



# CUBFacts<sup>Telecom</sup>

## The Facts About Prepaid Cell Phones

### What is a prepaid cell phone?

Prepaid cell phones are an alternative to pricey, 2-year contracts offered by the big wireless carriers. Prepaid plans don't require a contract or a credit check, and don't slap customers with exit or overage fees.



There are two types of prepaid plans:

**Pay-as-you-go plans** allow customers to buy packs of minutes online, over the phone, or at select retailers. To access the minutes, the caller typically enters a code into his or her phone, recharging it with a purchased amount of talk time. Typically, the minutes expire as they are used, but with some plans minutes expire after a certain period of time if the customer doesn't buy more. Each plan is different. Once the minutes are used up, the caller simply buys more.

**Monthly prepaid plans** offer a set number of minutes, texts, and data usage (Internet) each month. Customers pay the provider each month, but aren't locked into a contract, and can exit the plan at any time. Some companies, like Boost Mobile, offer monthly plans lower in price than comparable offers from large carriers, and without the 2-year agreement.

### Who should use a prepaid cell phone?

Prepaid cell phones used to be geared primarily towards consumers who don't use a lot of minutes (300 minutes or fewer a month), don't want the latest high-tech phones, don't want the hassle of a credit check, or only want a phone for emergencies. But that's changing. Prepaid companies now offer plans and phones competitive with the big five wireless carriers, so such plans are becoming better deals for a larger number of consumers.

### What companies offer prepaid cell-phone service?

Dozens of companies offer prepaid cell-phone service, including major wireless carriers, like AT&T, Verizon, Sprint, T-Mobile, and US Cellular, as well as companies specializing in prepaid service, like Virgin Mobile, Boost, and Jitterbug. For a more complete listing of companies and plans, visit [www.prepaidreviews.com](http://www.prepaidreviews.com).

### Where can I buy a prepaid cell phone?

Prepaid cell phones and minutes are sold at wireless provider stores, convenience stores and major retailers, such as

### A free cell phone?

Lifeline, a federal program funded by telecom carriers to give low-income callers access to basic phone service, has been extended to wireless. The service, marketed as SafeLink by TracFone, but also offered by other wireless companies, provides a refurbished cell phone and about 60 free minutes of calling a month. If you need more minutes, you'll pay a high rate. Customers can buy additional 60-minute calling cards for \$20 each, or 33 cents a minute. There's only one phone provided per household, and getting the free wireless service means you don't get a Lifeline discount on the landline phone. To qualify, Illinois residents must participate in one of these assistance programs: *federal public housing assistance/Section 8, food stamps, Low Income Home Energy Assistance Program (LIHEAP), Supplemental Security Income, the National School Lunch Program, Temporary Assistance for Needy Families, or Medicaid.*

Target, Walmart, Best Buy, or Radio Shack. You also order them online or over the phone.

### What plan is best?

There are hundreds of different prepaid plans and companies to choose from. Make sure to read the fine print. Some plans offer low per-minute rates but charge daily “access fees” of \$1 on up, while others charge higher per-minute rates with no access fee. Beware that with some deals, purchased minutes expire after a certain period of time if a customer doesn’t buy more. Also, check the company’s coverage map to make sure that your area has service. Visit [www.prepaidreviews.com](http://www.prepaidreviews.com) to find more information about different plans, prices, and phones.

CUB researched a handful of prepaid phone offers for low-, medium-, and high-usage callers, representative of the different types of plans available. Service quality is not taken into consideration. Keep in mind that the companies below offer a variety of calling plans.

	Company	Plan
LOW	<b>T-Mobile</b>	T-Mobile offers 30 minutes of calling for \$10, with the minutes expiring 90 days after activation. Thirty-three cents-per-minute is a bad rate, but at \$3.33 a month, this is a good “emergency phone” option. Phones begin at \$20.
	<b>Verizon</b>	One Verizon plan charges a 99 cent “daily access fee” on days the phone is used, with unlimited mobile-to-mobile calls to Verizon customers and 10 cents-per-minute calls elsewhere. Text messages cost 10 cents each. This could be a good plan for someone who doesn’t use the phone every day (avoiding the access fee), or has a lot of friends and family on Verizon’s network. Phones start at \$20.
	<b>TracFone</b>	TracFone offers 400 minutes of calling for \$100, expiring one year after purchase. While the 25 cent-per-minute rate isn’t cheap, at about \$8 a month, a low-usage caller won’t find a plan for much less. Phones start at about \$10 on up.
MEDIUM	<b>Jitterbug</b>	Geared towards seniors, Jitterbug offers an easy-to-use phone for \$99. The company’s \$40 monthly “Premium” plan includes 400 anytime minutes and unlimited night and weekend minutes, with a one-time \$35 activation fee. Minutes expire every 60 days, text messages are 10 cents each, and Voice Mail service costs an additional \$3 per month.
	<b>Net10</b>	Net10 used to simply offer a 10-cents-per-minute rate for any pack of minutes, but the company now offers more choices. One deal includes 750 minutes of talk time for \$25, with the minutes expiring after 30 days. Phones start at \$15.
HIGH	<b>Virgin Mobile</b>	Virgin Mobile offers a 300-minute plan with unlimited text and Web for \$25 (Blackberry plans cost an extra \$10). Phones start at \$70. This could be a good deal for callers who tend to text and surf the web more than they talk on the phone.
	<b>Straight Talk</b>	For \$30, callers get 1,000 anytime minutes, 1,000 text messages, 30 megabytes of data, and unlimited 411 calls. Some refurbished phones are free with the purchase of airtime, but smart phones can cost up to \$200.
	<b>Boost Mobile</b>	Boost’s unlimited talk, text and data plan costs \$50 a month, but with every 6 months of on-time payment callers receive a \$5 discount, up to \$15. Smart phones can cost up to \$350 up front. Still, this is a good deal for those who want the bells and whistles without a two-year contract. Blackberry plans cost an extra \$10 a month.