

Pyramid Scheme or MLM?

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It's difficult to spot the difference between a genuine multilevel marketing op versus a pyramid scheme. Just to make it even more confusing, a pyramid scheme is a form of mlm.

Pyramid schemes basically pay you commissions for recruiting other people.

Multilevel marketing plans pay you commissions for selling their products. They are referred to as multilevel because they also pay you commissions for sales made by people that you recruit into the plan.

Pyramid schemes are illegal in most states. States outlawing pyramidizing specify that commissions can only be paid for sales of goods or services, not for recruiting.

Be wary, many pyramid schemes are disguised as mlm ops. They offer products for sale but, look closely. Who are they selling these products to? Their so called products are being sold only to other members of the pyramid.

For example, they pressure members into purchasing expensive start-up or marketing kits.

Eventually the pyramid fails when no new members are being recruited. When this happens most people in the program lose their money. Only the choice few at the top walk away having profited.

Here are some warning signs of a Pyramid Scheme:

- You have to pay to join
- Commissions are paid for recruiting
- You are required to buy expensive inventory
- Puts more of an emphasis on recruiting others instead of selling

Promises of high profits or "miracle" products

If you do decide to go the MLM route, keep this mind, you can be held legally accountable for "promises" that you make while promoting the product and/or opportunity. Even if you are only repeating what you were told.

This applies to product performance as well as to claims being made about potential earnings. Make sure what you are saying is realistic, honest and can be backed up.

If you are interested in getting involved in a multilevel marketing program, take the time to think things through before joining. Always research the company and the opportunity before you join.

Never sign a contract or invest money when you are being pressured.

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Shelley Lockwood is the webmaster of <http://www.scamfreesuccess.com> . She encourages everyone to help stop the spread of online scams by becoming aware, and by spreading that awareness. You can learn more about online scams by visiting her site.

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