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I'd Like To Work At Home, How Can I Spot A Scam?

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A weekly question/answer column

I'd Like To Work At Home, How Can I Spot A Scam?

Karen Biers answers:*

"If it sounds too good to be true, chances are it is" applies to work-at-home scams. These range from envelop stuffing to fraudulent 900 numbers, and fees range from $5 to $30 on the low side, to over $30,000 on the high side. The Federal Trade Commission (FTC) estimates that losses due to these scams reach at least $200 billion per year, with the average individual losing between $5,000 and $10,000. Scamming may include:

- Traveling sales seminars selling home-based business opportunities. These seminars sell opportunities, frequently at a special price for a limited time only, such as resale of distressed merchandise, vending machines, color-change T-shirts, discount travel memberships, vitamins, scholarship search services and estate planning. Few, if any, investors make any substantial money.
- Distributorship and franchise fraud. Companies are more interested in selling the distributorship or franchise than in selling the product or service. They provide no or very limited information about the company, and employees frequently serve as the "reference contact."
- Envelope stuffing or other mailing schemes. For fees from $8 to $25 respondents receive promotional material with details on money-making plans such as stuffing envelopes.
- Processing medical insurance claims. Respondents may be charged several thousand dollars for a software package. The ads indicate the market is extremely large. In reality, the market for this service is limited.
- Pyramid marketing programs. This form of multi-level marketing differs from legal multi-level marketing in that the goal is to recruit distributors who then recruit more distributors. In a legal multi-level marketing company, the main focus is product and product sales.
- Assembly work at home. Respondents may be required to invest money for the raw materials and instructions to make products that the company promises to buy. However, the company then refuses to purchase the products because they do not meet "standards."
- Reading books at home. For about $50 respondents receive a list of book publishers. Respondents must contact the book companies directly to inquire if they hire home readers.
- If you have any questions or complaints regarding a business offer, contact the FTC headquarters at 202-326-2222, the Denver FTC regional office at 303-844-2271, or the Division of Consumer Protection of the Utah Department of Commerce at 1-800-721-7233 and ask for an investigator.

* Karen Biers, Utah State University Extension Entrepreneurship/Home-Based Business and Clothing/Textile Specialist