Breaking Down AT&T's New Mobile Share Plans

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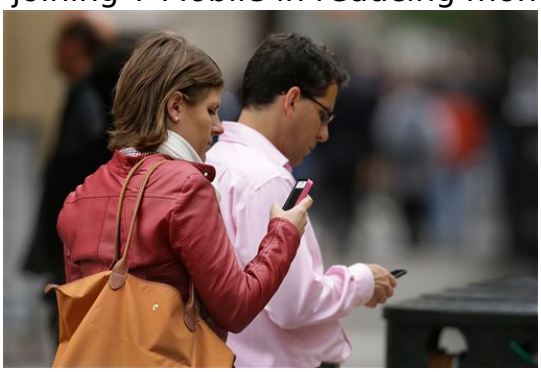
NEW YORK (AP) — AT&T is joining T-Mobile in reducing monthly fees for people who pay for their own devices.



It's the latest break from a longstanding practice of offering subsidies on devices to lock customers into two-year service agreements. Many customers have been forgoing those subsidies anyway as they choose plans that allow frequent phone upgrades. But until now, AT&T and Verizon have still factored in the costs of those subsidies in the monthly service fees for voice, text and data, whether the customer uses the subsidies or not.

Beginning Sunday, customers will be able to switch to the cheaper plans if they buy or bring their own phone. That includes paying for the device in installments through the frequent-upgrade Next plan. Those whose contracts have run out also qualify.

Most customers will save at least $15 a month under the new AT&T plans.

Here's a more detailed look at the plans and why it makes sense for most people to switch.

THE BACKDROP:

For years, Americans have been used to paying $100 or $200 for their phones and agreeing to two-year contracts. A high-end phone typically costs $600 or more, and phone companies make up the difference by baking the subsidies into the monthly fees for voice, text and data.

In March, T-Mobile US Inc. departed from that practice with new pricing plans. It started charging full prices for phones through a down payment and monthly installments over two years. It also lowered the service fees for voice, text and data to remove what would have gone to the subsidies. So customers get reductions in overall monthly bills once the devices are paid off.

In July, T-Mobile began a frequent-upgrade program known as Jump. Customers pay $10 a month to participate and get new phones up to twice a year instead of once

every two years.

AT&T Inc., Verizon Wireless and Sprint Corp. followed with their own frequent-upgrade plans. All of them charge full prices for phones, spread out over 20 to 24 months. Sprint reduces monthly service fees under those plans, but the discounts end after the phone is paid off over two years. T-Mobile customers keep the lower service rates indefinitely.

AT&T and Verizon kept service fees the same, meaning customers under the upgrade plans paid for the phones twice — through installments and through subsidies they didn't use. The service fee reductions announced Thursday bring AT&T in line with T-Mobile and eliminate the double charge for phones. Verizon wouldn't comment on its plans.

THE MATH:

New customers will save $15 a month if they supply their own phone.

For existing customers, savings will generally be at least $15 a month:

— Those on the cheapest plans, offering 300 megabytes of data a month, will save $25 per phone.

— For accounts sharing 1 to 2 gigabytes of data, the savings start at $15 for a single-line account and increase to $18.75 per phone for a family of four.

— Those on the 4-gigabyte data plan will save $15 per phone.

— For plans with even more data, the amount saved actually decreases as more phones are added, but it's at least $20 for a single-line account. The amount saved goes as high as $130 a month for a single line with 50 gigabytes.

Keep in mind that the fees don't include the cost of the devices, and there's a $36 activation fee unless you're on the Next upgrade plan.

Customers switching from contract plans to the frequent-upgrade Next plan may end up paying more overall at first, as high-end devices such as Apple's iPhone 5S and Samsung's Galaxy S4 typically cost an additional $27 a month for 20 months.

AT&T is also offering a new Next option that lets you upgrade to a new phone every 18 months instead of every 12 months while stretching out payments to 26 months. Assuming AT&T charges the same prices, the high-end devices will cost $21 a month.

THE BOTTOM LINE:

AT&T is changing contract prices for new customers and offering the new rates to existing contract customers. The regular plans aren't going away for existing customers, but most people will break even or find the new rates cheaper. An

exception: Some accounts with at least three phones sharing 6 gigabytes or more of data will save by keeping the old plan.

What if only some people in a family plan want to bring their own phones? No problem. Only those people will get the reduced service rates. However, the remaining family members must accept the new contract rates, which are generally better anyway.

Those on family plans won't have to wait for everyone's contract to expire to switch. Each phone will get the reduced fee as that contract ends.

The new plans have no contract requirements, though customers on Next will have to pay off remaining installments right away if they leave.

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