



News For Older Americans

The Risks And Rewards Of Multilevel Marketing

(NAPS)—Many retirees and others looking for extra income consider what's known as multilevel marketing (MLM) or network marketing. It's a type of direct selling where products are purchased from a company and sold through independent contractors. These contractors make commissions from what they sell, and from sales made by people they recruit.

It doesn't always work out the way they hope, however, according to a new survey from AARP Foundation, the affiliated charity of AARP. A few facts and hints may help:

- Among the more than 20 million Americans who have participated in MLM organizations, 90 percent got involved to make money.
- Nearly half lost money.
- A quarter made no money.
- Two-thirds would not join the same or another MLM organization again.
- 39 percent stopped participating because it felt awkward to pitch to friends and family.
- Four out of 10 say the company misled them about their chances for financial success.
- MLM participants are primarily women with college degrees.
- One-third were recruited by a friend and 12 percent by a family member.

"We have witnessed many of our constituents joining these organizations, sometimes to their financial detriment. We want consumers to become better educated about MLMs before they invest valuable time and resources," said Amy Nofziger, Program Director with AARP Foundation.

To help, AARP Foundation suggests these four things:



Before you take up network marketing, there are a few steps to consider.

1. Set your expectations and understand the costs. Recognize that MLMs require patience, persistence, and an investment of time and money. Make sure you're clear on what you expect to get out of participating and what's expected of you from the MLM.

2. Do your research. Thoroughly investigate the company. Visit the websites of the Better Business Bureau and Federal Trade Commission to see if there are any complaints about the company. Speak to current representatives and recent participants. Conduct an online search of the company name featuring keywords such as "work hours" and "incentives" to see what others are saying.

3. Get comfortable with selling. How do you feel about having business conversations with close friends and family?

4. Can you afford startup costs? Are you OK taking risks with your money?

Learn More

For further tips, resources and educational videos, and to download the toolkit "Multilevel Marketing: The Research, Risks and Rewards," visit www.aarp.org/MLMaware.