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### **Paying for Cellphone Services As You Go**

Staying connected without a contract can be a money saver for the right kind of user, though some extras may not be available.

Source: Kathy M. Kristof Los Angeles Times 2/21/10

Can you save money by dumping your standard cellphone plan for a phone that allows you to pay as you go? If you're the right kind of user -- and are careful about the plan you choose -- you probably can.

"They're perfect for people who need a phone for emergencies but don't want to text message or use the Internet a lot," said Jeff Kagan, a Georgia-based telecommunications analyst. "You can save a lot."

Even heavy users can save money with the right plan, said Firas Naji, director of national sales for PlatinumTel Wireless. But you probably can't be too picky about your phone because many pay-as-you-go plans are using last year's models.

To understand who can and can't benefit from these deals, you need to know how they differ from a standard cellphone plan.

With a standard plan, you sign a contract in which you agree to maintain your service for a set amount of time -- most commonly two years -- at a set price. In exchange, you usually get unlimited calling and receive a phone free or at a deeply discounted price.

You are effectively paying for the phone over time through monthly service fees that are slightly padded to account for the phone's cost. If you cancel before the contract term is up, you'll pay a fee that can range from \$50 to \$400, depending on the plan, when you canceled and the phone you bought.

With a pay-as-you-go plan -- also called a prepaid plan -- everything is a la carte. First you buy your own phone upfront, making sure it's compatible with your chosen provider's service.

Then you can buy a month's worth of phone connection services, a set number of minutes (that will last for a month or longer), Internet access, text messaging or a bundle of these services.

You can choose to be billed by the minute/text or choose a plan that gives you a set number of days (usually 30) for a set rate. If you don't like the service -- or find yourself too strapped to pay for it -- you don't have to continue after your minutes are used up.

That's particularly attractive for people who need basic service on the cheap, perhaps because they're unemployed and looking for work, Naji said. PlatinumTel, for example, has a limited service plan for as little as \$10 a month. Add in \$40 or so for a basic phone and you're spending \$160 for the year.

The cheapest traditional plan advertised by Verizon Wireless and AT&T run \$39.99 a month, or roughly \$480 a year. But you get their phone for free.

"With traditional cell service, you gain in the beginning but you pay more in the long run," Naji said.

But prepaid plans aren't always cheaper. And they sometimes don't offer all the services you want. Some, for instance, don't provide access to e-mail; others restrict Web

browsing and require you to pay as much as 50 cents for getting a single text message, whether you wanted it or not.

And if you're not careful about when minutes expire, you could end up paying far more on a per-call basis for prepaid than you'd ever pay for traditional cell service.

"The big issue is that you have to look carefully at how you use your phone -- the number of calls you make, the type of services you need -- and then search around," said Ken McEldowney, executive director of Consumer Action, a San Francisco-based advocacy group.

Things to consider include:

**Minutes:** With a traditional cellphone plan, you pay a fortune for any minute that you go over the packaged amount. With a prepaid plan, you pay a fortune if you don't use all the minutes you paid for.

**Why?** In most cases, your minutes will expire after a set period of time. So if you pay for 100 minutes and only use 50, you've paid 50% too much. Minutes are cheaper in bulk. But estimate your needs carefully before you buy to get the best deal.

**Service:** Check the coverage area of any provider you're considering to make sure you can get calls in the locations you frequent the most, Naji said. Also find out if you'll be charged a different amount for local calls versus long distance.

Some carriers charge the same no matter who, when or where you're calling domestically; others stagger their rates based on the time and location of the call, and sometimes on whether you're calling somebody who is in the same phone network.

**Activation fees:** Some, but not all, prepaid plans include an activation fee, usually \$25 to \$30. If you allow your minutes to expire without renewing for a few months, you might have to pay another activation fee to get service revived.

**Text messages:** The typical plan will give you unlimited texting for about \$10. With a limited plan you could pay through the nose for each text over the allotted amount.

Find out ahead of time if your carrier requires you to pay for unwanted text messages you receive.

**Internet:** Accustomed to checking e-mail or websites from your phone? Cull prepaid plans carefully because some don't offer Web access, or severely restrict it.

The challenge of buying a la carte is paying attention to the details, McEldowney said. "You've really got to read the fine print."

Possible WN topics:

- Would you save money if you switched to a pay-as-you-go plan? What would you gain? What would you give up?
- Are you "addicted" to your cell phone? What might you do to break this addiction?
- In what ways have cell phones improved our lives? In what ways has cell phones harmed our lives?
- Discuss proper cell phone etiquette. What should the rules be for polite cell phone usage?