

## Fraud of the Month - 07/05 - Extended Warranties

The Latest Scams Circulating the Consumer World. Be warned. Be informed.  
July 2005

### Extended Warranties

Did you know that an extended warranty is just an insurance policy? Do you really need an insurance policy on your electronics or appliance purchase? The answer is, "No".

The usage rate for extended warranties is even lower than the breakdown rate of appliances and home electronics that consumers buy the extended warranties for. So, when is it a good time to buy extended warranties? Never! Extended warranties are complete rip offs.

Retailers offer extended warranties to consumers because warranties are extremely profitable for the store. Commissioned sales representatives usually earn a higher percentage on the warranty than they do on selling the product.

Most extended warranties are for one year, and Consumer Reports found that a computer is the only electronic product that is likely to need repair in a one-year period. However, it still isn't a good idea to get an extended warranty on a computer because the value of the computer will drop to nearly nothing within a couple of years. For lower-priced electronics, an extended warranty shouldn't even be a consideration, since it will be less expensive to directly replace the product than to pay for the warranty.

### Play it Safe

-

Take the money you would have spent on a service contract and create a repair fund.

-

If you already have a service contract, keep it in a safe place. You will need your original copy to make a claim.

