

From The Desk Of...

Gary Jarvis - Vice President



To Hybrid OR not to Hybrid?

Do it for the environment.

As gas prices continue to linger around the three dollar mark, consumers are still asking themselves; "To Hybrid or not to Hybrid?" My hope with this article is to open up the discussion needed prior to leaping into a hybrid vehicle with anticipation in saving thousands of dollars in your fuel costs; in fact it is the contrary.

We've got a lot of ground to cover, so this article may seem to be a tad dry at times as its jammed packed with financial calculations to get to the bottom of this money saving proposition. To get my facts straight I called a number of local dealerships to get the exact price you would pay for each vehicle used in these comparisons; all Hybrids are priced at full MSRP or above depending on demand per vehicle. Secondly, every loan calculation is based on a six-year term and SLECU's current new car interest rate of 5.99% apr – considering we currently offer the lowest rate in town anyway.

Lastly before we get started and to be fair, first I concentrated on the mileage chart provided in the NADA book to find an annual mileage traveled for each comparison. That didn't work because NADA calculates an annual mileage of just 13,800 or 1150 miles per month. That's exactly what I drive to and from work everyday with no other stops and no weekend driving what-so-ever. In order to be more realistic all vehicle comparisons will be calculated at 18,000 miles annually or 1500 per month. Additionally, to calculate gas used per month and year, I used the local current regular gas price of \$3.09 per gallon for all comparisons.

In our first head-to-head comparison is the most popular Hybrid – Toyota Prius.

	Payment	Total loan with interest	Gas	Total cost over 6 yrs
07 Toyota Prius	\$435.28	\$31,331.89 +	\$6,015 =	\$37,346.89
07 Toyota Corolla	\$288.94	\$20,798.75 +	\$9,816 =	<u>\$30,614.75</u>
		Negative difference -		<u>\$6,732.14</u>

Monthly gas used:

Corolla \$136.34 \$6,732.14 divided by gas savings \$52.79 = 127.53 months
 Prius \$83.55 127.53 months divided by years = 10.63 years to break even
 Savings + \$52.79

In the above comparison you would have to drive your new hybrid car an additional ten years after your six year loan was paid in full in order to breakeven in a cost analysis against the same year Corolla. Why the Corolla? The dealer told me this was the very next closest vehicle compared to the Hybrid in comfort.

According to the Toyota dealer, the closest to the Prius in a gas comparison is the Yaris

	Payment	Total loan with interest	Gas	Total cost over 6 yrs
07 Toyota Prius	\$435.28	\$31,331.89 +	\$6,015 =	\$37,346.89
07 Toyota Yaris	\$268.90	\$19,355.02 +	\$9,144 =	<u>\$28,499.02</u>
		Negative difference -		<u>\$8,847.87</u>

Monthly gas used:

Yaris \$127.00 \$8,847.87 divided by gas savings \$43.55 = 203.17 months
 Prius \$83.55 203.17 months divided by years = 16.94 years to break even
 Savings + \$43.55 This Hybrid will take 23 years to make this purchase payoff.

Saving \$3,152 at the pump with the Camry will cost you \$7,200.76 more at purchase!

07 Toyota Camry Hybrid	\$495.02	\$35,632.55 +	\$8,559 =	\$44,191.55
07 Toyota Camry SE 4d	\$375.98	\$27,063.13 +	\$11,711 =	<u>\$38,774.13</u>
		Negative difference -		<u>\$5,417.42</u>

Monthly gas used:

Non Hybrid \$162.66 \$5,417.42 divided by gas savings \$43.78 = 123.75
 Hybrid \$118.88 123.75 months divided by years = 10.32 years to break even
 Savings + \$43.78 Great car – the non Hybrid is still a better purchase.

When contacting the Honda dealer they stated that the Honda Civic Hybrid was by far their most popular selling vehicle and that they cannot keep them in stock. Let's take a look at two different Honda Hybrids versus the same model in their respectful class.

	Payment	Total loan with interest	Gas	Total cost over 6 yrs
07 Honda Civic Hybrid	\$428.82	\$30,867.27 +	\$6,674 =	\$37,541.27
07 Honda Civic EX 4d	\$343.20	\$24,703.51 +	\$9,536 =	<u>\$34,239.51</u>
		Negative difference -		<u>\$3,301.76</u>

Monthly gas used:

Non Hybrid \$132.44 \$3,301.76 divided by gas savings \$39.74 = 83.09 months
 Hybrid \$92.70 83.09 months divided by years = 6.93 years to break even
 Savings + \$39.74 13 years later your Hybrid would have 234,000 miles.

	Payment	Total loan with interest	Gas	Total cost over 6 yrs
07 Honda Accord Hybrid	\$571.02	\$41,103.05 +	\$10,594 =	\$51,697.05
07 Honda Accord EX 4d	\$475.32	\$34,213.89 +	\$13,623 =	<u>\$47,836.89</u>
		Negative difference -		<u>\$3,860.16</u>

Monthly gas used:

Non Hybrid \$189.21 \$3,860.16 divided by gas savings \$42.06 = 91.78 months
 Hybrid \$147.15 91.78 months divided by years = 7.65 years to break even
 Savings + \$42.06

Giving the Hybrid a fair analysis, I did a side-by-side comparison of all four Hybrids used in this article so they could boast about their claim to fame; environmentally friendly and gas mileage. Cost over the life of the six year loan and the least cost at the pump goes to the Toyota Prius, directly followed by the Honda Civic by just \$195.38. If size, comfort and a hybrid are in your site you're going to pay for it; the Toyota Camry will cost you \$6,650 over the two previous mentioned Hybrids and the Honda Accord will cost you a whopping \$14,156.

My final analysis: If the Federal Government really wants consumers to buy Hybrids to conserve oil resources and our environment over time they should allow every Hybrid purchase to be a direct deduction from their taxable income over a five year period as long as they own the car. With the help of my personal accountant of 22 years, we calculated the tax savings for two income brackets with standard deductions for a family of four. We used an average cost of all four Hybrids at \$29,150. Here are the results. This is only a Hypothetical scenario.

\$45,500 - taxes owed NO Hybrid - \$2397.50 with Hybrid deduction - \$1535.00 = \$862.50 savings

\$75,000 - taxes owed NO Hybrid - \$6822.50 with Hybrid deduction - \$5945.00 = \$877.50 savings

If you take the average savings for two scenarios of \$870 and times it by the five years you would be able to depreciate your purchase, that \$4,350 would help take the sting out of purchasing a Hybrid vehicle. This may put more Hybrids on the road now, which would someday filter down to be a used vehicle where even more consumers could afford to have one in their driveway someday.

Gary Jarvis
 gary@slecu.org

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