

## Cost of Fuel for your Vehicle

To determine if it will save money to replace your vehicle with one that gets better gas mileage, start by finding the miles per gallon for your car and for the vehicle you are interested in purchasing. Then estimate the total number of miles you drive every month. When you have these numbers it is time to do the math to see how much, if any, you will save.



Fill in the blanks in the table. The top line is for the vehicle you own and drive now. Divide the estimated total miles you drive each month by the miles per gallon your vehicle uses (either calculate or use EPA estimates). This gives you the approximate number of gallons of fuel used to drive that distance. Multiply the number of gallons used by the price per gallon for the fuel used for your current vehicle.

Now calculate the amount of money you would spend on fuel for a vehicle you are considering buying by following the same steps. Fill in the second line with information for the vehicle you are considering.

Subtract the total of the second line from the total of the first line to show the amount of money saved per month on fuel for your vehicle.

| <b>example</b>  | <b>Total miles driven per month</b> | <b>÷</b> | <b>miles per gallon</b> | <b>x</b> | <b>fuel price per gallon</b> | <b>=</b> | <b>total cost of fuel per month</b> |          |
|---|-------------------------------------|----------|-------------------------|----------|------------------------------|----------|-------------------------------------|----------|
| Current vehicle                                       | 750                                 | ÷        | 15                      | x        | 4.52                         | =        | \$226                               |          |
| New vehicle   | 750                                 | ÷        | 47                      | x        | 4.52                         | =        | \$ 72.15                            |          |
| Subtract to show amount saved per month on fuel costs |                                     |          |                         |          |                              |          |                                     | \$153.85 |

Use this chart to figure your fuel costs:

|   | <b>Total miles driven per month</b> | <b>÷</b> | <b>miles per gallon</b> | <b>x</b> | <b>fuel price per gallon</b> | <b>=</b> | <b>total cost of fuel per month</b> |
|---|-------------------------------------|----------|-------------------------|----------|------------------------------|----------|-------------------------------------|
| Current vehicle                                       |                                     | ÷        |                         | x        |                              | =        |                                     |
| New vehicle   |                                     | ÷        |                         | x        |                              | =        |                                     |
| Subtract to show amount saved per month on fuel costs |                                     |          |                         |          |                              |          |                                     |

Now that you know the amount of money you would save by switching to a vehicle that gets better gas mileage, it is time to look at whether the amount of money that can be saved on fuel would be enough to cover the costs of purchasing a different vehicle.

Find the cost of the vehicle you would like to purchase. \$ \_\_\_\_\_

If you need to finance the vehicle, figure out the monthly payment. \_\_\_\_\_

Add the cost of car insurance for this vehicle (Annual amount ÷ 12) \_\_\_\_\_

Add registration fees, licensing fees, taxes (Total amount ÷ 12) \_\_\_\_\_

Total \_\_\_\_\_

Now compare the amount of money saved on fuel by purchasing a vehicle that gets better gas mileage to the cost of the new vehicle to see if it is financially feasible. Then evaluate your reasons for purchasing a different vehicle. Factors such as concern for the environment, a need for a smaller or larger vehicle, or a current vehicle that is unsafe may be a part of your decision.



## How much will your new car cost?

When buying a vehicle, in addition to the price of the car there is the cost of borrowing money. Using a financial calculator the following formula will help you figure the cost of a car loan.

Put in the amount of money you will need to borrow: \_\_\_\_\_

Press **PV**

Put in the interest rate: \_\_\_\_\_ (current bank rates vary from 6.25% to 8.25% interest.)

Divide this by **12** (to get the interest rate per payment period, in this case every month)

Press **=**

Press **I/Y**

Determine how many payments there will be. Put in that number. \_\_\_\_\_

Press **N**

For the calculator to figure the cost

Press **CPT** then **PMT**.

This will give you the monthly payment.

The costs of running and maintaining a car will vary with the age of the car, how many miles it is driven and the type of driving that is being done (city vs. highway for example.)