outlay the cash up front to purchase the system (but they did want to own it), and I actually encouraged them to hold onto the cash and consider the financing option that I did (20 years at 5.645%). At the time they said they were open to it if it was cheaper than what they were currently paying to the Electric Company. I explained to them the NPV and IRR of my deal for an outright purchase vs. financing. They nodded their head, but I am still not convinced they understand it.

Anyways, Chris (the solar rep) set up an appointment to meet with them and got their last 12 months of usage and bills to design the right system for them. At the end of it all, it was determined that their average monthly bill landed at \$320/month (or about \$3,840 year).

Since Chris knew they did not want to outlay the money upfront for Solar he presented the 3 options they had:

- Option 1 SCE - pay \$320 per month plus rate increases forever to the electric company
- Option 2 purchase system (with 20 year financing) pay \$273 fixed for 20 years and keep \$11,680 (from Federal tax credit)
- Option 3 purchase system pay (with 20 year financing) \$191 fixed for 20 years if you use the tax credit of \$11,680 toward the purchase.

You will notice that option 1 is to not go solar and stick with the electric company. With options 2 & 3 it assumes going solar with no upfront out of pocket expense and 20 year financing. And they would be saving money from day 1 (with either option 2 or 3). In option 3 they would pass their tax credit on to the solar company and it would be applied towards the purchase price, thus lowering their monthly electrical cost.

We went over the analysis after Chris left and at the time they confirmed that they were ready to move forward with option #2. This would allow them to save about

15% a month on their current electrical bill, and they would pocket the tax credit for other projects they are working on.

But then they changed their minds...

All of a sudden I get an email from Chris saying that they had changed their mind.

What could have happened between last week and today?

I spoke with them recently to find out why they had changed their mind. They explained to me that they did want another financial obligation that was taking money out of their pocket. And at their age it didn't make sense to finance it for 20 years.

OK...

I then proceeded to explain to them that it was essentially a FREE lunch, and those don't come around too often. By going the financing route they were able to secure a productive asset that immediately saved them 15% a year based on their current usage (more money stays in their pocket). Then I thought maybe they were confused and thought they would pay the \$273/month on top of their average \$320/month to the electric company. But they said they understood that with solar their electricity bill would go away.

Instead of risking coming across as condescending, I just calmly said that they had to do what they felt was best for them. And if they were not comfortable making the decision to go solar with financing that I wasn't going to talk them into anything they didn't want to do.

But in my head all I could think is WTF!!!

What I wanted to say but didn't

So, your telling me that you have no interest in saving 15% a year on electricity costs (more if/when rates go up), and a FREE \$12K from the government???

Are you nuts?

They said they don't want to be committed to the monthly payment of \$273 for 20 years (effectively \$224, when you account for tax credit, with option #2), especially

at their age.

Good...I am not the only one confused...so instead they would rather pay \$320/month plus whatever rates increase.

Do they not understand the simple math? Last time I checked \$320 is greater than \$273. And as long as they want electricity they will still need to pay the electric company.

My head hurts thinking about this.

I even went as far as explaining to them that they don't have to finance it over 20 years. There was no pre-payment penalty. They could even apply the tax credit towards the purchase and finance a lesser amount with option #3, and they would be paying \$191/month (almost half of what they currently pay).

After that I just dropped it. Sometimes people make absolutely no sense.

Am I missing something? Does their logic make sense to you? There are some mysteries in this universe that may never be solved. What's funny is that they were more than okay carrying a credit card balance and paying 19% interest...but they were not open to paying interest on something effectively put more money in their pockets.

- Gen Y Finance Guy



Gen Y Finance Guy

Hey, I'm Dom - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little

corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able to learn from me - both from my successes and my failures! [Read More](#)