

SUPER SHOPPER

SERVICE CONTRACTS — TO BUY OR NOT TO BUY?

You have waited two years to buy your new washing machine. As your purchase is being rung up, the salesperson asks if you would like to buy a **service contract** for your new appliance.

How is a service contract different from a warranty?

A service contract, also called an “extended warranty,” is not the warranty from the manufacturer of the washing machine, which comes along with the product. A service contract is a form of insurance being sold by the store, in addition to any warranties offered by the manufacturer.

You can pay extra money to buy a service contract for your new appliance. This way, you make sure your new washer will be repaired at no cost to you if it breaks down after the normal warranty runs out. Manufacturer’s warranties usually cover the first six to 12 months after purchase.

Stores often make more money selling service contracts than from selling the merchandise itself, according to *Consumer Reports* magazine. While service contracts may sound like a good deal, they are not always needed. Up to 80 percent of service contracts purchased are never used.



By carefully choosing your new appliance or major item beforehand, you can cut your chances of having to pay for costly repairs.

A way to limit the possibility of getting a lemon is by taking a quick trip to your local library. *Consumer Reports* rates many products. The magazine bases its ratings on research and yearly surveys filled out by its readers. See how *Consumer Reports* rates the product you are thinking of buying. Check on how well it works, how well it holds up under use, and how often it needs repairs. You can then decide whether you really need a service contract.

Also, find out if the cost of the service contract is more than the cost of a typical repair. If the extended warranty costs \$100 but the average cost of a repair is only \$45, you could save money by not buying the extended warranty.

Here is another thing to think about. Does the extended warranty cover the same time period as the manufacturer’s warranty that comes with the product? A service contract should not begin until after the full warranty runs out. You do not need double coverage, especially while the manufacturer is providing it free of charge.

Here are a few things to look for in a service contract:

- Will equipment be repaired with new or reconditioned parts? And are these items stocked regularly?
- Does the warranty offer a “lemon clause” that states the company will offer a free product replacement if it cannot be repaired successfully after a certain number of attempts?
- Does it cover all costs of repairs, including labor, parts, and travel time for the repair person?
- When does coverage begin and end?
- Is service available at a convenient location? It’s best if repairs can be made in the town where you live.
- Who backs the contract? Sometimes consumers find out the hard way that the company that backed the service contract is no longer in business. Of course, in such a case, the cost of repairs would not be covered. The money to buy the service contract has been wasted.
- Will you be able to get the coverage later or through a different company? Ask if you can decide later to buy the extended coverage. How much would it cost? Even if the *store* will not sell it to you later, you can sometimes get service contracts through a repair shop or service company. Check on this before you purchase the item. That way you can compare costs.



- What if you decide later you do not want or need the service? Can you cancel the contract and receive a partial refund? Find out how much you can get back beforehand.
- What happens to the service contract if you sell the item? Can the new owner use it?

Here are some additional tips:

- When you purchase a product with your credit card, the manufacturer’s original warranty can be extended for up to 12 months. You must check with the issuing bank for details.
- Sometimes the price of an extended warranty can be reduced by insisting that you will not pay the listed price. You should not pay more than 20 percent of the purchase price of the product for any extended coverage.

Where to Get Help—Before and After

The following state agencies and organizations can supply information and can handle complaints. Call any of these agencies to see if they have complaints against the company in question before you shop at a business. Contacting the Better Business Bureau or the Kentucky Attorney General's Office should be your first step if you want to know about a company.

Consumer Protection Division
Office of the Kentucky Attorney General
Capital Suite 118
Frankfort, Kentucky 40601-3449
Phone: (888) 432-9257
<http://ag.ky.gov/consumer/>

West of Frankfort:
Better Business Bureau
844 South 4th Street
Louisville, Kentucky 40203-2186
Phone: (502) 583-6546
<http://louisville.bbb.org/>

Better Business Bureau Offices:

East of Frankfort:
Better Business Bureau of Central
Kentucky, Inc.
1460 Newtown Pike
Lexington, Kentucky 40511
Phone: (800) 866-6668 (toll-free) or (859)
259-1008
<http://bluegrass.bbb.org/>

Cincinnati:
Better Business Bureau
7 West 7th Street
Cincinnati, Ohio 45202
Phone: (513) 421-3015
<http://cincinnati.bbb.org/>

Robert H. Flashman, Ph.D.
Extension Specialist for Family Resource Management

Katrina Akande, M.A.
Doctoral student, Department of Family Studies

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