Safety.
Security.
Social Conscience.

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Founded in 1899, the National Consumers League is America’s pioneer consumer organization.

NCL is your consumer advocate. NCL works for safer foods, a cleaner environment, and protection against consumer fraud.

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Members receive the NCL Bulletin, discounted and free publications, reduced conference registration, and a voice in determining NCL’s priorities.

Log on to www.ncclnet.org or call 202-835-3323 to join today!

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Pyramid Schemes
Don’t Let One Collapse on You

A guide from the National Consumers League
Resist the pressure.

Don’t let anyone rush you into a money-making opportunity. Legitimate companies will not disappear overnight.

Get all the details.

Do you have to pay to sign up? If so, are you paying just for the right to recruit others who will in turn pay a fee to join the program? Or will the money you make come from sales of products or services to actual consumers? Ask for written materials and review them carefully. Remember that even if they look official, they may not be accurate.

Check out the company.

How long has it been around? Can you speak to any current salespeople about their experiences? Contact your local Better Business Bureau and state or local consumer protection agency to get information about complaints against the company.

Learn More

Get general advice and report suspected pyramid scams

- www.fraud.org
  National Consumers League’s Fraud Center
  800-876-7060

- www.ftc.gov
  Federal Trade Commission
  877-382-4357

For more information about multilevel marketing

- www.dsa.org
  Direct Selling Association.
  202-452-8866

Know Your Rights

The state you live in may have specific laws about how legitimate multilevel marketing plans should operate. Contact your state or local consumer protection agency to find out.
Pyramids, Pure and Simple: Different Names, Same Scheme

There are many different forms of pyramids. They go by different names, but the bottom line is the same: if you join one, you'll lose money, not make it.

Chain Letters

One of the earliest types, the chain letter, still shows up today. These letters (or emails) ask people to send money to someone at the top of a list. They are told to remove that person’s name, move the next person’s name on the list to the top, add their own name to the bottom, and send the list to several other people with instructions to do the same thing. Victims are tricked into believing that, over time, their name will reach the top of the list and they’ll receive money from new letter-writers. But chains don’t usually last that long. Eventually, people stop falling for the scam and the chain falls apart.

Online Pyramid Schemes

Pyramids are constantly changing and taking advantage of new technology to lure victims. The Internet has become a cheap and easy way for fraudsters to find victims who are looking for quick money. For instance, some ads claim people can make money simply by clicking on links and surfing the Internet. However, if the offer requires you to pay to sign up and claims that you’ll make money by recruiting others, it’s a classic pyramid scheme. Also be wary of spam emails that offer money-making opportunities. No matter how you get the message — through the mail, in a newspaper ad, online, or in person — the bottom line is that all promises of big profits for little work or high returns on no-risk investments are scams.

Gifting Clubs

In these schemes, new members give money as “gifts” to those at the top of the pyramid with the promise that they’ll advance and receive “gifts” from others who join in the future. But, just like with chain letters, most people never reach the top and get the promised gifts. Instead, they do a lot of giving without receiving anything in return.
What Is a Pyramid Scheme?

Pyramid schemes are scams promoted by con artists as money-making or wealth-sharing opportunities. New members pay to join and are promised they will make money by recruiting other members into the plan. Pyramid schemes always fall apart because the pay-off relies primarily on new recruits, and sooner or later, every scheme runs out of new members. The only people who might make money are the few scam artists who started the pyramid in the first place. Most people who join never receive any rewards or payment and are left with empty promises.

Pyramid promoters seek out new victims just about anywhere — at work, at churches or temples, even through social organizations or clubs. They also lurk on social networking Web sites and in online chat rooms. People involved in pyramids need to find more people to keep the pyramid growing, and they often solicit friends or family to sign up. Since legitimate companies may also recruit among family and friends, it’s important to be able to tell the difference between a real and a bogus opportunity to join a business.

Don’t Get Involved
Pyramids Are Illegal!

Pyramids claim to be money-makers, but the truth is they are sure losers. Pyramid schemes are illegal under federal and state law, and anyone who starts one or recruits others to join can be faced with fines and/or jail time.

Multilevel Marketing
NOT a Pyramid Scheme

In legitimate multilevel marketing plans (MLMs), sales people earn commissions from selling real products or services to consumers, both the sales they make as well as sales by those they recruit. But in pyramid schemes disguised as MLMs, any money earned comes from the membership fees of new recruits. Some pyramid schemes offer “sham” products — useless items that little or no effort is made to sell to actual consumers. Instead, new participants are often encouraged to buy the products themselves, and the money is used to “pay off” those at the top of the pyramid.