

## Is Prepaid Wireless or a Monthly Contract Cheaper?

Analysis compares scenarios with 200, 400, 1,000 minutes across many carriers

By [Adam Fendelman](#), About.com

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While communicating on your cell phone can now be considered a basic human *necessity*, scoring you as an ongoing customer is a business *need* for a sea of phone companies competing for your wireless dollar.

Just as you now have a wide variety of cell phone service carriers to choose from, so do you have many ways to pay for the same service. Is a monthly contract for one or two years right for you or might no-contract prepaid wireless be your holy grail instead? What's the difference and how do you know?



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Europeans are now used to the flexibility without the jail sentence. In a time of economic uncertainty, though, even the U.S. is starting to fall in love with prepaid wireless and more consumers are finding themselves converting.

This analysis will help you debunk the confusion between the various plans and analyze your unique situation to see which most fits you like a glove.

### The Benefits of Prepaid Wireless

The first most commonly cited advantage of prepaid or pay-as-you-go wireless is not being bound by a monthly service contract.

U.S. cell phone service carriers have been binding customers to contracts for years and penalizing them for early termination fees in the amount of \$150 or \$200. Such carriers then discount the cost of their cell phones when a customer is willing to commit to a contract. That's the give and take.

This is a very different story in Europe. Prepaid wireless is much more the norm there and

A second primary benefit of prepaid wireless is that there are no credit checks required. Especially in uncertain economic times, many Americans have found their "excellent" credit slip or many might not have had such stellar credit in the first place.

One black mark in the past could still be haunting your credit score years later. It could take you quite a while to make up for past or current credit mistakes likely due to low funds, maxing out a credit card, being late on payments, defaulting on payments or going into foreclosure or bankruptcy.

Prepaid wireless companies are willing to call you a customer even without a contract because you're doing just what the name implies: paying for your minutes in advance. Even with no contract and the ability to bolt at any time, prepaid companies are willing to remain blissfully ignorant about your credit because they know you'll be paying in advance for whatever you plan to use.

### **Analysis: Prepaid Wireless vs. Monthly Contract Plans**

So when would prepaid save you money over contract-based plans and vice versa? We'll now put that very question to the test by comparing many plans from various cell phone service carriers. With data current as of Feb. 16, 2009, this analysis takes such a comparison a step further than an earlier analysis of [Virgin Mobile versus Verizon Wireless](#).

[Virgin Mobile](#) is often synonymous with prepaid wireless and oftentimes pops into the minds of consumers first when considering such a route. Why? The hip company keeps its pay-as-you-go-pricing low, doesn't require commitments and (unlike the warning mentioned above for typical cases) even allows your prepaid minutes to roll forward.

The various scenarios below compare three common amounts of minutes used per month – 200, 400 or 1,000 minutes – at Virgin Mobile, [Boost Mobile](#), Net10, [T-Mobile](#), Verizon Wireless, Tracfone and [AT&T](#) so you can see which carrier gives you the most bang for your buck. For the purpose of this analysis, carriers were only included with true nationwide coverage (i.e. [Cricket Wireless](#) didn't make the analysis for not meeting this criteria).

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We'll now bump up this analysis from 200 minutes per month to 400 minutes.

#### **400 anytime minutes per month with Virgin Mobile:**

30-day minute pack with no contract: \$30 or 7.5 cents per minute

By the minute with no contract: \$46.99 or 10 cents per minute (including a \$6.99 monthly fee)

By the minute with no contract: \$80 or 20 cents per minute

Monthly plan with a contract (plus unlimited minutes on nights and weekends): \$49.99

#### **400 anytime minutes per month with Boost Mobile:**

Pay as you go with no contract: \$40 or 10 cents per minute

No monthly contract plan offered at this level (but [\\$50 for unlimited minutes](#))

## Prepaid Cell Phones: Analysis of Pay as You Go vs. Monthly Contract Plans

When's it cheaper to pay as you go rather than be bound by a contract?

By [Adam Fendelman](#), [About.com](#)

Feb 25 2009

While monthly cell phone plans where you're shackled to a one- or two-year service contract are the norm in the United States, plans to [pay as you go for prepaid cell phones](#) are popular throughout Europe.

They're also gaining steam in the U.S. The allure of not being bound to a long-term contract – and not having to pay the typical \$150 or \$200 penalty to be released if you change your mind – is attractive enough for some pay as you goers.



Virgin Mobile is one of several providers of pay as you go.

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popular Virgin Mobile (which caters to a younger and often more fickle demographic) and Verizon Wireless.

While Verizon Wireless is more known for its contract-based plans, its pay-as-you-go plans are directly competitive with Virgin Mobile's non-contract plans. It's time to jump into the numbers. These figures are current as of publication of this article on May 30, 2008.

### **Virgin Mobile pay-as-you-go pricing with roll-forward minutes:**

- \$20 a month, 200 anytime minutes, 10 cents per minute
- \$30 a month, 400 anytime minutes, 7.5 cents per minute
- \$50 a month, 1,000 anytime minutes, 5 cents per minute

*Note: Texting costs \$5 a month extra for 200 texts, \$10 a month for 1,000 or \$20 a month for unlimited*

### **Verizon Wireless pay as you go with unlimited calling to same-carrier phones:**

- 99-cent charge on days used, 10 cents per all minutes and texts
- \$1.99 charge on days used, unlimited night minutes, 5 cents per minute and per text
- \$2.99 charge on days used, unlimited night minutes, 2 cents per minute and per text

For comparison, below is a matrix of Virgin Mobile's current contract-based plans.

### **Virgin Mobile contract-based plans:**

- \$24.99 per month, 200 anytime minutes
- \$34.99 per month, 300 anytime minutes
- \$49.99 per month, 400 anytime minutes
- \$59.99 per month, 600 anytime minutes

*Note: Texting costs \$5 a month for 1,000 texts or \$10 a month for unlimited*

While many contract-based plans have learned to take into account changing monthly habits (i.e. with "flexible" plans and "rollover" features), the draw to using 100 minutes in one month and 1,000 minutes the next while fairly paying for the difference is the kicker for other pay-as-you-go people.

Some even engage pay-as-you-go pricing to avoid credit issues often associated with contracts.

But what's the real difference between the two pricing models in an apples-to-apples comparison? What would 400 minutes a month cost in both scenarios? Which one is ultimately cheaper?

Let's explore that very question. For the purposes of this analysis, I'm highlighting two popular pay-as-you-go companies: the ever-

Now it's time to calculate a couple example situations with these three payment scenarios. We'll analyze 200 minutes per month and 400 minutes per month since all three appear in each situation. For the Verizon Wireless pay-as-you-go plan, I've made the assumption of 10 calling days used as an average figure.

**200 minutes per month:**

- Virgin Mobile pay as you go: \$20
- Virgin Mobile contract plan: \$24.99
- Verizon Wireless pay as you go: \$29.90 using 99-cent days, \$29.90 using \$1.99 days and \$33.90 using \$2.99 days

**400 minutes per month:**

- Virgin Mobile pay as you go: \$30
- Virgin Mobile contract plan: \$49.99
- Verizon Wireless pay as you go: \$49.90 using 99-cent days, \$39.90 using \$1.99 days and \$37.90 using \$2.99 days

While many variables can change this analysis, I've used typical and everyday scenarios so we can see a clear comparison.

Based on this analysis, we can conclude that the Virgin Mobile pay-as-you-go plan is the superior solution in all cases. Also, notice how the option with \$2.99 charges on days used becomes a more cost-effective choice only when you use more minutes.

When it comes to paying as you go, Virgin Mobile is explicitly priced to be among the best in the mobile phone industry. That's chief among the reasons why the Sprint reseller has such a high customer base electing for its flexible, no-contract route.

**Update:** An even more [extensive prepaid wireless analysis](#) is now live on About.com comparing prepaid versus contract-based plans at Virgin Mobile, Boost Mobile, Net10, T-Mobile, Verizon Wireless, Tracfone and AT&T. [Read this analysis here.](#)

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