

Cellphone costs: T-Mobile's challenge to the status quo

"The Great Cellphone Subsidy Con is over," said David Pogue in *The New York Times*, and we have T-Mobile to thank. "Under the unwritten conspiracy code of cellphone carriers," you pay about \$200 up front for a phone, and carriers Verizon, AT&T, and Sprint charge you the remaining \$400 of that phone's real cost over the course of a two-year contract. But "once you've finished paying off your handset, your monthly bill doesn't go down." You keep paying that subsidy "forever." No more. Last week, T-Mobile eliminated its two-year contracts

for new customers and new phones, including the iPhone 5. You can buy a new device "what the phone really costs," either in one payment or over time at no interest. Once your phone is paid off, your bill will drop by \$20 a month, saving you "a huge amount of money." As the smallest of the U.S. providers, T-Mobile "can take risks because it has nothing to lose." But now "the other carriers will have to start paying attention."

"T-Mobile is trying to change the game here," said Matthew Miller in *ZDNet.com*. Americans generally go for cheaper phones with a contract because they don't want to pay full price up front. But those of us who bring our own phones to a network are "a bit ticked off" that we still have to pay like everybody else. "The carrier is not giving you a break because



A new option for purchasing a smartphone

you bought your own phone, and is just pocketing this subsidy fee without providing anything additional to you." T-Mobile is saying goodbye to all that, and "I'm fully onboard with their strategy."

T-Mobile's new offer "doesn't quite add up to a bargain," said Rebecca Greenfield in *TheAtlantic.com*. Unsubsidized phones may "attract the thriftiest shoppers," but consumers should realize that T-Mobile lags far behind other carriers in terms of network coverage: It offers the fastest 4G LTE coverage

in only seven cities, compared with 485 markets for Verizon. "Since the principal attraction of the iPhone 5 is its superfast mobile data, why invest in one on a network that doesn't provide that coverage?"

No doubt, T-Mobile "has a lot on the line," said Thomas Gryta and Anton Troianovski in *The Wall Street Journal*. It gets out from under the onerous costs of paying out big sums to phone manufacturers like Apple, a "transfer of wealth" that has long rankled carriers. But its approach could backfire if customers balk "when presented with the full cost of their favorite devices." On its own, T-Mobile can't "disrupt a model that has driven smartphone adoption" in the U.S. But the bigger carriers are "watching to see if T-Mobile gets traction." Stay tuned.

What the experts say

How to beat an all-cash bid

House-buying rules have changed since the market has heated up again, said Beth Braverman in *CNN.com*. "The days when you could scoop up a house for 20 percent less than its list price are long gone," so "don't waste time with a lowball offer." In fact, don't bother coming in more than 2 or 3 percent below the asking price. If you wind up in a bidding war, it helps "to move quickly, since today's sellers don't want multiple go-rounds." To outsmart professional investors who "count on nabbing properties at a big discount" with all-cash deals, show a prequalification letter to prove your money is solid, and lead with your best offer. Investors are "unlikely to boost their bid" by more than 5 or 10 percent—they'll just move on to another property.

Saving for job hoppers

"Millennials tend to hopscotch between jobs early in their careers," said Rachel Rosenthal in *The Wall Street Journal*, and that can pose problems for saving. Young professionals should never cash out of an old 401(k) when they go to a new employer, since that can incur a big tax hit. It's better to roll those funds into your new employer's plan or into

an IRA. And when you assess a new position, don't just focus on salary; ask about benefits, including retirement plans and health coverage. If the employer doesn't offer a retirement plan, consider a Roth IRA. "Though contributions are made with after-tax dollars," Roths are a good option for "young savers who expect to be in a higher tax bracket" later, when they can withdraw funds tax-free.

Getting a grasp on student loans

Start tackling student loan bills, said Heidi Moore in *The Guardian* (U.K.). Instead of letting those bills pile up, get yourself organized and find out how much you owe, what your interest rate is, and who holds your loans. Online services like Tuition.io or the iPhone app LearnVest can help you gather your loan information and visualize it with interactive charts; "this can be very motivating." And while "any payment is a good payment," remember that a good strategy can be useful. Make bigger payments to lower the principal when you're able, and if your lender offers you a chance to reduce your interest, grab it. Whatever you do, "take it in stride." Most Americans owe some kind of debt—"don't beat yourself up if you're not perfect at paying down your loans."

Charity of the week



The Blacksmith Institute (BlacksmithInstitute.org) works in the most environmentally compromised areas of the developing world, where life-threatening pollution affects the health of more than 100 million people, especially children. Since its foundation in 1999, Blacksmith has completed more than 50 cleanup projects in 21 countries, working with locals to assess damage, remove industrial wastes, and develop strategies to prevent further pollution. In recent years, Blacksmith used earthworms to eat toxic heavy metals in the soil of Kanpur, India; taught gold miners in Indonesia how to reduce their mercury emissions; and installed water filters in schools in Kyrgyzstan, where the water supply was contaminated by radioactive waste from an old uranium mine.

Each charity we feature has earned a four-star overall rating from Charity Navigator, which ranks not-for-profit organizations on the strength of their finances, their control of administrative and fundraising expenses, and the transparency of their operations. Four stars is the group's highest ranking.