

Consider the pluses and minuses before buying tech gear extended warranty

by Jonathan Sidener

Buying a gadget can mean running a gauntlet of confusing questions. How many gigabytes? Mac or Microsoft? What about megapixels? Plasma, LCD or DLP? How long is the battery life? How much are you willing to spend?

A LITTLE EXTRA - Do you want the extended warranty? Before you say no, you might want to think of the added protection it would provide for the expensive consumer products you're buying. CNS illustration by Cristina Martinez Byvik. When all the research is done, the acronyms decoded and you've reached the cash register, there's one daunting decision remaining: Do you want the extended warranty?

Maybe your policy is to always say "No." But when you plunk down \$2,000 or more for an HDTV, computer or home theater system, it might make you a little nervous to pass up the added protection.

Or maybe your style is to always say "Yes." But when you spend an extra \$20 on every \$100 gadget, you might be left with a nagging sense that you're getting ripped off.

Like so many things in life, there's no clear-cut answer. Consumer groups used to say that extended warranties were all bad. But to some, it's not always so black and white. Consumer Reports, the bible of smart buying, says extended warranties are generally not a wise purchase. From time to time, the magazine singles out exceptions, saying that for a couple of purchases an extended warranty might make sense.

According to Consumer Reports, warranties often cost far more than the value they offer. Retailers typically make as much profit on the warranty as they do on the gadget. The extra warranty may be an unwise purchase because the retailers mark up its price so much. As much as half the cost of the warranty may be retailer markup, according to the magazine.

The magazine says most electronics won't break down during the first three years - the period covered by the manufacturer and extended warranties. The cost of repairs is often less or about the same as the cost of the warranty. Two exceptions are rear-projection microdisplay HDTVs, such as DLP TVs, and Apple computers.

While there's not a lot of information about the relatively new category of microdisplay TVs, early feedback from Consumer Reports readers suggests that the big-screen TVs frequently require maintenance during the first three years, which can cost more than the warranty, said Consumer Reports electronics editor Paul Reynolds.

Because Apple limits its telephone support service to 90 days, an extended warranty can pay off after a call or two to the Apple help desk, Reynolds said.

"In general, the likelihood of these warranties paying off is small," Reynolds said. "Over the years, we've made a couple of exceptions for products that are expensive and show a tendency to break during the extended warranty period. A few years ago, laptops cost a couple of thousand dollars, and there were concerns about their reliability. We used to recommend the warranty for them."

With the falling price of laptops and improved reliability, the magazine no longer sees extended warranties as a sensible decision for the portable computers. At Best Buy, spokesman Justin Barber said extended warranties are an option that appeals to some buyers more than others. Some customers appreciate the opportunity to buy extended coverage and service at the location where they buy a gadget, Barber said.

"Best Buy offers extended-service contracts because they offer good values for our customers who want peace of mind that their products are covered beyond what might be available in a manufacturer's warranty," he said.

Consumer advocates recommend that before making a decision on the warranty, shoppers should think about the free benefits from their credit card. Many gold and platinum credit cards offer an automatic extended

warranty of up to one year for anything bought with the card.

Consumers should read the fine print of their agreements, which generally require a copy of the receipt and the card statement recording the purchase, and often include other rules and exclusions.

Some psychologists - including the armchair variety - say extended-warranty decisions might be based on emotion, not dollars and cents. For someone unsure about the technology decision, an extended warranty is insurance against second-guessing by a spouse, parent or someone else. If the gadget breaks, the warranty is protection against the demeaning "I told you so."

Public-relations executive Shannon Eis admits with some chagrin that she let emotions get the better of her when she faced the final question at the cash register. When buying a flat-screen TV for her husband, Eis opted for the peace of mind of the extended warranty.

At New York-based Koplou Communications, Eis represents American Express Platinum, one of the credit cards offering the free extended warranty.

"I definitely responded emotionally to the need to provide extra security for that purchase, dumping an extra \$200 for a warranty I now know I didn't need," Eis said.

Reynolds, the Consumer Reports editor, agrees that an extended warranty could provide hard-to-measure benefits for some people.

"If you're the kind of person who is going to fret over a purchase, if you really want peace of mind that you're protected against catastrophic failure - it's high-priced peace of mind - but if it helps you sleep better at night,

it may be worth it for you," he said.

Many people have a friend, neighbor or co-worker with a story of an extended warranty that helped them dodge a massive repair bill. Such tales are like the gloating anecdotes of the small percentage of people who return from Las Vegas with a fat wallet, Reynolds said.

"Everybody hears from the guy who wins in Vegas," he said. "It's like that with extended warranties. Nobody ever hears from the thousands of people who wasted their money on extended warranties, just the rare case where it worked."

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