

## Transcript - Business Opportunity and Work-at-Home Scams Podcast

This is Carol Kando-Pineda. I'm an attorney at the Federal Trade Commission, the nation's consumer protection agency. One focus of my work is outreach to the military community, giving you tips and tools to avoid scams, watch your wallet, and protect yourself in the marketplace.

Today I'm going to talk about some things to keep in mind when you're considering buying a franchise or other kinds of business opportunities. The two main types of scams are ones that promote lucrative work-from-home opportunities and the chance to own a franchise or a business.

We'll start with the franchise or business opportunities. These may sound appealing, particularly if you're a military spouse and searching for a job where you can be your own boss. But any legitimate business requires a lot of upfront work to get off the ground. Here's how these scams typically work: They tout easy money for very little work. Or make big money fast. They say, for no effort you'll hit a really big payoff.

So by law, people that sell franchises or business opportunities must give you specific information to help you make an informed decision about their offer. For example, if the initial cost to get into the business opportunity is more than \$500, you're entitled to written disclosures from that seller. The disclosures must include certain information to help you check out that opportunity. The names, addresses, and telephone numbers of at least 10 previous buyers who are close to you geographically. That's so you can arrange to visit them and check out the opportunity in person.

You need to know the number and percent of previous buyers who have made as much or more money as the seller claims that you can make. You really want to know the numbers. Sales, income, or profits so you can compare and tell how likely it is that you'll do that well. You also want to know how much the previous buyers have made. And the seller needs to tell you that. They need to explain exactly how much the previous buyers have made and how they know that, how their claims match up with how much people have actually made. Basically you want to try to tell whether the basis for the claim is reasonable. So, before you buy a business, study the disclosure document and the proposed contract.

Interview current owners in person. Their names and addresses should be listed in the disclosure document. Ask them how the information in the document matches their real experiences with the company.

Investigate claims about your potential earnings. If the company is making earnings representations, say that you'll make \$2,000 a month or whatever, they must give you a written basis for that claim. Sellers must tell you in writing the number and percentage of owners who have done as well as they claim you will. What if a seller makes broad claims about a successful area of business? For instance, they say things like, be a part of our \$4 billion industry. Well, that may have no bearing on your success or your chances in that business. Remember, once you buy the business, you may be competing with franchise owners or independent business people with much more experience.

Shop around. Compare your opportunities. Listen to the sales presentation with a really critical ear. If the sales person makes the job sound too easy, be wary. The thought of easy money sounds appealing but we all know success generally requires hard work. After the seller gives you the required

documents, they must wait, by law, at least 10 business days before accepting your money or getting your signature on an agreement. Why the wait? That gives you time to think things over calmly without pressure, to do more research, and to compare those other opportunities.

Always get the seller's promises in writing. If the seller balks at giving oral promises in writing, consider doing business with another firm.

Consider getting professional advice. Ask a lawyer, accountant, or business advisor to read the disclosure document and the proposed contract and to discuss it with you.

You also might want to check out the company with your local consumer protection agency, state attorney general's office, and the Better Business Bureau, not only where the company's located, but where you live.

The second type of scam we're talking about in this podcast is the work-at-home scam. Now, working from home might seem like the perfect solution to the military spouse who's up against frequent moves and the demands of a spouse's deployment. What could be better than earning money from home, right? Well, before you send in any money in response to an offer, check it out. Fraudulent promoters use the classifieds and the Internet to tout all kinds of work-at-home offers, from medical billing and envelope stuffing to assembling and craft work. Too often these ads make promises about earnings, merchandise, and marketability that sound great, but aren't truthful. The result? You'll get ripped off.

You may see ads online or in classified ads for jobs stuffing envelopes or processing medical billing from home. More often than not, a scammer doesn't have a job for you. They either take off and give you nothing, or they charge you for the supplies for a supposed job that never comes through. Or the rigid requirements and guidelines for the job make it a sham and it's impossible for you to actually earn any money.

So, if you're thinking about a working-from-home offer, here are some questions to ask:

- What tasks will I be doing? Ask the program sponsor to list every step of the job.
- Will I be paid a salary, or will my pay be based on commission?
- Who will pay me?
- When will I get my first paycheck?
- What is this going to cost me, including supplies, equipment, and membership fees?
- What do I get for my money? That's important. You don't want your earnings eaten up by those kinds of charges.

The answers to these questions may help you determine whether a work-from-home program is appropriate for you, and even whether it's legitimate.

And whether it's about a franchise, or another kind of business opportunity, you can always contact the local consumer protection agency, the state attorney general's office, and the Better Business Bureau, both where the company's located and also where you live. These organizations can tell you whether people have lodged complaints about the programs that interest you. Now, take that with a grain of salt. The absence of complaints doesn't necessarily mean that the company is legitimate. Unscrupulous companies may

settle complaints, change their names, or move to avoid detection. But it's worth a look, anyway. You never know what you might find. If you think you've been a victim of a scam, contact the Federal Trade Commission. The military community can file a complaint at [ftc.gov/sentinel/military](https://www.ftc.gov/sentinel/military).

You can also contact your state attorney general and file a complaint. And you can always go to Military OneSource for help. This free, 24-hour service is available to all active duty, guard, and reserve members, regardless of their activation status, and family. Consultants provide information and make referrals on a wide range of issues. Call 1-800-342-9647 or visit [MilitaryOneSource.com](https://www.MilitaryOneSource.com).