



# Extended Warranties

*Dear Dr. Per Cap:*

*Last week my boyfriend and I purchased a new washing machine online. At checkout we were offered an extended warranty that my boyfriend insisted we purchase. Was that a smart add on?*

*Signed, Always Amazon*

Dear Always

I'm not a huge fan of extended warranties. In my experience the benefit doesn't usually justify the cost. I'm also leery of how aggressively manufacturers and retailers push them on consumers. Almost every product nowadays that costs more than \$15 offers an extended warranty. In many cases you're better off just buying a new one if it breaks.

Most extended warranties also provide a lot of wiggle room for the seller to get out of having to warranty a product. Looks like normal wear and tear – sorry, not covered. You dropped it on the kitchen floor? Oops, not covered. No receipt or you failed to register the product when you bought it – too bad. Or the classic – we'll fix it but you pay the shipping costs.

I think many people purchase extended warranties with a false sense of security. I also know people who look at the price of a product and think it makes sense to purchase an extended warranty for big ticket items like a used car or an appliance where repair costs could be really pricey. But I'm still not convinced.

An extended warranty is basically a cheap insurance policy. The company knows how good its products are and how long they will last on average. Then it prices the warranties to more than offset the costs for any repairs and replacements. The extended warranty is just another product they want to sell you because they'll make more money.

The only time I think it might make sense to purchase an extended warranty is if you are more than an average user of a product. For example, say you have a passion for woodworking and you buy a new table saw. You plan on using the heck out of that saw as opposed to a typical weekend warrior who might only work on one or two projects a year. In that case I can see the value in paying for an extended warranty to protect your investment, but again - buyer beware.

If you do choose to buy an extended warranty read the fine print and make sure you register the product immediately after purchase. And in the unfortunate event you have to use the warranty, keep a paper trail and don't be surprised if you have to get a little tough with the company to honor that warranty. Now that we've covered that – have fun putting the suds to your duds!

***Ask Dr. Per Cap*** is a program funded by First Nations Development Institute with assistance from the FINRA Investor Education Foundation. For more information, visit [www.firstnations.org](http://www.firstnations.org). To send a question to Dr. Per Cap, email [askdrpercap@firstnations.org](mailto:askdrpercap@firstnations.org).