Multi-Level Marketing Businesses

Have you ever seen an ad or a message from someone you know that says you can work from home, make lots of money, and be your own boss? Many of these ads are for a type of business called **Multi-Level Marketing (MLM)**.

A typical business may hire you to sell their products and services to customers. An MLM works differently.

When you join an MLM, there are two ways to earn money:

- Selling products
- **Recruiting** other people to join the business

When the people you recruited earn money, some of that money comes to you. And when you earn money, some of that money goes to the person who recruited you and to everyone above them in the business.

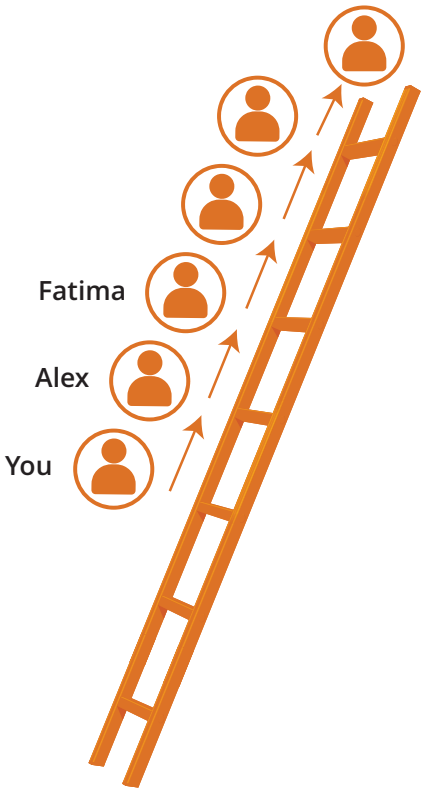
Multi-Level Marketing (MLM) is a business where you make money by selling products and getting other people to join the business and sell products. Another name for MLM is network marketing.

Recruiting means finding people and asking them to join the business.

Think of an MLM business like a ladder. The people who start the business are at the top of the ladder. Each person who joins the business becomes another rung. As the ladder grows, money can flow upward as people earn money from the people below them.

The newest people to join the MLM business are at the bottom of the ladder. To move up, they have to recruit people to stand on the rungs below them.

For example, let's look at the ladder below:



Alex sells a product and earns some money from the sale. Fatima earns a smaller amount of money or a bonus because Alex is below her on the ladder. If Alex recruits you, your sales could lead to payments for you, Alex, Fatima, and everyone else above Fatima.

The amount each person on the ladder receives depends on the MLM's rules.

Risks of MLM businesses

Working for an MLM business might seem like a good idea at first, but it can be risky for your money and your relationships.

You can lose money. MLM businesses often make you pay up front for the products you're selling, even if you can't sell them all. You may also have to pay for membership fees, travel expenses, or special training.

You might spend more money than you'll make, even if you work hard at your business.

You can hurt your relationships. MLM businesses encourage you to ask your family, friends, neighbours, and co-workers to join the business. You often need to sell products to them, too.

This can cause stress between you and the people you care about.

How to spot an MLM business

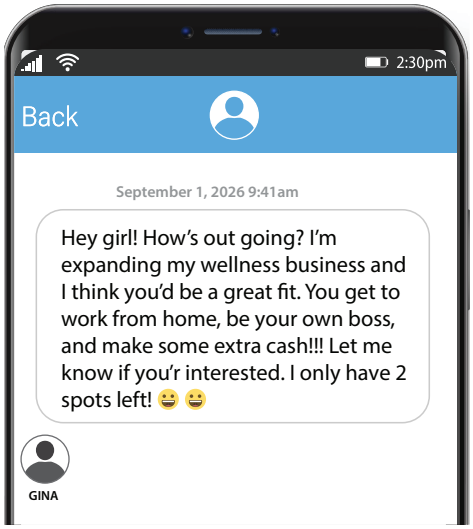
Some things you might see in ads or messages for MLM businesses include:

- You're promised easy money
- You have to pay to join
- You're asked to find other people to join the business
- You feel pressure to make a decision about joining fast

Think about it

Here's an example of an ad and a text message for an MLM business.

- What are some signs the ad might be for an MLM business?
- What would you do if you received a text message like this?



Stay safe

Before joining any new business, do your research. Talk to someone you trust who isn't involved, like a friend, family member, or somebody in your community. Ask questions, and don't make big decisions under pressure.