The Risks And Rewards Of Multilevel Marketing

(NASA)—Many retirees and other elders are looking for extra income considering 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 findings:

• Among the more than 20 million Americans who have participated in MLM, 96 percent got involved to make money.
• Nearly half made less than $10,000 per year.
• A quarter made no money.
• Two-thirds would not join the same or another MLM company.
• 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 heard many stories of 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 Noefiger, Program Director with AARP Foundation.

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.


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.