

Office for Financial Success – Financial Tip of the Week
A service of the Personal Financial Planning Department
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Energy Entrepreneur

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In these economic times, finding a safe and productive place to save or invest our money is challenging. However, while this is a little dated, research done at the Lawrence Berkley National Laboratory in 2001 demonstrated that 10 common home energy efficiency improvements (investments), including appliances, can result in a 16 percent average annual return. To put a 16% return in perspective - it is better than the Dow Jones Industrial Average performance of 14% for the “go-go” years of 1990 to 1997. Importantly, by investing in the efficiency of our home and home appliances, we can realize returns that are safe, tax free, totally in our control, as well as being profitable. Besides, the money we save is able to be added to our retirement plan, our educational plan, used to reduce indebtedness, or to realize any one of our many goals.

So, what is the Energy Entrepreneur Top-10 List?

1. Changing lights to new fluorescent lamps and fixtures averages a return of 41 percent. (Consumers have been slow to adopt to these lamps, although the evidence in their favor is overwhelming. Watch for sales or a special promotion by your local utility company.)
2. Sealing heating and cooling ducts averages a return of 41 percent. (Air leaks are everywhere in your home. While some ventilation is a must for protection from molds and radon, focusing on the most common problem areas for lost air will cause no ill effects.)
3. Upgrading to Energy Star when replacing a clothes washer averages a 37 percent return. (Consider the new energy and water efficient upright Energy Star washers and dryers.)
4. Upgrading to an programmable thermostat has an average return of 30 percent. (Raising the temperature a few degrees in the summer and lowering it a few degrees in the winter can add considerably to these savings. If you’ve a sweater, wear it. If you’re sweating, take a break and have a nice glass of ice water.)
5. Installing an R-12 water heater insulation jacket averages a 28 percent return. (You wouldn’t want your water heater to be improperly attired, would you?)

6. Upgrading to Energy Star when replacing a refrigerator averages a 37 percent return, assuming the old one is no longer used. (If you keep the old one for storing that extra case of soda, the moldy meatloaf, or the egg-salad that smells like a sulfur spring, forget the savings and remember to buy some baking soda.)
7. Upgrading to an Energy Star heat pump when replacing the furnace and air-conditioning system, averages a return of 19 percent. (Make sure you plan to live in the house long enough to reap the savings or that your market prices for homes reward the installation of a heat-pump.)
8. Upgrading to Energy Star when replacing a dishwasher results in an average return of 18 percent. (Using fewer dishes or running the dishwasher without the heat element can save even more money.)
9. Weatherizing and sealing the home to limit air changes to less than 0.5 per hour has an average return of 9 percent. (Be careful to not overly seal your home and add the problem of excessive condensation to your list of issues.)
10. Increasing wall and attic insulation to 1997 Department of Energy recommended levels has an average return of only eight percent. It does, however, represent the greatest dollar savings – but insulation is also the most costly change. (As energy prices rise, so will the return on insulation. Of course, buying home improvement items during a housing market slow-down is like buying your new lawnmower in October – it will cost much less.)

It is important to remember that the Lawrence Berkley study used 1997 costs. In the twelve years since that study, fuel costs have increased and the cost of many technologies have dropped, as well as new and better technologies have been introduced. That means a person can realize an even greater return on wise energy saving investments. Other opportunities can be realized by taking energy efficiency tax credits and utility rebates. For a list of the current energy tax credits look [here](#).

The conclusion is very simple. An investment ranging from several hundred to several thousand dollars can have a very good return. While your return may vary from those found by the Berkley Lab, the return will be positive and it comes with no risk. Sounds like an opportunity for financial success...and it only comes in one color, “green”.

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