



# 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
<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. Another T-Mobile plan offers 1,000 minutes of calling for \$100, with the minutes expiring 1 year after activation. Phones begin at \$0 with a mail-in rebate.
<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>Jitterbug</b>	Geared towards seniors, Jitterbug offers an easy-to-use phone for \$99. Plans start as low as \$15 per month. The company’s \$40 monthly “Premium” plan includes 3,000 anytime minutes, with a one-time \$35 activation fee. Minutes expire every 60 days, text messages are 10 cents each, and voicemail service costs an additional \$3 per month. Another option is its unlimited talk and text plan for \$50.
<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 500 minutes of talk time for \$30 a month. (Any unused minutes roll over to the next month.) Phones start at \$20.
<b>Virgin Mobile</b>	Virgin Mobile has two “Data Love” plans, each with unlimited talk and text and a significant chunk of data: 5 gigabytes (GB): \$35. 10GB: \$45. Unlimited: \$60. Phones start at \$20. Its \$40 payLo unlimited talk and text plan is a prepaid no contract cell phone plan that includes talk, text and a small amount of data.
<b>Straight Talk</b>	For \$30, callers get 1,500 anytime minutes, unlimited text, 100 megabytes of data, and unlimited 411 calls. Some refurbished phones are free with the purchase of airtime, but smart phones can cost \$200 or more.
<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. Some smartphones can cost \$50 or more. Still, this is a good deal for those who want the bells and whistles without a two-year contract.