



# The Cell Phone Shopper's Guide



## Choosing a plan

Consumers have two basic choices when it comes to cell phone service: contract-based or prepaid.

### Contract-based service

Typically, contract-based plans lock customers into a 2-year service agreement at a fixed monthly price in exchange for subsidizing part of the cost of the cell phone. (An iPhone can cost up to \$700 without buying a 2-year contract, but as little as \$200 with a 2-year agreement.) Plans typically include a set number of minutes, text messages and, for customers with "smart phones," a data plan. Some plans include free mobile-to-mobile calling, free or discounted night and weekend minutes, and picture and video messaging. Customers are sent a bill each month for the past month's service. AT&T, Sprint, T-Mobile, Verizon and U.S. Cellular are the five largest wireless carriers offering contract-based service in Illinois. Plans start at around \$30 per month, plus tax.

### Prepaid service

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. Once the minutes are used up, the caller simply buys more. To access the minutes, the caller typically enters a code into his or her phone, recharging it with a purchased amount of talk time. With some plans minutes expire after a certain period of time if the customer doesn't buy 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.

## Which is best for me?

It depends. Contract plans generally offer the latest model smart phones and can be a better deal for families who want multiple lines. "Share" plans allow callers to add extra phone lines to their bill starting at about \$10 per month per line, and calls between phones on the same network are often free.

Prepaid cell phones used to be best only for consumers who don't need a lot of minutes, don't want the latest high-tech phone, or only want a phone for emergencies. But that's changing. Prepaid companies

now offer plans and phones competitive with the big wireless carriers. Such plans are becoming better deals for a larger number of consumers.

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.

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Company	Plan
<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.
<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.
<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 as much as \$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.

Source: [www.prepaidreviews.com](http://www.prepaidreviews.com).

### Which carrier has the best call quality?

Service quality varies by carrier and by region. One carrier may have great service in one region, but spotty service in another. Asking friends and neighbors about wireless coverage in your area is a good place to start. J.D. Power and Associates ([www.jdpower.com/telecom](http://www.jdpower.com/telecom)) rates carriers for call quality.

Most cellphones have a trial period during which you can return the phone and cancel the contract without penalty. Be sure to test the phone where you'll use it, such as your workplace and home.

### How many minutes do I need?

With most contract-based plans, if you go over your allotted minutes you'll pay hefty overage fees up to 49 cents per minute. But, a CUB study found that wasted minutes is the bigger problem. In fact, a study of more than 4,000 bills analyzed by the CUB Cellphone Saver found that the average Illinois wireless customer paid for more than 6 hours of unused minutes—enough to drive from Chicago to Cairo, IL while talking on the phone. Be sure to read your cellphone bill each month, and if you're consistently below your allotted number of minutes, ask your carrier if you can downgrade to a plan with fewer minutes.

Use the CUB Cellphone Saver ([www.CUBCellphoneSaver.com](http://www.CUBCellphoneSaver.com)) to see how you can cut your cellphone bill. CUB's free tool spots charges for unnecessary services and scans your bill to see if you're on the best wireless plan.

### Extra features

The CUB Cellphone Saver found that the average caller paid more than \$8 per month—nearly \$100 a year—for potentially useless extras, like cell phone insurance, directory assistance and other services, such as "Roadside Assistance." Be sure to check your bill for these charges, and if you're paying for them, ask yourself if you really need the services.



### Should I buy cell phone insurance?

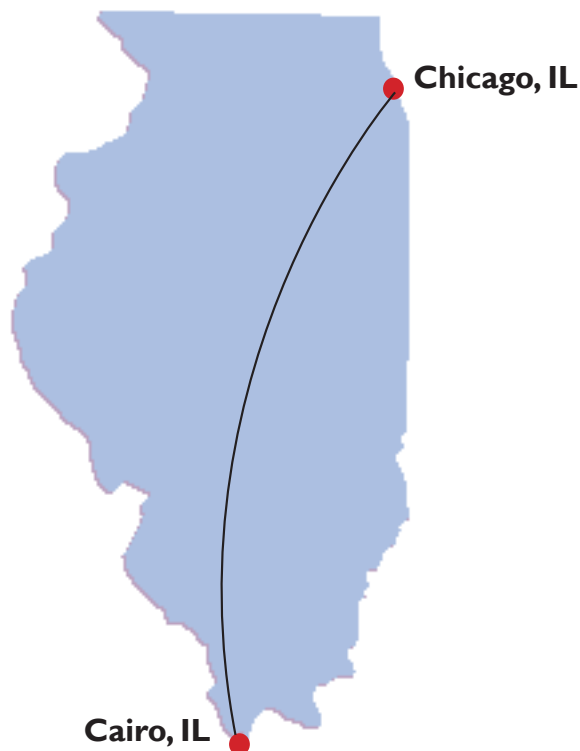
For most consumers, cell phone insurance isn't worth the \$5+ price tag. However, if you have a very expensive smart phone, the insurance could be worthwhile. Read the fine print to see what the cell phone insurance actually covers. The carrier may require a police report and a deductible before replacing your phone, and may only give you a used phone comparable to the one you had.

### Cellphones and 911

Remember, you don't need a wireless plan to use 911 on a cell phone. Any cell phone, as long as it's charged and within range of a cellphone tower, can dial 911. Keep in mind that authorities may not be able to determine your exact location if you call from a cellphone, as they do when receiving calls from a landline. Factor that into your decision if you're considering ditching your landline phone.

### The Cellphone as a money-saving friend

Do you consistently have a lot of wireless minutes left at the end of each month? Don't waste them! Use them to make long-distance calls from home. That will reduce the bill you get from your regular (landline) long-distance company. Depending on your calling habits, you may be able to drop your regular long-distance completely. Similarly, if your cell phone package comes with free voice mail, don't pay the monthly fee for the same service on your landline. Give friends and family your wireless number and tell them to leave messages in that voicemail box.



*A CUB study found the average wireless bill had more than 6 hours of unused calling time left at the end of each month—enough to drive from Chicago to Cairo, IL while talking on the phone.*

## Should I drop my landline?

Remember, cell phones aren't always as reliable as landline phones. If your cell phone battery is dead and your home loses power, you won't be able to make a call. Plus, in an emergency, authorities may not be able to locate your exact location when calling from a cellphone, as they do when receiving landline calls.

Still, the number of wireless-only households continues to grow. If you travel frequently, have few occupants in your home, and/or have consistently good wireless coverage in your house, consider it.

If you're not ready to ditch the landline entirely but still want to minimize your bill, consider an AT&T Consumer's Choice plan, designed by CUB to fit the needs of the average landline caller. Costing just \$3 to \$20 per month, the Consumer's Choice plans are the lowest-cost plans available in Illinois and prices are frozen through at least June 2013.

For long-distance, consider Pioneer Telephone's Rate Buster plan, which offers rates of just 2 to 3 cents per minute for calls beyond 15 miles from home.

To learn more, call CUB at 1-800-669-5556, or visit CUB's Phone Savings Center at [www.CitizensUtilityBoard.org](http://www.CitizensUtilityBoard.org).

## 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 customers. 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.

## What are the charges on my bill?

**Overage charges...** Going beyond your monthly minute allotment can send your wireless bill skyrocketing, with rates of up to 49 cents per minute.

**Federal Universal Service Charge...** This is not a tax. It goes to a national fund to keep phone service affordable for rural and low-income callers, as well as to broaden Internet access for schools, libraries and rural hospitals. The carrier isn't required to pass the fee on to customers, but it does anyway.

**E911 Fee...** The 911 fee, charged by local or county governments, covers costs for the emergency-response service and/or efforts to upgrade it for wireless phones.

**Regulatory Charge...** This is not a tax, although it sounds like one. It goes directly to the company's bottom line.

**Taxes...** On average, taxes make up 20.9 percent of the typical wireless bill in Illinois. Unfortunately, the only way to reduce your taxes is to reduce your wireless bill. The CUB Cellphone Saver, [www.CUBCellphoneSaver.com](http://www.CUBCellphoneSaver.com), can show you how.

## Hypothetical Cell Phone Co. Bill

JOE WIRE LESS 1 DEADZONE ALLEY DROPPED CALL, IL 12345	Account number 111111111	Billing period July 1-Aug. 1
	Invoice number 222222222	
<b>Your Calling Plan</b>		
Monthly charge	\$3.00	
Monthly minutes	300	
Additional per-minute charge: \$.45		
Other features: 2000 night & weekend minutes		
<b>Your Usage Summary</b>		
	Included	Not Included
Monthly minutes: (300)	300	50
Night/weekend Minutes: (2000)	150	0
Total Minutes:	450	50
Usage charges:	\$0.00	\$22.50
<b>Your Taxes, Fees, and Surcharges</b>		
Fed Universal Service Charge	\$1.15	
E-911	\$.75	
Regulatory Charge	\$1.00	
State Tax	\$4.04	
Local Tax	\$3.46	