Should You Get a Home Warranty?

Pros, Cons, and Alternatives for Homeowners

What is a Home Warranty?

A **home warranty** is a service contract (not the same as homeowners insurance) that helps pay for the repair or replacement of major systems and appliances due to normal wear and tear.

✅ Pros of a Home Warranty

- **Peace of Mind** – Helps cover unexpected breakdowns of appliances, HVAC systems, water heaters, and more.
- **Budget Protection** – One predictable annual fee plus service-call fees instead of potentially thousands upfront.
- **Convenience** – The warranty company arranges service providers, saving you the hassle of finding contractors.
- **Helpful for Older Homes or Systems** – If your appliances or systems are nearing the end of their lifespan, a warranty may reduce surprise repair bills.
- **Attractive to Buyers** – Offering a warranty when selling your home can reassure potential buyers.

⚠️ Cons of a Home Warranty

- **Coverage Limitations** – Not everything is covered. Pre-existing conditions, improper installation, or code violations are often excluded.
- **Service Call Fees** – You'll usually pay $75–$125 per service visit, even if the repair isn't covered.
- **Repair vs. Replacement** – The warranty company decides whether to repair or replace, which may not align with your preference.
- **Limited Contractor Choice** – You typically must use the company's providers, not your preferred local contractors.
- **Annual Cost Adds Up** – Plans typically cost $500–$800 per year, whether or not you use them.

💡 The Alternative: Self-Funding Repairs

Instead of paying for a home warranty, you can **self-insure** by setting aside money for home repairs.

- **How It Works**: Open a dedicated savings account for home maintenance and deposit the equivalent of a warranty premium ($40–$70 per month).
- **Pros**:
  - Full control over which contractors you hire
  - Funds roll over year to year if unused
  - No coverage disputes or exclusions
- **Cons**:
  - Requires self-discipline not to dip into the account for other expenses
  - A major system failure in the first year could wipe out the account before it builds up

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🏡 Which is Right for You?

- Choose a **home warranty** if:
  - You want predictable repair costs and less hassle arranging service
  - You own older systems or appliances likely to need repairs soon
  - You prefer peace of mind over control
- Choose **self-funding** if:
  - You're disciplined about saving and not touching the account
  - You want flexibility in choosing contractors and solutions
  - You'd rather keep the money if nothing breaks

👉 **Tip:** Some homeowners start with a warranty for the first year or two (especially right after buying a home) and then transition to self-funding once they've built up a repair savings cushion.