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Ask the Experts: Electric Vehicles

Q: With the high prices of gas, Iâ??m considering buying an electric vehicle. But is it really cheaper in the long run than a gas-powered car?

A: Over time, yes. Although electric vehicles (EVs) are often more expensive to purchase than their gas-powered counterparts, EVs generally cost 4 cents less per mile to operate than a gas-powered car, saving you $8,000 over 200,000 miles. Eventually, your savings will outweigh your initial investment. Hereâ??s how.

U.S. gas prices have been volatile in recent months due to shortages and supply-chain issues caused by the labor crunch and the war in Ukraine. Average prices for regular gas topped $5 per gallon in mid-June, according to AAA. Although prices have dropped since, sticker shock at the pump was enough to make many people consider switching to an EV car.

When comparing electric and gas cars, you should factor in the purchase price, ongoing fuel and maintenance expenses, and any tax incentives you might get. As an example, letâ??s compare the gas-powered Lexus ES 250, which has a base price of around $41,000, with an electric alternative: the Tesla Model 3.

The Tesla starts at $47,000, so itâ??s more expensive upfront. However, assuming you drive the car for eight years, the Tesla ends up cheaper in terms of total cost of ownership. In fact, after taking into account fuel, maintenance, insurance, taxes, and other costs, the Tesla works out to be 4.8 percent less expensive according to a February 2022 analysis by the data-technology firm Atlas Public Policy.

When it comes to trucks, with their significantly higher fuel consumption, there is an even greater cost difference.

The Ford F-150, which starts at around $31,500, would really hurt the wallet the next time gas hits $5 a gallon, costing a whopping $180 to fill the optional 36-gallon gas tank. Looking at the total cost of ownership over eight years, the electric Ford F-150 Lightning, which sells for around $40,000, is much more economical, at 17.1 percent less than the gas-powered version.

In general, EVs have lower maintenance costs as well. Note though that expenses will vary depending on whether youâ??re charging at a free, public station or one with a per-minute fee or youâ??re plugging your car in at home at night, when electric rates are lowest.

Also, consider that more federal tax credits could be available to eligible EV owners in the coming years. Starting next year, the Inflation Reduction Act will remove the current cap on the number of $7,500 tax credits that are available for each auto manufacturer, meaning that popular EVs will be eligible again. However, there will be a new income cap of $150,000 per individual ($300,000 per couple) to receive the credit.

Starting in 2024, buyers will gain the ability to transfer the tax credit directly to an auto dealer. This means consumers should be able to get $7,500 off of the purchase price at the time of purchase instead of having to pay first and claim the credit on their tax filings later.

Have questions? Need help? Call the CAPTRUST Advice Desk at 800.967.9948, or schedule an appointment with a retirement counselor today.

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