

No more fee: T-Mobile's new phone-upgrade program explained (Update)

June 25 2015, byAnick Jesdanun

T-Mobile is revamping its phone-upgrade program by eliminating a \$10-a-month charge for the most popular phones.

The wireless carrier shattered longstanding industry practices two years ago by eliminating two-year service contracts and letting customers upgrade phones before they are fully paid off. Customers had to pay \$10 a month to be eligible for the upgrade program, known as Jump. That's on top of monthly installments to cover the costs of the phone.

AT&T and Verizon soon followed with their own programs—without the monthly fee.

T-Mobile's new Jump On Demand program eliminates that \$10 Jump fee. Customers will be able to upgrade up to three times a year, which is more frequent than what rivals or T-Mobile's old program allow.

HOW IT WORKS:

Visit a T-Mobile retail store to buy a new phone and enroll, starting Sunday. The program isn't open yet to online orders or third-party retailers. Eligible phones are initially limited to Apple's iPhone 6 and 6 Plus, Samsung's Galaxy S6, S6 Edge and Note 4 and LG's G4. T-Mobile says these were chosen because customers of these phones tended to upgrade the most frequently.

Customers pay what they would have been charged previously under a monthly-installment plan. It's the full retail price of the phone divided into 24 payments—for example, \$28.33 for the S6 and \$31.24 for the 6 Plus. There's a \$15-a-month promotion for the iPhone 6, but more on that.

To get a new phone, just turn the old one in. It has to be in working condition. The monthly installment might change to reflect the price of the new model.

WHAT'S CHANGED:

The biggest change is the elimination of the \$10-a-month Jump fee just to have the right to upgrade before the phone is paid off. The fee includes insurance for loss and damage; those who want that can pay \$8 under the new program. The \$10 fee will still apply for phones that aren't eligible.

Another change is how the installments work. Before, you made 24 monthly payments over two years. With Jump On Demand, you make payments for only 18 months, at which point you owe the remaining six payments at once. Few people will get to that point because the program is designed for those who upgrade frequently. The clock resets when you upgrade.

With the new program, the sales tax is also spread out as part of the monthly installments. Before, customers had to pay tax on the full cost of the device up front.

HOW IT COMPARES:

Although T-Mobile pioneered the frequent-upgrade program, it was behind AT&T and Verizon in offering the benefit without a separate monthly fee. Sprint does charge \$10, as T-Mobile still does with some phones. AT&T and Verizon never did.

However, T-Mobile's program is better in letting customers upgrade up to three times a year. That could be three times in the same month or once every four months.

Under T-Mobile's old program, customers had to wait a year, or make extra payments to cover half the full cost of the device. Sprint also has a one-year waiting period, or customers must pay all remaining installments. AT&T makes customers wait 12, 18 or 24 months, depending on how many months the installments are spread over.

Verizon essentially killed its early-upgrade option this month when it began requiring new customers to make all remaining payments before upgrading. As T-Mobile Chief Operating Officer Mike Sievert puts it, "That's just called buying a phone and then buying another phone."

THE IPHONE PROMOTION:

Participants of Jump On Demand pay \$15 a month for the iPhone 6, rather than \$27.08 under the regular installment plan. However, customers must trade in their old, fully paid phones to be eligible. They wouldn't be able to get money back by reselling the device. After 18 months, customers pay \$164 to own the phone, rather than \$90 under the \$15-a-month rate. Still, that works out to \$434 for an iPhone 6, less than its regular retail price of \$650.

Apple will likely come out with new iPhone models in a few months, so the promotion offers a cheaper way to tide customers over until then.

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