



A weekly question/answer column

**I'd Like To Work At Home, How Can I
Tell If The Advertised Business Is
Legitimate?**

Karen Biers answers:*

Business ventures require a lot of research and planning on the front end in order to be successful. While there are many good business opportunities available, there are just as many schemes and scams. Estimates from the National Consumer League suggest \$200 billion is lost to scams and fraud each year. The Federal Trade Commission estimates each investor loses between \$5,000 and \$10,000. When researching potential business opportunities, keep the following in mind to avoid being a victim of a business scam:

- Check the promoter and business opportunity thoroughly. Call the State Attorney General, Secretary of State, Better Business Bureau and consumer protection agencies in your state. They should know about any unresolved complaints about the company and/or business opportunity. Remember, the absence of complaints does not necessarily mean the company is legitimate. Unscrupulous companies may settle complaints, change their names or move to avoid detection.
- Don't judge a company based on appearances. Some of the biggest business schemes and scams are slick and professional in their promotion tactics.
- Ask for a disclosure document if you are interested in a franchise. Be skeptical of companies that do not have disclosure documents.
- Avoid any programs or business opportunities that offer commissions to recruit new distributors — it could be a pyramid scheme.
- Be cautious about references and testimonials — they could be phony or “shills” hired by the promoter.
- To verify claims made by the company, ask for a list of previous investors or business owners. Talk with current owners of the business opportunity to see if their experience verifies the claims. Visit them in person at their business location rather than over the telephone.
- Ask for all company claims, promises and policies in writing (including their refund policy).
- Realize that trainers and consultants at high-pressure seminars are there to sell, not teach.
- Ask companies to put claims regarding sales, profits and income in writing. This should include the number and percent of others who have earned what the promoter claims. Be aware that incomes vary with location, usage, products sold and product demand. The fact that one business earned a “high” income in one location is no guarantee that it will do

the same in another location.

- Seek professional advice. Consult an attorney, accountant and business advisor before signing any agreement or contract or making any up-front payments. If the company requires a deposit, consider an escrow amount where the money will be maintained by a neutral third party.
- For more information visit the Web sites for the Council of Better Business Bureaus, <http://www.bbb.org>, and the Federal Trade Commission, <http://www.ftc.gov>.

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