

MANAGING IN TOUGH TIMES

FAMILY FINANCIAL MANAGEMENT

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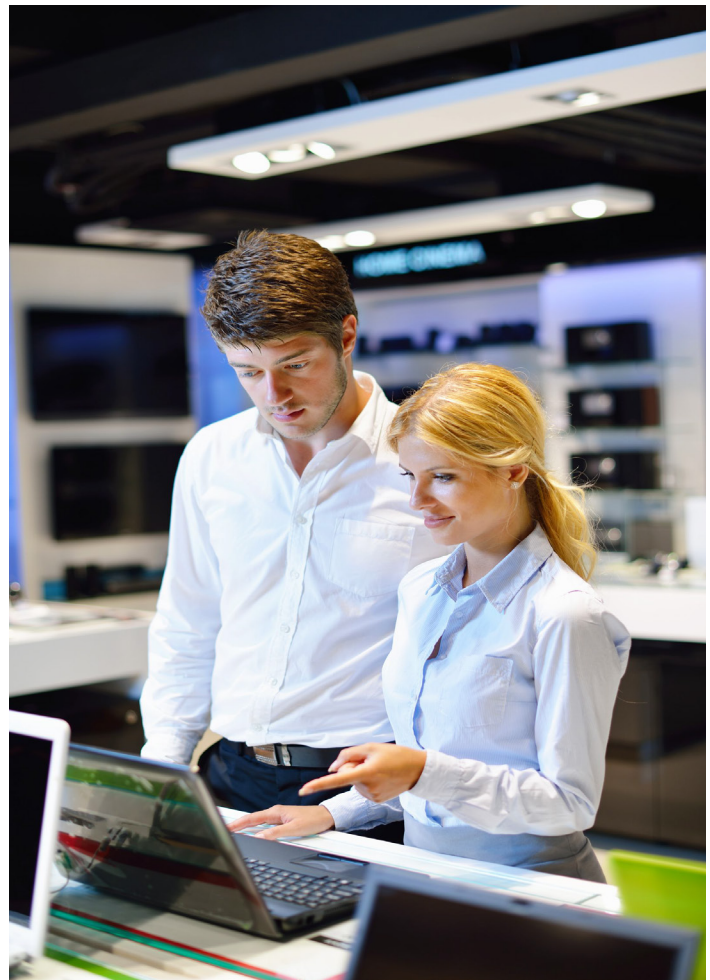
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THIS MONTH'S TOPIC: Should You Consider Extended Warranties?

Extended warranties are available on many household items, ranging from DVDs to appliances and automobiles. It can often be difficult during the few seconds you have the cash register to make an informed decision about purchasing an extended warranty for a product. An extended warranty is similar to insurance, it provides replacement or repair of your item if it becomes broken or damaged within a specific time frame. Insurance is typically purchased to limit your financial risk on large ticket items, such as your house in case of an unexpected costly event. The need for insurance, a service plan, or extended warranty is much less on general household items.

On small items, it is often not cost effective to purchase an extended warranty. For example, extended warranties on small items, such as DVDs, are typically very inexpensive, so it may be easy

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to agree to the extra \$2.00 or \$3.00 at the cash register. In theory, it sounds great that the DVD will be replaced if it gets scratched or broken; however, before saying yes, ask yourself the following questions:

- How many DVDs have you actually scratched or broken?
- Can you keep the receipt and other paperwork needed to claim the extended warranty?
- Would you be willing to go through the process to receive the replacement DVD?

After giving the questions a little thought, you may realize it would be best to save the extra money. You can review this same set of questions for any small purchase you are considering.

Before heading to the store to purchase a larger household item, do your homework. Search online for consumer reviews regarding the specific product that interests you. You can often find brand comparisons on websites such as www.consumerreports.org that will include reliability and repair information.

Salespeople and cashiers often highlight the benefits of having an extended warranty. Stores typically have a large profit margin on the sale of extended warranties, so realize that salespeople are motivated or incentivized to sell extended warranties. However, prior to purchasing an extended warranty for an item, ask your salesperson:

- Does the item have a manufacturer's warranty?
- If yes, how long does the warranty last and what does it cover?
- What are the most common repairs for this product?
- How much does the average repair bill cost?

The length of the manufacturer's warranty may vary from 30 days to three years or more depending on the product. The majority of manufacturer's

warranties will last at least 90 days; this initial time window protects you in case your product has a factory defect. Try not to let the product set on the shelf after purchase; open and test the product during the manufacturer's warranty period to ensure it is working properly.

If you decide to purchase an extended warranty, read the fine print.

- Warranties often have exclusions, meaning they will only repair or replace the product under certain conditions.
- Be certain to retain all paperwork associated with the original product purchase and the extended warranty.
- Be willing to follow up on the warranty if the product does break, and know who you need to call. Do you need to use a specific service provider? Does the store have an on-site service provider or will you need to mail the item? If you need to ship the item, determine who is responsible for postage.

Understanding how the extended warranty process works, and knowing exactly what it covers, will help you make a more informed decision if it is truly added protection that you need.

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