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REVIVING THE

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# AMERICAN DREAM

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Stop  
“Just Getting By”  
and Build  
Real Wealth

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Adam Starchild

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Paladin Press  
Boulder, Colorado

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*Reviving the American Dream*

*Stop "Just Getting By" and Build Real Wealth*  
by Adam Starchild

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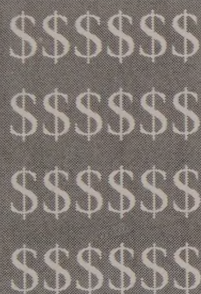
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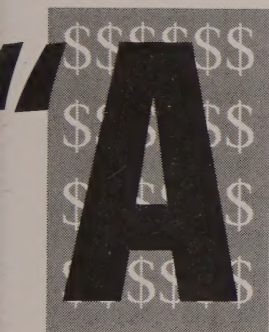
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# America's Lost Dream



**merica's Lost Dream."** This was the headline splashed across the front cover of *Newsweek* on March 2, 1992, boldly pessimistic in its pronouncement that The American Dream has become a myth that simply doesn't work anymore. And it's true. That whole business of "get a college degree, work your way up the corporate ladder, or start your own small business and achieve your dreams" isn't working for many people anymore. The company pension plan turns out to be underfunded, the savings and loan on the corner has been boarded up for a couple of years, and then the layoff notice comes.

For an increasing number of Americans, The American Dream has turned into the sour reality of working their lives away trading too much time for not enough money to live on—much less retire on. There's no loyalty in corporate



America anymore, and no security either. Some economists think we are headed for as much as 20-percent unemployment by the year 2000.

How many college grads find work in their chosen fields today? How many are doing that same work 10 years later, or even 5? Not very many.

Can you get a job where you earn what you're worth . . . where you'll get rich . . . and find fulfillment . . . and gain freedom . . . trading your time for money?

Over half of all first-time heart attacks occur between the hours of 8 A.M. and 10 A.M. Monday morning. People would rather die than go back to work!

Blue-collar jobs are becoming extinct, and white-collar jobs aren't far behind. Millions are out of work, collecting unemployment (until it runs out), sadly searching for the same kinds of jobs their former employers just eliminated completely, in some other company that hasn't streamlined yet. Where will they go for work? What will they do? Those workers just aren't needed anymore—and who can afford them anyway?

What is The American Dream? Ask a million people, and you'll get a million different answers. We all have our own unique version of what The American Dream means.

However, there are a number of things that all our dreams have in common. We all want freedom and security for ourselves and our families. We want more money than we have now. We want health and happiness. Basically, we want what we don't have. The sad fact is, tens of millions of people aren't living their dreams at all. Isn't that true for you?

Most of us aren't free to live where we choose, in the kind of house we want, because we simply can't afford it.

What else do we want? A good education for our kids . . . travel and vacations . . . entertainment . . . recreation . . . diners out . . . new clothes . . . and a whole host of other possessions and possibilities for realizing our dreams.

So what happens? We finally get that special car that we want—and then stay home because we can't afford to go out!

Unfortunately, we're forced to pick just one of the things we really want—and sacrifice everything else.

We've made settling for less a habit!

Today people aren't free to do what they'd really love to do for a living, what they're really good at. They're strapped to a job they don't like—or worse, one they hate—because they just have to have the paycheck to survive. The truth is only one-half of 1 percent of the people in America make more than \$100,000 a year. And that's just about how much it takes today to even get close to financial security.

The cornerstone of The American Dream has always been financial freedom—enough money to do what you want, when you want to do it.

That's not to say that money alone is what we desire most. We all know it's not the money, but what the money will buy. And it's true that one thing money does buy in a society like ours is freedom.

Money also builds churches and schools and puts clothes on our children's backs.

Another thing money can buy today is health. The rising cost of medical care has made it virtually impossible for people of average means to afford even basic medicines and proper health care. And is there any greater cause of stress—which more and more physicians say is a primary contributor to sickness and disease—than anxiety and worry over money? Medical research proves that the affluent are significantly healthier than the average American.

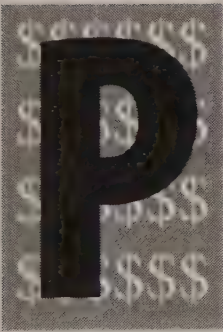
How much freedom do you have if you can't pay the mortgage or the rent? What happiness is there if you don't have security—if you can't afford good health and medical care?

But the sad truth is the vast majority of Americans today don't stand a chance of getting what they want out of life. For them, The American Dream has become a fairy tale. A myth. For an alarming number of people, it may even have become The American Nightmare.





# **Retire at Age 35 (or 45 or 55) without Being a Millionaire**



Paul Terhorst was a successful CPA for an international accounting firm. At 33, he was making about \$125,000 a year. When he gave it up, he was able to retire at age 35. Now he lives a better life than ever before—without making a salary. He travels around the world, writing, playing the saxophone, and enjoying the best the world has to offer.

Paul figured out how much money you need to retire. He was surprised that a net worth of just \$100,000—including home equity, IRAs, and cars—was enough. That's for a pretty basic retirement. But he also figured that more than half of all American families probably have enough to do it.

Paul then determined that to retire without making any sacrifices, in fact, to travel all over the world and live in luxury, would take more . . . closer to \$400,000. But when he added up all of his assets, he

found that he could sell his home and his cars, cash in his savings, and have enough. And he's not alone. Millions of Americans, many of them in their 30s and 40s, have between \$100,000 and \$400,000 net worth. If you don't, I'll tell you how to build up your net worth over the next few years.

Then you could retire and never work another day. You could enjoy the best years of your life instead of slaving away in an office. You could travel to London, Paris, Athens, and Rome. You could get to know your friends and family better—because you'd have the freedom and the time. And you could spend based on what you need—not just what you can “afford.” If you live the way most Americans do, you spend about 56 percent of your budget on your home and car. Food and clothing eat up another 24 percent. Health care costs about 4 percent, and miscellaneous expenses account for 10 percent. That leaves just 6 percent for entertainment and travel.

But if you live and retire like Paul Terhorst, you spend 53 percent of your budget on food, entertainment, and travel, and only 16 percent on your home and transportation. Compare the difference in monthly expenses:

<b>Expense</b>	<b>Retire Like the Average American</b>		<b>Retire Like Paul Terhorst</b>	
Home	\$825	33%	\$200	13%
Transportation	\$575	23%	\$ 50	3%
Food	\$425	17%	\$300	20%
Clothing	\$175	7%	\$100	7%
Entertainment and Travel	\$150	6%	\$500	33%
Health Care	\$100	4%	\$150	10%
Miscellaneous	\$250	10%	\$200	14%
<b>Total</b>	<b>\$2,500</b>		<b>\$1,500</b>	

Paul gave up his home in Los Angeles and his expensive cars for an exciting life in Buenos Aires. He owns a spacious, beautiful apartment with no mortgage, doesn't need a car, and dines out all the time.

In fact, despite living the life of an international jet-setter since his retirement, Paul has watched his net worth grow to \$900,000, just by reinvesting the money he does not spend. He lives better on about \$22,000 a year than he did when he was making five times that in the United States! He spends a lot of time traveling. Round-trip airfares from Buenos Aires are expensive . . . so he budgets about \$4,000 a year in addition to the expenses listed above. That brings his yearly total up to a whopping \$22,000, which is easy to earn on the \$400,000 of net worth that he's invested.

Paul's secret is figuring out how to live better on less. In Buenos Aires, you can eat at a fine restaurant for \$5. You can take a taxi for \$1. And then you can go out on the town . . . for just \$5 more.

Back in 1984, Paul faced a trade-off . . . between making \$125,000 a year in a prestigious international firm and giving it all up. You may ask, why would he even consider it?

At the time he was working as a CPA for Peat Marwick. Living in Los Angeles was expensive. You couldn't buy a nice home for much less than \$400,000. And if you were making payments on a \$400,000 house (\$48,000 a year) . . . then paying \$30,000 in income and property taxes, \$5,000 in insurance costs, \$10,000 on transportation, \$2,000 on health insurance, \$10,000 on food, \$5,000 on travel and entertainment, \$5,000 on clothing, and easily another \$5,000 in miscellaneous costs, you'd be spending \$120,000 a year. So if you were making \$125,000, you'd have a whopping \$5,000 left over. Not very much . . . especially when you consider that you'd be working 10 to 12 hours a day to earn it.

Sure, you'd be living in the best part of town, wearing \$500 suits, driving a luxury car, and eating at the finest restaurants in town. But would it really be worth it?



Consider the future. Paul started working at Peat Marwick in San Francisco in 1972. It's not that he didn't like his job—despite the pressure. But he looked at his lifestyle . . . and where it was likely to lead.

For years he watched partners from San Francisco's most elite firms put away their briefcases, get a new set of golf clubs, and move to Carmel. They were going to play 18 holes with their wives in the morning and 18 with the guys later on. They were going to relax and enjoy the money they had worked so hard to save. And some of them did . . . for six months or so. Then they had heart attacks and died.

His observations are backed up by medical facts. Life in stressful, high-pressure jobs can kill. After giving the best years of your life to your job, you may not even have any years left over for yourself.

On the other hand, Paul figured if he left his job he could start to live the life of his dreams. He and his wife could travel the world. He could write a novel. He could learn to play the saxophone.

When he got tired of traveling, he could buy a home in one of the culture capitals of the world. (He bought a home in Buenos Aires for just \$20,000 with no mortgage.) He could entertain friends in his luxurious new apartment. He could learn to speak the language . . . and make many new friends. He could join a modern jazz band. And best of all, he could do it all on about \$50 a day.

Paul's three-part formula demonstrates that with the equity in your home and other assets, you can afford to retire in style with as little as \$100,000 in net worth.

For the details on Paul Terhorst's innovative retirement plan, read his excellent book, *Cashing in on the American Dream: How to Retire at Age 35* (Bantam Books, 1988).

Here again, we see the tremendous wealth advantage of breaking away from a rigid, institutional approach to life. There are millions of people who could retire young . . . or enjoy much nicer retirements . . . by taking advantage of creative, often unconventional strategies.

As Paul Terhorst points out, many of the things you spend money on neither increase your wealth nor improve the quality of your life. The idea is to focus carefully on the things that really matter to you. You may discover that you, too, can find your own version of a better life—while actually building your wealth at the same time.





# America's New Dream



**he majority of Americans won't want to emulate Paul Terhorst, because they prefer to stay near home for family, social, or cultural reasons. But much of the life-style he achieved can be had right here at home, by dropping the emphasis on working for a traditional retirement and creating a life-style that mixes business and pleasure. The beginnings of these trends are already evident in the increase of home-based businesses and the telecommuting phenomena—people who work at home and send most of their work to the office by computer.**

**Fifty years ago, people moved to the suburbs in search of a better life. Now they are moving to small towns in Washington, Virginia, Colorado, and Arkansas. This new “migration” will take the wealthiest, up-and-coming Americans to places that are oases of natural beauty and culture.**

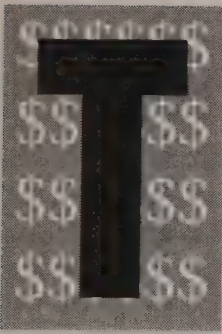
High-tech companies will move their headquarters to these peaceful little communities. Already places like Charlottesville, Virginia, home of the University of Virginia, are becoming magnets for film stars, entrepreneurs, and software start-ups. Orem and Provo, Utah, have become a mecca for software-related businesses, and Orem is the headquarters of WordPerfect Corporation. Rochester, Minnesota, home of the famed Mayo Clinic, is becoming the center for a lot of small, high-tech, entrepreneurial medical technology companies.

The Center for the New West is working with rural communities seeking to lure what they call "lone eagles," professionals such as consultants who usually work at home and keep in touch with clients through phone, fax, and computer. The Denver think tank has a grant from Edison Electric Institute, a trade group whose members serve rural communities. Rural communities now see attracting these "lone eagles" as an important economic development tool, more compatible with the community life-style than trying to attract small factories.

By the year 2000, you could live a life of financial independence in a beautiful small town where there is no crime, no congestion, no pollution; where you have a spectacular view from your gorgeous home, no mortgage to worry about, and low taxes; where you work a few hours a day on projects you really like, and even hold live conferences with your business partners who live hundreds of miles away.

This is the "good life," the way of life that the majority of Americans will desire most, the life that you and your family will want to live. Those who can see the changes ahead will be able to enjoy the good life. And by the year 2000, they will be living very, very well.

# Part-Time or Working-at-Home Alternatives



he trends not only affect planning for retirement but also open new opportunities for part-time work or working from home. Companies have not gone soft in the heart or the head. They are merely facing up to facts—the growth rate in the labor force will be cut in half this decade because of the passing of the baby boomer generation. Two-thirds of the entrants into the work force during the 1990s will be women, many of them working mothers. Employers simply have no choice.

U.S. West, one of the “Baby Bells,” has already begun competing for these women. Its goal is to use flexible work arrangements to reach employees in a shrinking labor force. It makes dollars and sense to them, because they can attract and retain talented employees who can devote more time to their families without reducing commitment to the job.

U.S. West has one of the most liberal part-time policies of any company in the United States. Any employee can apply. Compensation and benefits are prorated, titles remain, and promotions are possible. Managers, too, can work part-time.

The company even hires outsiders for part-time work. While all this may seem slightly astonishing for a large corporation, the company can't afford to do anything less. If it didn't offer these types of opportunities—"Yes, I'll hire you on a part-time basis" or "Yes, you can work at home"—it'd lose out. The companies that won't do this won't get the cream of the crop because these are the things that mean more and more to the new recruit.

Numerous other corporations are stepping in tandem with U.S. West. Hewlett-Packard has about 500 people out of 50,000 U.S. employees now working part-time. About half of those are professionals, and 21 are managers.

This development bodes well for the leagues of working mothers looking to balance work and family. Industry can no longer afford to ignore issues such as child care, flex-time, and part-time work. In the past these were considered "women's issues," but now companies are realizing that they are people issues, and part of a long-term trend. Whether you immediately jump into your own business or develop a part-time or home-work relationship with an employer, the opportunities to change your life-/work-style are part of the twenty-first-century experience.

If professionals in your area of expertise are in short supply, then companies will be eager to accommodate you. Engineers, scientists, and technical people are difficult to find, so employers will do anything and everything to keep these highly skilled individuals.

Attorneys will be in great demand over the next 10 years. Law firms nationwide have expanded, acquired, and merged to create legal monoliths. These beasts appear to have an insatiable appetite for gobbling up young legal talent. That appetite will only get bigger and bigger while the classes of law-school graduates get smaller. With fewer new lawyers to hire, law firms of all sizes and ilk will struggle to retain the associates they already have.



The same phenomenon is happening in banking and accounting. Both industries see a labor crunch in the offing and hope to stave off manpower shortages. Perhaps because high-tech companies have a lot to gain by promoting options such as work at home for other companies, they are proving to be the biggest boosters. After all, if we all started to work at home using computers, those companies that sell the equipment and services would stand to benefit financially from increased sales. Also, high-tech companies tend to be younger, with younger managers at the helm who are more forward-thinking.

You are in a strong bargaining position if workers in your area are in demand. If that is not your situation, then try to play up one of your particular talents that would make you a valuable asset to the company you approach.

You can use these examples of high-tech companies to sell your proposal to your own company. It works for these highly successful companies, you can tell your supervisor, why not for your company? Within your own firm, be on the lookout for supervisors with high-tech mentalities, those who are most open to new ideas. These people will turn out to be your biggest supporters.

A major company located in a medium- or small-size city has to do everything possible to attract the best employees to its door. If that means offering part-time work, that's what it will do.

Target companies that may have difficulty attracting employees because of their geographic location. This might mean looking in the suburbs rather than in the city. Also, within corporations, seek out departments that traditionally have had a harder time getting top-notch talent. There may be opportunities not only in the short term for part-time work, but in the long term for advancement.

New York state government has 7,000 employees working part-time. The New York State Department of Civil Service uses a registry to match available jobs with individuals wishing to work less than a full schedule.

Federal legislation sanctions part-time work for federal

employees. There are formal procedures for applying and moving from one job to another. If you are a government employee, your chances are good for having a part-time work arrangement approved.

If the company you are approaching is still in the dark ages where part-time work is concerned, look at its competitors. Are some of them aggressively promoting part-time work schedules? If so, you may be able to use that information to your advantage. Don't assume that Company A knows what Company B is doing. Point it out, either in your formal proposal or in conversation during an interview.

Some full-time jobs can actually be done on a part-time basis. These positions seem to attract individuals who are highly motivated and organized. Those qualities enable these workers to accomplish more work in less time.

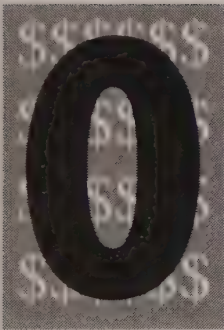
This situation occurs in professions where workers are fairly autonomous and put pressure on themselves to get the job done. A salesman may end up putting in more or fewer hours, but they're not hours on a fixed schedule. In sales, it's common to be able to arrange your life around the work.

A job does not have to be labeled part-time to be part-time. When you job hunt and find a full-time job that you know you could complete working part-time, make your case to the employer, perhaps even agreeing to a trial period in order to prove your point.

Working part-time or working from home for one employer may be the first step toward doing the same thing as an independent contractor and gaining the independence of having your own business. Many people will find this a useful transitional step.

The most flexible part-time job is one that allows you to work for yourself.

# Tax and Legal Strategies for Starting Your Business



One of the greatest strategies of all for financial success is a successful business. If your business is profitable, that equity is the key to big money. In fact, the miracle of equity is that it builds itself. All you have to do is reinvest the profits successfully, and the value of the entity that made them will increase accordingly. Even if your business never becomes profitable, it can help cut your tax bill. If it never grows larger than a tiny “small” business, it can mean the difference between financial independence and just surviving on a paycheck.

Tax reforms over the last decade reduced some of the benefits, but a small business is still one of the best tax shelters there is. And, contrary to what you may have thought, starting your own enterprise doesn't require a radical departure from your current occupation.

There are two ways you can profit

from business ownership while, in effect, keeping your present job: independent contracting and a sideline business.

## **SELF-EMPLOYED WEALTH**

A business of your own will help you realize a dream of financial independence. To succeed, all you need is motivation, some no-nonsense planning, a competitive spirit, and the energy to achieve your goals.

In addition to equity, the most important advantage of self-employed wealth is that you are able to deduct many of your expenses. A regular corporation allows you to turn many items you might normally buy out of your own pocket with after-tax dollars into deductible expenses by making them tax-free fringe benefits the business provides for its employee—you. You don't need to have any other employees to take advantage of incorporating.

If you do have employees, the tax treatment of employee benefits is another advantage of incorporating your business. Tax rules recognize two general types of fringe benefits: those that are identified specifically and those that fall into broader categories.

### **Specific Benefits**

Specific benefit plans that are tax-free to employees and deductible by the employer are:

- Accident and health insurance plans
- Group-term life insurance up to \$50,000
- Prepaid legal services
- "Cafeteria" or flexible-benefit plans
- Vanpooling
- Scholarships and fellowships
- Dependent care assistance
- Education assistance related to the employee's job



Let's look at health insurance as an example of the advantage of incorporating. Many people who leave an employer to go out on their own are shocked by the health insurance premium they have to pay on their own. A family plan with comprehensive coverage and dental benefits could cost you \$400 a month or more. By incorporating, you can have your company provide your insurance and deduct it as a business expense. And the benefit does not count as income for your individual tax purposes.

The restrictions on these plans require that the benefits be available to a reasonable cross section of employees, as defined by various mathematical formulas in the tax code and IRS regulations. Benefits will not be tax-free if they are available only to officers or highly compensated employees. Obviously, this does not present a real problem to the one-employee corporation. You must draft your benefit plans so that if you do hire permanent full-time employees in the future, they will be eligible for benefits.

For small-corporation employees, one of the biggest of these benefits is tax-deductible life insurance. The most common way to get tax-deductible life insurance is through a group term insurance plan. An employee receives the first \$50,000 of coverage tax-free and must include as income only a percentage of the premium attributable to coverage over \$50,000. The taxable amount is determined by consulting an IRS table. The coverage for each employee must be provided using a formula that takes into account factors such as age, years of service, compensation, and position in the company. The employer must own the policy. A drawback to these plans is that coverage usually ends when an employee retires, and some retired employees continue to need life insurance. Coverage for retired employees is very expensive.

When you own a business you may be able to . . .

- turn "personal" expenses into tax-deductible dollars
- split income among family members to avoid the effects of progressive tax rates

- have the business pay you in tax-free fringe benefits instead of a taxable salary
- deduct your vacation costs, under certain conditions
- write off your home office

... but be sure to ...

- weigh the costs of going it alone
- appear independent
- keep good business records
- follow closely the rules on employing family members
- consult experts before setting up complex benefit plans
- pay your estimated taxes each quarter

### **General Benefits**

Broad groups of benefits that receive tax advantages include the following:

- No-additional-cost services are tax-free when provided by the employer (or another business under a reciprocal agreement with the employer), and the employer does not incur a substantial cost (including foregone revenue) in providing them. An example might be allowing your waiters to have free lunches at your restaurant. The service must be provided by the same line of business in which the employee works.
- Qualified employee discounts are tax-free when the discounts do not exceed the employer's gross profit margin on the product. Discounts on services cannot exceed 20 percent of the price charged to other customers. Employee discounts must be from the line of business in which the employee works.
- Working condition fringes are property or services that would be deductible trade or business expenses if the employee paid for them himself. Parking on or near the business premises is considered a working

condition fringe benefit under the new law. The employer can deduct it, and the employee needn't count it as taxable income.

- **De minimis fringes** are tax-free if their value is so small that accounting for the benefits is unreasonable or impractical. Typing a personal letter, cocktail parties, picnics, and holiday gifts are de minimis fringes. Personal use of a copying machine is tax-free if the employer can show that 85 percent of the machine's use is for business.

### **Don't Let the IRS Call Your Business a Hobby**

The IRS often tries to eliminate the tax benefits of a sideline activity by arguing that it is a hobby, not a business. If the IRS declares your sideline business a hobby, you can't deduct any more than you make on the hobby.

In effect, then, your sideline business income can be tax-free, but you will not be able to deduct noncash expenses such as depreciation. And you won't be able to use the business to lower your family's overall taxable income.

There are several ways to avoid having a sideline business treated as a hobby. The tax code provides a "safe harbor" rule. If you profit from a sideline 3 out of any 5 consecutive years, you're safe. (If you breed horses, the safe harbor rule is 3 profitable years out of any 7 consecutive years.)

Taxpayers who don't qualify for the safe harbor rule still have hope. You have to make a case for the fact that you are trying to be profitable. Some documentation that will help is proof of advertising, promotion, proposals, market research, and the like. Save your rejection letters.

Two recent court cases established pro-taxpayer decisions on this issue. In each case, the taxpayer never made a profit, but the sideline still qualified as a business. According to the courts, the most important factor is that you conduct your sideline business in a professional manner. If you take it seriously, the courts may take it seriously.

Find out what either the industry or the local norm is for all your business procedures. Follow the norm unless you have a more effective way of doing things. And always keep complete records.

An unusual—but foolproof—way to beat the hobby rule is to buy your real estate and equipment with cash. Don't borrow or pay rent. This sharply reduces your operating costs by eliminating interest or lease payments. With expenses low, you can show a profit on only a few transactions. You may pay a little bit of tax, but the net effect is that you can shelter most of your income with expenses that would otherwise be nondeductible. If you have an occasional losing year, your deduction will be more likely to be allowed for that year. If you need cash later, you can borrow against the assets or the business. When you sell, the profit will be taxed at capital gains rates.

### **How to Become an Independent Contractor**

If you structure your job properly, you can turn an employer into a client and end up getting more money for doing the same job by becoming an independent contractor. Your former employer no longer has to pay your Social Security, unemployment compensation taxes, or workman's compensation benefits. And he is free from the bookkeeping headaches of calculating and deducting Social Security and income taxes and forwarding the money to the government, processing paperwork for your health insurance, and providing you with supplies. You may be able to negotiate splitting some of those savings with your boss when you go solo.

Don't dismiss this option as a wild-eyed dream reserved for mavericks. Thousands of mainstream folks do it each year. House painters, floor layers, researchers, writers, custom seamstresses, management experts, engineers, carpenters, electricians, insurance claims processors, bookkeepers, and people from dozens of other fields successfully turn to private contracting, at least in part as a means of reducing taxes.



## **Don't Expect Miracles**

Independent contracting won't relieve you completely of taxes. But you pay income tax only after deducting all of your business expenses, including some personal and fringe benefit expenses.

In addition to income taxes, you pay Social Security tax, in the form of "self-employment tax," which in most years is about 2 or 3 percent less than the total of the employee and employer shares of the Social Security (FICA) tax.

The IRS is well aware of the tax benefits of being an independent contractor, so follow the rules. One mistake, and the IRS may attack. The courts tend to back up the IRS on this issue. You also cannot dodge tax withholding by going out on your own. You must estimate your income taxes for the coming year and send a quarter of the estimated amount to the federal and state government each calendar quarter.

## **The Right Look**

The key to determining whether you are an employee or a contractor is the degree of control you have over your work. The more control you have, the more you look like an independent contractor. The more your boss can boss you around, the more you look like an employee.

To appear independent, at least to the IRS, you have to control the number of hours you work and when you work them. It also helps to get paid by the product rather than by the hour. A true independent contractor should also control everything about a job except the result. Your client generally cannot dictate how to reach that result. His only legitimate concerns are the quality of your product and how long it took you to do it.

Eventually—but the sooner the better—you'll need to pick up more clients. If you work as an employee for a number of years, then convert to independent contractor status, you could be in trouble if you still spend 90 percent of your time working for your former boss. The IRS may view this as an employment relationship. Try to line up small assignments with other

firms as soon as possible. This may seem tough, but you'd be surprised how many new independents get flooded with work.

Another sticky point with the IRS is office space. You must have an office in your home or somewhere other than on your former employer's business premises. Some advisors say you should only have office space you pay for if you want to look like an independent contractor. Also, pay for your own office supplies and equipment. Make sure you have basic supplies that make you look like a business, such as stationery and business cards.

Put together a written contract covering all these points. It can be as simple as a "letter of agreement" between you and your new clients outlining the product you will deliver, when it is due, and what your fee will be. Having a contract doesn't seal your case, but it creates a strong presumption in your favor. The IRS will check the facts to see if the parties are abiding by the contract.

Under new tax laws, the IRS looks more closely at these arrangements than in the past. If you plan to work as an independent contractor for just one company, it's a good idea to talk to a professional tax advisor.

### **Is It for You?**

A change to consultant with your current employer will allow you to negotiate your benefits to a dollar value included in your fees. Take into account the value of benefits such as sick leave, employee discounts, and health, disability, and life insurance. As an unincorporated business, you must pay for these items yourself, and for the most part, they are not deductible on your tax return.

The self-employment Social Security tax is a big bite and is not deductible for you or the business. Balance this with the benefits. If you incorporate (an option we'll get to later) you can deduct some of these expenses. Keep in mind, too, that you may be able to get your new client to boost your fee to cover these items.

If you don't incorporate, you may be able to take the lucrative home office deduction. Whether you incorporate or not, you can deduct many otherwise personal expenses.

### **On the Sideline**

If you're not sure about breaking away from the security of your job right away, start with a sideline business in your spare time. You can keep your present job while starting on the road to self-employment and make the full-time jump later, if ever.

The easiest way to do this is to make a business out of something that you love to do and are spending time and money doing anyway. Whenever you can convert a personal expense into a business expense, you can save tax dollars. Even if you're not realizing profit on it, you may as well gain the tax advantage. There are countless sideline business possibilities: real estate, accounting, free-lance writing, graphic art, auto repair, teaching night school, and tutoring. If you make crafts for friends and relatives, start selling them at flea markets and fairs. Look for distant craft shows, combine the business with your vacations and write off not only the craft supplies (which you were buying anyway) but also part of your vacations (which you were taking anyway).

## **FORMING YOUR BUSINESS**

You can conduct business in one of three legal forms—a sole proprietorship, partnership, or corporation—and in many states a fourth, the limited-liability company. Each has its charms and drawbacks.

### **The Sole Proprietorship**

As business setups go, this one is the simplest. A sole proprietorship is a one-person concern that is not closely regulated by state or federal governments. All net income from the business counts as personal income on your tax returns. Also, all liabilities of the business are personal liabilities, so there are risks.

This is a good way to start a business, since you may be able to deduct your home office, transportation, supplies, professional dues and publications, and many other expenses. But you cannot deduct most employee benefits such as life and health insurance.

### **Partnership**

This arrangement—often consummated when someone with an idea joins someone with capital—is similar to the sole proprietorship in that the owners are personally liable for the activities and debts of the business. Profits are considered personal income for the partners. When you take on a partner, you can be held personally liable for any debts he takes on for the company—even if you don't approve them.

### **The Corporation**

You can incorporate even if you are the only employee of the business. A corporation is a little more costly than a partnership or proprietorship. It must register with the state, pay an annual franchise tax, file annual federal and state corporate tax returns, and follow other procedures.

The corporation is a separate entity from you. All transactions between you and the corporation must be handled in a professional manner. You must strictly document cash receipts and expenditures and handle all personal transfers properly. When you're incorporated, the IRS no longer considers you and the business to be "one pocket," so there may be tax consequences to some personal business transactions. But the corporation still offers enormous possibilities for income splitting, accumulating earnings, and getting tax-free fringe benefits. (More on these below.) And because the government treats you and the corporation as separate entities, your personal assets are usually protected from creditors and legal settlements.

For free information on a highly recommended national service that can form a corporation for you in any state, write to Incorporation Information Package, 818 Washington St., Wilmington, DE 19801.



### **The Limited-Liability Company**

A new form of business entity, combining the best features of the corporation and the partnership, is now available in many states. A limited-liability company has corporate limitation of liability but the tax transparency of a partnership. Formation costs are usually similar to, or less than, corporate formation costs. In some ways it acts like a Subchapter S corporation by passing through the tax advantages, but it is more flexible because there are no restrictions on who may hold shares in a limited liability company. A Subchapter S corporation is one that has filed an election with the IRS to be treated as a partnership for tax purposes, which means that there is no corporate tax and the partners share in the tax effects of the profits or losses. It can have a mixture of owners—individuals, corporations, trusts, nonresident aliens, nonprofit foundations . . . whatever. Check with the corporation office in your state to see if it is available yet. Many states have already provided for limited-liability companies, and enabling legislation is pending in many more.

### **Tax Havens in the United States**

You should be aware that although the federal tax is the same everywhere, state income taxes vary considerably. Some states, such as Nevada and Wyoming, have no income tax at all, and for certain types of businesses, you may be able to base in one of those tax havens. State tax laws change frequently, and it is important to obtain current advice from a tax professional.

A mail order business is a perfect example of a business that can be located in a tax haven state.

Suppose you run a small company and have some major element of the business that can be handled in a no-tax state—or a service that can be contracted for through the no-tax-state corporation. If you do this with a service, it is important that the entire service is not performed in the high-tax state, in which case the tax-free corporation is subject to the same taxes in that state as any local corporation. But if your sales repre-

sentative travels a 10-state area, you make the state-tax-free corporation your distributor for those 10 states and pay his salary out of that corporation. His official base is now Nevada or Wyoming—or one of the no-tax states. You pay your state-tax-free corporation a sufficient commission to keep most of the profits in that state instead of in the state where your business is physically headquartered.

Or you could contract for sales management services from the state-tax-free corporation, paying it a fixed fee and it paying your salesman. Next, you tell your salesman that he is being transferred to a new employer. He still gets the same salary, and he still does the same job at the same pay. The only difference to him is that his paycheck comes from a different issuer. Your fee to the state-tax-free sales management company might be \$75,000. Suppose that you are paying the sales management corporation an extra \$47,000 in management fees over what your salesman was previously paid, so your net profit is zero.

Oddly enough, that's good news. Zero profit means zero corporate income tax in your high-tax jurisdiction. Now you have \$47,000 of profit at zero taxes in your state-tax-free corporation. Best of all, it's perfectly legal. All you have to do is make certain that the accounting and management of the sales company are actually being done through the state-tax-free corporation, and that all sales are booked and invoiced accordingly.

This general method of transferring income and profit from high-tax jurisdictions to low-tax jurisdictions is common. It will work for just about any goods or services your business requires, other than those of a purely local nature.

Manufacturing businesses and some service businesses in Puerto Rico receive income tax exemptions for up to 10 years, but since they are within the customs territory of the United States, there is no duty on selling your goods on the mainland. Traveling between Puerto Rico and the mainland is just like traveling between states. Almost all of the world's largest pharmaceutical companies now have their factories for the

American market in Puerto Rico. Puerto Rico is the only place in the United States that is exempt from federal income taxes; it is not part of the U.S. for income tax purposes.

Puerto Rico income tax law also exempts dividends and capital gains from the shares of companies that have been granted a tax holiday. A U.S. citizen who resides for the entire calendar year in Puerto Rico does not pay federal income tax, but normally pays Puerto Rican income tax on his worldwide income. But since the dividends and capital gains from these tax holiday companies are exempt because of the Puerto Rican tax incentive laws to attract business, you can accumulate your profits and then spend a year in Puerto Rico. During that year you pay out a huge dividend or sell the company. The money will not be subject to either Puerto Rican or federal income taxes. But be sure you have established your legal residence in Puerto Rico—well documented with a lease or house purchase—by December 31 of the preceding year and maintain it until at least January 2 of the following year.

### **Deduct Corporate Vacation Homes and Entertainment Facilities**

You can't deduct depreciation and upkeep if the facility is used primarily to entertain clients and customers. If that's what you use it for, then only the actual cash expenses of business events at the facility can be deducted.

But the other costs of owning and maintaining the facility are deductible when the facility is maintained primarily for employee use. You can make the facility available for use by employees, and then keep track of the days it is used by employees and those it is used for entertaining clients and customers. If more than half of the days are attributable to employee use, then the facility is maintained primarily for employees. You can deduct depreciation and upkeep.

However, the property will be subject to the rules for "listed property." The depreciation deduction will be limited to the proportion of days devoted to business use. Either use—entertaining clients or allowing employees to use the facility—qual-

ifies as business use for this purpose. So if you do not make personal use of the facility during the year, the entire depreciation deduction should be allowed.

### **More Deductible Expenses**

While you may have seen the tax deductions listed earlier somewhere else before, here is a list of the most commonly overlooked deductions:

- accounting fees for investment or tax work
- agency fees paid to get a new job
- books used for employment or investment purposes
- auto expenses or taxi fares to visit your broker or other advisor
- Christmas gifts given to customers or clients
- clothing and uniforms needed on the job
- conventions
- correspondence courses
- dues and fees for organizations related to employment or investments
- educational expenses
- entertainment expenses
- fees paid for collection of interest and dividends
- fees paid to set up or administer an IRA
- home office expenses
- investment management fees
- local transportation related to the job
- medical exams required for the job
- mutual fund annual expenses
- passport fees for business travel
- periodicals and publications related to job or investments
- safe deposit box used to store investments
- supplies and equipment used on the job
- tax return preparation fees
- telephone calls made on personal phone or credit card
- tools used on the job



- travel costs to look after or investigate investments, if reasonable compared to the size of investments
- union dues

### **Putting Your Children on the Payroll**

Have you considered putting your children to work in your business? Of course, there are the usual chores, which are very important. But if you can put your children to work part-time in your business, there will also be a nice financial payoff.

For instance, you can put your daughter on the payroll for 10 hours during the week, and six more hours on the weekend, serving as a messenger, assisting with incoming phone calls, and doing some landscaping. If you pay her \$7 an hour, she will earn \$112 a week, or \$5,600 a year, assuming a two-week unpaid vacation. The advantage is the salary will be deductible by your business, in effect eliminating \$5,600 of income from taxation. In addition, you don't lose the exemption for that child if you continue to supply over half of her support. (And we are assuming that the child has no unearned investment income.)

If your child can be claimed as a dependent, no tax will be due on income under \$3,600 (the standard deduction for a dependent child). If your child cannot be claimed as a dependent, the \$5,900 personal exemption will apply.

It is important to check your specific situation with your business accountant, but in general a child under 19 (or under 24 if a student) can be claimed as a dependent. For 1992, any income over the \$3,600 or \$5,900 and up to \$21,500 would be taxable to your child at approximately 15 percent, after which the rate climbs gradually. Figures may be different for the current year, because rates could change during the year, but at these low brackets the actual figures will not vary by much, and the principle remains the same. Both employer and employee are liable for Social Security and state unemployment taxes on the income, under any circumstances.

If your child's income exceeds the tax-free amount, consid-

er setting up an individual retirement account (IRA). He or she would be able to contribute to the IRA and deduct the lesser of \$2,000 or the amount of compensation. By using an IRA, you could have up to \$5,600 or \$7,900 of income (\$3,600 or \$5,900 exempt and \$2,000 in an IRA) without any tax.

The child, though, must have real work to do; he or she must perform sufficient duties to earn that salary. Otherwise, the IRS will treat the salary as income to you and a gift by you to the child.

Check with your attorney or state department of labor concerning child-labor laws. Commonly there is an exemption for children employed in a business owned by the parents if the children's work is not hazardous.

None of this is affected by whether or not you are eligible to take a home office deduction; it is a matter of whether the child is actually working for the business.

**Warning:** Building up assets and income in the child's name (especially in the last two years of high school) can sharply reduce eligibility for college financial aid.

### **The "Not Yet in Business" Trap**

Costs related to planning to go into business are not deductible; you must actually be in business. It is better to start, even on a small scale, than spend many nondeductible dollars on feasibility studies and advice from lawyers and accountants. These are deductible once you are in business, not before.

### **The Current Home-Office Deduction Rule**

Congress is currently attempting to amend the Internal Revenue Code of 1986 to clarify the deduction for business use of the home. The action grew out of a January 12, 1993, Supreme Court decision that places, in the opinion of many members of congress, an undue burden of proof on many home-based businesses and could in fact cause many of those businesses to lose money in the long run.

The case involved a situation where an independent anes-

esthesiologist spent 30 to 35 hours per week administering anesthesia and postoperative care in three hospitals, none of which provided him with an office. The anesthesiologist spent 2 to 3 hours per day in a room in his house that was used exclusively for an office. The office was where he performed certain tasks vital to the operation and maintenance of his business. The Supreme Court held that such home-office use does not qualify under the principal-place-of-business test.

Recognizing that a number of professions could conceivably cause one to spend a great deal of time out in the field conducting actual business (real estate, insurance sales, network marketing, etc.), the new legislation seeks to clarify the definition of the principal place of business as the place where substantially all of the management activities for such trade or business occur.

The legislation is pending before the House Committee on Ways and Means. Action is expected in 1994, as the bill enjoys broad support in Congress.

### **Profiting from the 1993 Tax Law Changes**

Tax planning takes on added significance in 1994. The new Revenue Reconciliation Act has added new rules and requirements, increased tax rates, and extended several tax breaks that may affect you. Right now is the ideal time to reevaluate your financial goals. Regardless of the planning done to date, do not lose sight of the advantages of using timely investment and tax strategies.

### **Corporate Tax Rates**

Retroactive to January 1, 1993, the top corporate tax rate has risen from 34 percent to 35 percent. This new rate will apply to corporations with income exceeding \$10 million. In addition, taxpayers who pay business income tax at personal rates (sole proprietors, partners, and S corporation owners) could pay higher taxes for 1993 if their income is high enough to be affected by the new individual tax rate increases.

## **Business Estimated Taxes**

In general, you must pay your corporate estimated taxes for 1993 in four annual installments. The "safe harbors" for your company's annual estimated tax payments must (1) equal 97 percent of the current year's tax liability, or (2) 100 percent of the previous fiscal year's tax liability.

*Planning tip:* if income increases toward year-end, an annualization method can lessen the impact of a shortfall in the last installment.

Note that special rules apply to certain corporations having income of \$1 million or more in any of the three immediately preceding years.

## **Miscellaneous Tax Items**

- The new tax law revived the deduction of health insurance costs for the self-employed and certain S corporation owners. Retroactive to July 1, 1992, the new law allows a deduction of 25 percent of insurance costs.
- Up to \$5,250 of employer-provided educational assistance is eligible to be excluded annually from an employee's income. The new law reinstated and extended this exclusion through 1994.
- Employee bonuses paid to a majority shareholder or a shareholder in an S corporation are deductible only in the year they are paid. Bonuses from other calendar-year corporations are deductible on their 1993 return if the bonus was paid before March 15, 1994. Accrual method corporations currently can deduct bonuses if paid within two and one-half months after the close of their tax year.

## **Putting Your IRA or Pension Plan into International Investments**

U.S. law requires that assets in pension plans be physically held by a trustee in the United States. For two products, foreign currency certificates of deposit and Swiss annuities, a service is available that will let you place them in your U.S. IRA or pension account, thus benefiting from both the tax shelter of the IRA and the higher interest rates abroad.



International Financial Consultants (IFC) of Rockville, Maryland, using the services of the venerable Delaware Charter Guarantee and Trust Company, can provide the required custody and accounting services. Delaware Charter was founded in 1899 and now manages more than US\$8.5 billion in trust assets, the largest amount of any nondeposit U.S. trust company. However, it will offer its services only through intermediaries, not directly.

Michael Checkan and Glen Kirsch of International Financial Consultants provide a service in which IFC handles all the year-end currency conversion accounting required by IRS rules, and Delaware Charter compiles the annual reports to the IRS. They are well known in the financial newsletter industry and at one time or another have been recognized as "recommended vendors" by many of the writers. The principals, Michael Checkan and Glen Kirsch, have been in the foreign exchange business for a combined total of 50 years.

For further information, write to International Financial Consultants Inc., Suite 400A, 1700 Rockville Pike, Rockville, MD 20852. Ask for information on the offshore retirement account service.

## **ASSET PROTECTION PLANNING: AN IMPORTANT BUSINESS STRATEGY**

One of the unhappy facts of financial life in our lawsuit-happy society is the increasing danger of being sued. And if you should have the misfortune to wind up on the receiving end of some courtroom debacle, it could easily cost you your life savings. One of the best ways to protect yourself against such a calamity is to have an attorney prepare an asset protection plan in advance of any problems.

Doing so is not expensive and provides a great deal of assurance that you and your family will have the benefit of the money you have built up through years of work. Asset protection plans are a relatively new area of law, prepared by lawyers who specialize in protecting what you own instead of in suing people.

Asset protection is different from traditional retirement or estate planning. It is the systematic and integrated protection of your family and business from risk. Most financial planning is intended to help you establish wealth so you can retire and pass on as much of that wealth as possible to your family after death. Asset protection plans include estate plans but are intended to also help you keep your wealth while you are living. They often involve legal structures such as family limited partnerships, children's trusts, exempt assets, offshore trust arrangements, and living trusts.

Asset protection offers you an advantage over other approaches to financial planning. For example, more lawsuits are being filed today than at any time in history, and the top 80 percent of wage earners in the United States will be sued an average of five times during their lifetimes. Other situations include bankruptcy filings, taxation, insurance company failures, or bank financing.

Many small business owners are finding that critical financing is being pulled out from under businesses that are current in their loan payments simply because their bank has been sold or merged and no longer wants that type of loan.

If some people slip and fall in a business, or if a car taps their car's rear end, they react like they just won the lottery. If an armed thug breaks into a home in the dead of night, slips on a child's marbles, and breaks a leg, he can sue and likely win.

Take the following scenario, for example. The partners in a small construction firm were having their monthly meeting. They sent out for pizza. Their secretary decided to go pick it up. Unknown to the partners, this person had a horrible driving record. On the way back, the secretary ran into a group of pedestrians. The police arrived. The secretary ate the pizza, and the pedestrians sued the partners. A judge decided that the partners were liable, as the secretary was performing an act for them in the ordinary course of employment. The jury, sympathetic to the victims and enraged by the secretary's driving record, awarded several million in damages. As partners, all of the owners were

jointly liable for payment. In effect, the jury awarded the plaintiffs three condos, two sailboats, three houses, nine cars, and 12 installment notes to pay the balance over a lifetime.

In one case, a land speculator bought a parcel for subdivision, held it for one week, and sold it to a developer. Later, after houses were built, a homeowner who was an environmental engineer noticed an old buried drum. It contained a deadly toxin. The Environmental Protection Agency (EPA) held the site to be a Superfund clean-up site. The largest law firm in the world, Uncle Sam, began an action against the landowners. The suit brought in the land speculator. Although the total invested was only \$100,000, the liability exceeded \$30 million. Under the law, this can never be discharged in bankruptcy. The builder and the developer collapsed, leaving the individual land speculator with an overwhelming judgment.

Asset-protection plans are not only for the wealthy. An asset-protection plan can be relevant if you drive a car, have children, own a business, or simply want to pay less taxes. It can come into action in the event of an auto accident, an injury someone incurs at your business, or possibly in the case of a divorce.

A restaurant owner could easily be at risk, if, even despite his or her best efforts, a patron drinks too much and is involved in a drunken driving accident. An asset-protection plan could protect the owner's personal wealth from a lawsuit even if insurance did not. Similarly, a doctor is at risk of being sued for malpractice, regardless of the level of care provided. Awards in these cases routinely exceed the amount of insurance coverage. An asset-protection plan could keep the difference from coming out of the doctor's personal assets.

An asset-protection plan is fully legal. It is not something for people who might want to avoid the law or their responsibilities. The law is clear as to what is permissible and what is not. Asset protection simply gives protection against unfair lawsuits and offers a level playing field from which to operate. The goal is to structure the plan so you never have to misrepresent yourself or worry about its legality.

The best way to do this is to seek the assistance of professionals, and there is now a firm that works with clients from all over the country. They can also work with your existing lawyers or accountants if you wish. For a free information package, please write: Asset Protection Corporation, Suite 201A, 14418 Old Mill Road, Upper Marlboro, MD 20772.



# Travel Business: Fun, Profit, and Opportunity



here are several ways to look at the travel business. You can become involved just to get free or discount travel, you can do it as a full- or part-time business for profit, or you can use either of those approaches as a stepping stone to other international business opportunities. If your travel business activities pay for your research and development work, any of the other ideas in this book can be much less costly to pursue.

“Have coffee in Dublin at eleven and walk in Stephen’s Green and you’ll be in heaven.”

You’ve replayed the words of that old song over and over in your head for years. In fact, all your life, you’ve dreamt of seeing the Emerald Isle, of spending long evenings in Irish pubs sipping Guinness and engaging in lively conversation.

The only thing that has kept you from

making your dreams come true is money. After all the monthly bills are paid, you never seem to have enough left over to afford a trip to Dublin. But money need no longer be an obstacle. You can arrange to see Ireland free, maybe even make a bit of money in the bargain.

Cruise lines, airlines, tour companies, and hotels will gladly accommodate you free of charge—even put cash in your pocket to boot—if you promise to bring them a certain amount of business in return. You don't have to be an experienced tour leader. You don't need any experience as a salesman. The only job requirements are enthusiasm and a desire to see the world.

The possibilities are endless. You could lead a tour of Ireland's green, green countryside and ancient ruins. You could lead an art tour of northern Italy. A garden tour of Britain. A river cruise in New Guinea. An archeological expedition to Easter Island. A family train tour of France. A hiking trip in the Alps. A castle and winery cruise of Germany. A tour of rural Japan, visiting teahouses and farmhouses. A cycling adventure in Scotland. A luxury yacht charter in the Greek Isles. And, as the leader of the tour, you travel for free.

### **MAKING A BUSINESS OF BIKING**

Peter Costello did it. He had been restoring antique furniture in Baltimore, Maryland. It was a steady living, but what Peter really enjoyed was riding his bicycle and traveling. If only someone would pay me to ride my bike and travel around the world, he thought. Because he could find no one willing to do so, he decided to arrange it for himself. After a vacation to Scotland, his future was determined. He would lead bicycle tours through the green and rolling Scottish hills.

Peter asked a former executive of a bicycle touring company in Vermont to act as consultant. Scotland was the perfect place to begin the business, not only because Peter (whose family was from Scotland) knew the country, but also because

the market was wide open. In fact, no one else in the business was offering bicycle tours in Scotland.

Peter knew bicycling, and he knew Scotland. But he didn't know anything about starting a business or leading a tour. As Peter explains, "I took a crash course in Business 101."

"The touring is the easy part," he says. "All of my tours begin and end in Edinburgh. We take off down the road, supported by a van, exploring beautiful countryside. We travel about 40 miles a day and then spend the nights in comfortable, homey bed and breakfasts. That's easy. The hard part is the marketing."

Peter handles all of the marketing himself from an office in Baltimore. He advertises in major bicycling publications and tries to generate business through travel agents.

Peter has been quite successful. His amateur operation (Peter Costello Ltd., P.O. Box 23490, Baltimore, MD 21203) has grown into a full-fledged business. He employs two other tour leaders and leads 17 tours a year. Peter attributes his success to two things: first, he was able to find a niche in the market; and second, he keeps his tours competitively priced.

### **Keeping It Low-Key**

Peter is making enough money to support himself and two employees. To get to this point, Peter has devoted himself completely to the company. It has become his livelihood and his favorite pastime.

But it doesn't have to be that way. You can travel for free as a tour leader—and still maintain your regular job and home life. It doesn't take a lot of time or energy to arrange one tour a year, for example. But it still works in much the same way. As Peter explained, the most difficult part is the advertising and marketing. How do you convince four or five other people to pay you to act as their tour guide? I'll tell you step by step.

### **HOW TO LEAD A TOUR AND TRAVEL FOR FREE**

The first step is to decide where you want to go. This

should be the easiest task of all. After all, this is the reason for arranging the tour in the first place—to allow you to live out your life's dream of seeing another part of the world.

Once you know where you want to go, do extensive research on the area. Call the tourist board and the embassy for that country and request all the brochures and literature they have available on hotels, restaurants, nightclubs, transportation, sight-seeing, and local customs.

Spend a day or two at the library, poring over travel guides and reference books. The best general reference guides available include Fielding's, Fodor's, and Frommer's (which include the Dollarwise series on budget travel). Also read Lonely Planet's guides and the series known as Let's Go. If your library doesn't stock these books, you can order them (as well as a catalog of worldwide travel guidebooks) from Forsyth Travel Library, 9154 W. 57th St., P.O. Box 2975, Shawnee Mission, KS 66201, or the Traveler's Bookstore, 22 W. 52nd St., New York, NY 10019.

Also study local maps. Remember, everyone you bring with you will look to you for guidance.

Once you've become familiar with your destination, pick something unique about it and plan your tour around that theme. It is easier to sell a tour of the stately homes of Britain's aristocracy than it is to sell a tour of Britain, period. Look for a niche in the market, something that no one else is doing (or doing well).

Next, plan your itinerary. Choose the hotels where you would like to stay, and then contact them to explain what you want to do. Ask for special group rates and request that you stay free as the tour leader.

Do the same with the airline you wish to fly. Find out what restrictions are attached to the cheapest tickets available. Usually you have to purchase special fare tickets a certain number of days in advance. Other restrictions involve the length of your stay and the days of departure and return. Make sure you know about all of this up front. And again, request that you fly free.



Plan some sight-seeing and evening entertainment, but keep some time open. Your group will want time to itself.

Make all of the plans—but don't make any reservations. At least, not yet. Wait until you've gathered your group together and agreed on a departure date.

Next, set a price. This will be the first question you are asked when you approach someone about joining you on your grand adventure. Figure in all of your costs (airfare, hotels, ground transportation, sight-seeing, taxes, departure fees, and any meals that you plan to include in the package). Take this total and mark it up as much as you think the market will bear. The lower your costs, the greater your profits. You want to make at least enough to cover all of your expenses, including the entire cost of your trip. Any money you make beyond that is an added bonus.

### **Finding the People**

This brings us to the most difficult part of the project: finding the tour participants. The easiest way to do this is to tell everyone you know—everyone you work with, everyone you run into at the supermarket, everyone you meet on the subway, everyone you play bridge with on Thursday nights—that you are planning to lead a seven-day, all-inclusive tour of Germany's Bavarian castles (for example). Tantalize them with tales of Mad King Ludwig, who built the country's most beautiful castle, Neuschwanstein, the turreted, white creation that Walt Disney used as a model for Disneyland. Tell them about Linderhof Castle, near Garmisch-Partenkirchen, where the mad King Ludwig had the dining room built directly above the kitchen and then installed a dining table that could be lowered into the kitchen, set by the cooks, and lifted back up to the dining room so he could be waited on at dinner without ever having to be bothered by the servants.

Once you've got them interested, remind them that group travel is always cheaper than going it alone; they'll save several hundred dollars at least. Remind them also that group

travel is much more hassle-free than independent travel. Tell them that you'll arrange everything. You'll make all the reservations. You'll check on all the train schedules. You'll offer suggestions for good restaurants. All they have to do is enjoy the experience.

Another way to find tour participants is to advertise in travel magazines and newsletters. It doesn't cost much to place a small classified ad.

You can also place ads in your local newspapers. Make the ad simple. Tell where you're going, when you plan to depart, how long you'll be staying, what the trip includes, how much it costs, and how to contact you for more information.

Another easy way to advertise is to put up notes on bulletin boards at community centers, colleges, and libraries in your area. Include the same information you used in your classified ads. This may be just as effective, and it will cost you nothing.

Once responses begin coming in, create a log of everyone who has expressed an interest (either as the result of an ad or the result of a chance conversation at a bus stop). Contact each person by phone or by mail and make a record of the correspondence. If you don't hear back within a couple of weeks, send another letter or make another telephone call.

When someone does make a reservation, ask him if he can suggest anyone else who might be interested. You'll find that word-of-mouth referrals will be your best source of new clients.

### **Booking the Trip**

Once you have your group together and you have determined an itinerary and a departure date, the next step is making the reservations. You can do this in two ways: on your own or with the help of a travel agent.

If you go it alone, all of the profit is yours. If the tour costs you \$2,000 per person and you charge \$3,000 per person, you'll make \$1,000 off each tour participant. If you have five people traveling with you, that's \$5,000. Assume that you're

able to arrange for your airfare and accommodations free of charge (as the tour leader), and you're way ahead. You'll spend several hundred dollars at your destination on your personal expenses; the rest of the \$5,000 will be clear profit. Plus, of course, you're getting the trip free. Not a bad deal at all.

The disadvantage to all of this is that you alone are responsible for everything. If you don't know what you're doing—you've never dealt with airlines and hotel managers and bus drivers and taxi cab drivers and translators before—you might be in for a rude awakening. Your dream trip overseas might turn into one huge headache. It is possible to go it alone. But it may not be practical.

So consider affiliating yourself with a travel agency. True, the agency will take its cut of the profits, but in exchange, it will share with you its wealth of experience. It will tell you whether it's better to land in Beijing, tour China, and exit through Hong Kong or to land in Hong Kong, visit China, and return to Hong Kong for the flight home. It can tell you which Rhine River cruises are a delight and which are taking water. It can help you choose hotels. It can tell you about special health requirements at your destination. It can offer tips on the climate and how to dress. It can tell you whether it's better to take a bus at your destination or hail a taxi.

When looking for a travel agency to deal with, your first question should be, "What commission do you pay to outside agents?" (That is what you will be considered.) If the agency won't pay you a commission (and a sizable commission at that) for the business you bring in, find another agency.

The second most important question involves free tickets. Who gets them? You or the agency? Travel agents receive free airline tickets and vouchers for hotel stays all the time in exchange for the volume of business they bring the airlines and the hotels. But make sure that these deals are also available to outside agents. Ask about other outside agents working for the agency. How many of these organize tours? What kinds of tours do they organize? And inquire about support for outside

agents. Will you be given a manual? Reservation forms? Guidebooks? Will the agency maintain records for you?

And shop around. Don't settle for less than you think you should be getting. If you don't come out of the deal with at least a free trip, something's not right.

### **Book with a Tour Company: Another Alternative**

If you're intimidated at the thought of making all the arrangements on your own, but you don't like the idea of having to share your profits with a travel agency, you have a third alternative. Decide on the tour you want to lead and then book it through a tour company that offers free trips to individuals who reserve a certain number of spaces on their package trips.

Globus-Gateway, 95-25 Queens Blvd., Rego Park, NY 11374, for example, offers a free trip for anyone who books 16 people on any of its tours to Europe and one-half off a trip for anyone who books eight people on a trip to Europe.

Saga Holidays, 120 Boylston St., Boston, MA 02166, offers one free trip for 20 bookings. Destinations include Europe, Asia, the South Pacific, and South America.

Travel Plans International, P.O. Box 3875, Oak Brook, IL 60521, offers one free trip for 20 bookings on a safari to Africa.

Toucan Adventure Tours, 1142 Manhattan Ave., CP #416, Manhattan Beach, CA 90266, offers one free trip for 12 bookings on a tour to Mexico.

Newmans Tours, Suite 305, 10351 Santa Monica Blvd., Los Angeles, CA 90025, offers discounted trips for 10 bookings on trips to New Zealand.

The following companies also give complimentary trips to anyone who signs on five or six other people to travel with them:

- Ambassadors World, 5601 Roanne Way, Suite 314, P.O. Box 9751, Greensboro, NC 27429
- Bryan World Tours, P.O. Box 4156, Topeka, KS 66604



- **Friendship Tours Inc.**, P.O. Box 2526, Shawnee Mission, KS 66201
- **Travel Careers and Tours**, P.O. Box 91102, International Airport, Los Angeles, CA 90009

In addition, almost all major cruise lines offer free tickets to anyone who can sign on 15 paying passengers.

### **Trip Tips**

You and five strangers are sitting in the airport lounge. They answered your ads in travel magazines, and now they are counting on you to take them on a memorable tour of the castles of Bavaria. How can you make sure that all the tour participants feel like they're getting their money's worth—and still have a good time yourself?

Well, you will have to work a bit. After all, these people have paid you money. Following are a few tips to make sure all goes smoothly.

- 1) **Take charge.** The old saying that too many cooks spoil the soup applies here. As the leader, you should make all the arrangements and all the decisions—within limits, of course. Ask for input from the group, but don't waste time debating every move.
- 2) **Be flexible.** Itineraries are made to be broken. Don't be more concerned about following your original schedule than you are about enjoying the trip. Take advantage of opportunities as they present themselves.
- 3) **Make sure that no one feels left out or overlooked.** Ask if everyone is comfortable in their rooms. If their luggage arrived safely. If there is anything special they would like to do or see. Don't ever let anyone eat alone during an unscheduled meal (unless they prefer to do so, of course).
- 4) **Make time for yourself.** Promise your group your undi-

vided attention from 10 A.M. until 6 P.M., for example, but make everyone know that they're on their own after that (except for one planned night out).

### **For More Information**

For more on traveling as a tour leader, read *Travel for Fun and Profit* by Larry King, available from Dreams Unlimited Inc., P.O. Box 20667, Seattle, WA 98102; (206) 322-4304.

### **MAKE MONEY FROM A TRAVEL CLUB**

Go anywhere in the world and never pay full price to get there . . . ever again! PLUS, earn FREE vacations and cash . . . quickly and easily just by recommending INFINET to anyone you know.

INFINET Travel Club was featured in the February 1993, issue of *Money* magazine. The publication reviewed a number of travel clubs and selected INFINET for overall savings.

Members get the following: a full-service travel agency, up to 50 percent off everything purchased, guaranteed lowest available airfare, up to 60 percent off last-minute travel bargains, 50 percent off hotel discount programs, and a proven referral system! Spreading the word is easy and profitable.

There is an enormous earnings potential—after all, everyone loves to travel and save money. Absolutely no selling or travel experience required for success!

INFINET cuts into its profits by rebating back to you part of the standard industry commissions. (Does your current travel agent do this?)

Now you can earn extra cash and free vacations, quickly and easily, just by recommending INFINET Travel Club to people you know or meet.

Spreading the word about the travel club doesn't require hard selling. All you do is hand out INFINET's unique Travel Reservation Cards. Anyone can do it; simply give a card to people you already know or meet so they can request

INFINET's free info pack. When your referrals discover how much they can save on their next vacation, they'll join the club, and you'll automatically receive a commission for each referral—and automatically receive a commission each year when they renew their memberships. What can be simpler?

There are two ways to make money with INFINET. The first is from commissions on travel club memberships, either sold directly by you or to the people to whom you have given Travel Reservation Cards. The other is by placing inexpensive classified or display ads, passing out flyers, utilizing direct mail card decks, etc. Just include your club identification number in the ad and make sure your referrals mention your number when requesting their free info pack.

You can get the information by mail by writing to INFINET Travel Club, Dept. 12639, P.O. Box 1033, Cambridge, MA 02140 and asking the representative to send you membership information. Mention Discount Travel Number 12639 for a special offer for readers of this book. If you want to make money as well as save money, be sure to ask for the income opportunities information as well.

It is important to note that INFINET actually handles the bookings and provides complete travel agency services. This isn't one of those discount certificate or card deals where customers buy a certificate or discount card that often isn't honored when it is presented.

### **LEADING A TOUR WITH A TWIST**

I've a unique suggestion for anyone who loves boating, loves to travel, and is ready for a change in life-style. It requires a little more commitment and investment than organizing a single tour a year, but the payoff is potentially much greater as well. If you follow up on the idea, you could earn a comfortable living—and spend your days floating down the riverways of Burgundy, France. The idea is to lead guided tours of the French countryside—in your own passenger barge.

As I mentioned already, this is not something to be undertaken lightly. And it is not something to be undertaken by a total novice. You should have a bit of experience in the boating industry. But don't let these words of caution discourage you. This could be the opportunity of a lifetime, a chance to live out your dreams.

Dennis Sherman did it. He had been crewing on boats, primarily as cook, for years. Mainly interested in barging, his knowledge of the industry served him well when it came time to take the plunge and purchase his own passenger barge.

"The barging industry is small and close-knit," he explains. "If you want to get into it, your best source of information, especially about boats for sale, is word-of-mouth."

Dennis' first piece of advice is that you shouldn't buy a working barge and convert it into a pleasure craft. Too timely and costly, he says. Nor should you try to build a barge from scratch; that is, not unless you have nearly unlimited capital to invest.

The remaining option is to purchase a barge already operating as a pleasure craft. Without contacts in the industry, it's paramount to begin by contacting a barge agent. Dennis recommends Joe Parfai, Chantier du Nivernais, 89000 Mailly-La-Ville, France. Parfai has his own shipyard, and in addition to barge sales, he handles conversions.

When you've found a boat you're interested in buying, the next step is arranging the purchase. Find an independent lawyer who is experienced with Americans doing business overseas. Dennis consulted Catherine Kessedjian, 27 Rue des Plantes, 75014 Paris, France. According to Dennis, dealing with Catherine, who is experienced with handling the details of setting up a corporation in France, "is like one-stop shopping," because she is capable in all areas.

Dennis set up a French corporation to handle the barge operation and an American company to handle the marketing. This enabled him, with the barge operating under a French corporation, to arrange financing in France. Dennis chose



France as his location because that's where the barge that he wanted to buy was operating. But there are other reasons to choose France. The country is striving to attract new small business, and therefore, any new venture in France is eligible for tax-free status for the first 3 years and considerable tax breaks the next 2 years.

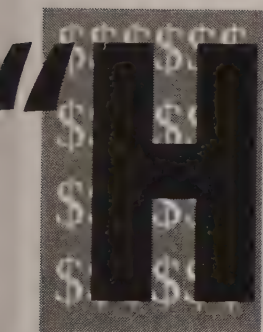
### **The Capital Investment**

How much does a venture such as this cost? Dennis estimates \$250,000, including purchase of the barge, any improvements, first-year operating expenses, and professional fees. True, that's hardly free. But think of the return. After the initial investment is made, if your barge company is successful, you'll not only be able to travel the French countryside for free for the rest of your life, but you'll also have a comfortable annual income. And the equity in the barge.

Dennis' barge, called the *Papillon*, travels the Burgundy region of France. In spring and early summer, it cruises in the Nivernais; in June, the barge moves to the tree-lined waters of the Burgundy Canal; in late summer, it cruises the River Seine and the Canal du Centre, through the heart of the vineyards of Santenay; in the fall, the barge heads back to the Nivernais. It makes one-week cruises for a 33-week season.



# How to Be an Importer or Exporter— Even from Home



ow much?"

"100 dirhams," answers the young boy, barely looking up from his work.

You make a quick calculation in your head and determine that the cost of the hand-fashioned silver bracelet is about \$10. The workmanship is exquisite, and you find it hard to believe that these young boys, no older than 8 or 9, are able to create such beautiful jewelry.

"I'll give you 80 dirhams each," you respond, "and I would like to purchase 25 of them." The boy nods excitedly and turns to fetch the wooden box filled with finished bracelets that is sitting on the table behind him.

You are wandering the dirt roads of downtown Tiznit, a tiny pink-walled city of Berbers situated along a caravan crossroads in southern Morocco. You've come in search of merchandise to ship

back home and resell. You figure you can sell the bracelets back home for about \$35 to \$40 apiece. That's a profit of 300 percent.

Not planning to visit Morocco any time soon? That's OK. You could buy furs in Finland. Finland is the world's biggest seller of farmed furs. The pieces are well-made and inexpensive. So you can buy silver fox furs in Helsinki along the North Esplanade . . . and then resell them for a warm profit.

These scenarios may sound exotic and far-fetched at first. But think again. Purchasing unusual and unique goods around the world and then shipping them to other countries, where they can be sold for tremendous profits, is becoming increasingly common among travelers who want to see the world but can't afford an endless vacation.

Setting yourself up as a small-time importer is the next best thing. It allows you to satisfy your wanderlust while earning at least enough to pay for your trip. Plus, it makes all of your travel tax-deductible.

### **ONE WOMAN'S STORY**

Kathleen Rozelle, an interior designer from Dallas, Texas, first thought of going into the international importing business when she and another designer were planning a trip to England to visit family. Once in London, they teamed up for a shopping spree. They shipped their treasures to Dallas and then sold everything to clients and other designers. Within 3 years, the team made enough money to pay for the expenses of their trip (including transportation, accommodation, purchases, and shipping)—and earned a \$14,000 profit.

Confident after that success, Kathleen and her family teamed with two other designers for a three-week buying trip in France. They began their buying trip at the March aux Puces in Paris, which is open three days a week. The March Biron section of this enormous market is the place to search for antiques.



Another place they shopped in France is Rouen. All the shops there are retail; they are clustered near the cathedral and close from noon until 2 P.M.

In the south, they visited Biot, known for its hand-blown glass. (It cost more to have these fragile items packed and shipped.) They also visited L'Ile-sur-la-Sorgue, where the antique shops are open only two days a week, and Moustiers-Saintes-Marie, where an open-air market is set up every Friday in the main square. This region is known for its beautiful hand-painted dishes.

What lessons can you learn from Kathleen's story?

First, that you must begin by choosing a country where you'll feel comfortable doing business. England is a good first choice, because there is no language barrier. (Of course, you should also pick a country where you want to travel.)

Second, study the market back home. Is there a demand for the items you plan to purchase? This is the most important consideration when deciding what exactly to import. The second thing to consider when choosing a product is personal experience. What do you know something about? What are you interested in shopping for?

If you have a bit of experience with antiques (and if you love poking around in the dark and dusty corners of antique shops), then go with that. In this market, smaller pieces of furniture, such as chairs and end tables, and knickknacks and art objects that aren't easily found back home are the best bets. (Small accessory pieces also make sense from the perspective of shipping. They can be stashed inside the larger pieces to conserve space in the freight container.) Always mix your purchases. On return buying trips, purchase what sold well last time, and then buy a few new items to test.

### **The Peruvian Sweater Trade**

The antiques market is an obvious one for small-time importers. But it is hardly the only one.

Take Annie Hurlbut, for example. She imports alpaca

sweaters made by hand in Cuzco, Peru. It all started as a birthday present for her mother. Annie, then a graduate student at the University of Illinois, was studying the market women in Peru. She spent her days at the marketplace in Cuzco, working with the Andean women, who make their living selling handmade tourist goods, especially alpaca sweaters and ponchos.

Annie planned to fly home to Kansas City for her mother's 50th birthday party—and she needed a gift. She chose a fur-trimmed alpaca sweater-coat made by one of the market women. The present was extremely well-received. In fact, Annie's mother and friends went so far as to suggest that Annie had stumbled upon a real opportunity. The Peruvian Connection was born.

Annie continued her graduate studies, visiting Peru to do research and then returning home with all the handmade sweaters she could carry. Her mother ran the business end of the company from her farm in Tonganoxie, Kansas. Their first customer was a local store, which placed a wholesale order for 40 garments.

"When my mother told me we had an order for 40 sweaters, I almost panicked," Annie said. "I couldn't even remember where I had bought the first one."

Annie began running small space ads in the *New Yorker* and selling her sweaters across the country. She visited the owners of stores in New York, Philadelphia, Chicago, and California, asking if they'd like to carry her line. By this time, Annie had created her own design, patterned after what she'd found in Peru. She'd made the sweaters of the market women into a classic fashion product that appealed to upscale boutiques.

The business really took off in 1979, when a reporter for *The New York Times* "Style" section saw Annie's sweaters at the Fashion and Boutique Show in New York. Annie and The Peruvian Connection received front-page billing—which brought in thousands of requests for catalogs.

Annie has been running her import business for 10 years. She spends part of each year at home in Kansas—and the rest of the year in Peru. Not only does her business bring in enough

money to pay for her regular trips to South America, but it has grown into a big-time mail-order company that provides a living for both Annie and her mother.

Annie has organized 25 cottage industries in Peru that work for her under contract. She works out the designs and patterns and then hands over the production to the Peruvians. Everything is shipped by air to the United States.

What words of advice does Annie have for anyone considering getting into the international import trade?

First, don't try to handle the production and the marketing yourself. You end up spreading yourself—and your money—too thin.

It's better to come up with a good product, something that no one else makes as well, and focus all your attention on the production. It's not that difficult (or costly) to set up the overseas production of a product. It's the marketing and advertising that can drain you. Sell yourself once to a backer, and then let him handle it from there.

Annie's other piece of advice is that you should give a lot of thought to where you set up shop. Americans should think twice, she warns, before opening a home office for an international importing company in New York. This city is overwhelmed with shipments, and you can end up waiting a couple of weeks to see your merchandise. Things go much more quickly and smoothly in the Midwest, for example.

Another thing to consider is customs regulations. However, Annie assures all would-be entrepreneurs that they won't have any problems with customs. Importers bring a lot of revenue into their home countries and are generally treated well by their home governments. Nonetheless, you will have to pay import duties. In the United States, duty is generally about 20 percent, depending on the type of goods being imported.

## **CASHING IN ON BRAZIL'S MINERAL RUSH**

How much money do you need to go into the import business?

Harvey and Michael Siegel, brothers born in Long Island, New York, did it with about \$400.

A boyhood fascination with rock and rubble led these two to Brazil, where they filled their knapsack with \$400 worth of agate ashtrays. This was the beginning of Aurora Mineral Corporation, which is now a leading wholesaler of semi-precious stone and mineral specimens, with a client list that includes the Harvard University Museum, the Smithsonian Institution, and H. Stern Jewelers.

The brothers didn't fly down to Brazil with armloads of research, deep pockets, and a long list of connections. On the contrary, this was a seat-of-the-pants operation. The Siegels' cousin had traveled to Brazil for Carnival the year before, met a Brazilian girl, and decided to stay. He was their only connection in the country, and he agreed to act as their agent.

Having a reliable agent can really make or break an import business. The agent's role is to screen products, accompany the importer on buying trips, consolidate orders from multiple suppliers, and arrange for a shipper to transport your merchandise back home. You can work without an agent, doing all the legwork yourself, but your job is made much easier if you have someone working with you.

"It is invaluable to have someone on the spot to shop the market constantly," says Irving Viglor, a New York-based international trade consultant. An agent is independent and acts as an intermediary in a deal but does not take title to the merchandise. "Pay the agent a commission to protect your interest," warns Viglor. "Don't let the vendor pay the commission. And always check references."

Aurora Mineral Corporation mines for its minerals (figuratively speaking) in the tiny towns of La Jeado and Salto Jaqui in Rio Grande do Sul, Brazil's pampas grasslands bordering Uruguay and Argentina. Actually, the local Brazilians do the mining. They dig for amethyst and agate with backhoes on land leased from farmers. The bounty is sold by the kilo from wood shacks.



North of Rio Grande do Sul is the state of Minas Gerais, where quartz crystals, rose quartz, fossils, aquamarines, topazes, and uncut emeralds are mined. The finest quality pieces are purchased in their natural form and sold to museums or collectors at trade shows.

In addition to the minerals themselves, the Siegels also import decorative pieces made of amethyst, agate, and quartz. The stones are carved into birds, grape clusters, coasters, spheres, bookends, ashtrays, and clock faces.

These finished pieces are culled from one-person workshops and larger factory warehouses. "In Minas Gerais, unlike in the south, you deal with many small suppliers. An agent is particularly important here," says Michael.

The recent craze for quartz crystal, believed by some to have curative powers, has meant big business for Aurora Minerals. The World Prayer Center, a Buddhist house of worship in Maryland, mortgaged its real estate to pay for its collection of quartz crystal, which it purchased from Aurora Minerals.

### **Your Brazilian Connections**

All Brazilian exporters are required to file annually with the Department of External Affairs in Brasilia. These records are accessible, free of charge, from the Brazilian Government Trade Bureau, 551 Fifth Ave., New York, NY 10176, or its offices in many major countries. If you're interested in going into the import business in Brazil, it would be a good idea to review these records to find out something about the competition you'll be up against.

In addition, the Brazilian Government Trade Bureau offers free consultations for anyone interested in doing business in Brazil. Other complimentary services include use of meeting rooms, conference calls with simultaneous translating services (you pay only for the telephone charges), assistance with travel arrangements to Brazil, and referrals for accountants, lawyers, and agents who are experienced with matters of import and export.

The deputy director of finance for the trade bureau, Luiz de Athayda, can answer all of your questions pertaining to the Brazilian economy, banking, and financial regulations. Contact him at the address given above. Or contact the trade bureau's office in Washington, D.C. The Brazilian-American Chamber of Commerce publishes a listing of trade opportunities for U.S. businesses in Brazil and vice versa. This international swap meet is part of a bilingual business newspaper called *The Brazilians*. To submit a listing (which is free of charge) or to reply to a posting, contact The Brazilian-American Chamber of Commerce, 42 W. 48th St., New York, NY 10036; fax (212) 921-1078.

### CHOOSING AN IMPORT

If you're intrigued by the idea of setting yourself up as an importer as a way of paying for your world travel, but you don't have an idea for what exactly to import, attend the Frankfurt International Fair. This exposition, held every August, is known as the Cannes Festival of Consumer Goods. It is the best place in the world to preview the latest European trends. Among the exhibits are clocks, tableware, home accessories, lighting fixtures, giftware, housewares, arts, and handicrafts. For more information on the festival, contact Messe Frankfurt Office, Ludwig-Erhard Anlage 1, 6000 Frankfurt am Main 1, Germany.

If you can't make it to this annual fair, you surely can make it to one of the other 16 internationally renowned trade fairs held each year in Frankfurt, which has become a mecca for international importers. For a calendar of the fairs and more information on how to make arrangements to attend, contact Philippe Hans, Frankfurt Fair Representative, German American Chamber of Commerce, 666 Fifth Ave., New York, NY 10103.

And remember, if you attend any of these fairs to do research for your import business, all the costs of the trip are tax-deductible.

A publication that has provided many product sources since 1963 is *Worldwide Business Exchange*, a monthly newsletter with hundreds upon hundreds of leads, contacts, sources, and resources every month. It covers not only import sources, but also business financing, channels of distribution, franchises, new products, finder's fees, mergers and acquisitions, venture capital, joint ventures, partnerships, and more. Information and current subscription prices can be obtained from Worldwide Business Exchange, Dept. 70197, P.O. Box 5385, Cleveland, TN 37320.

It also has free advertising for subscribers, giving them a chance to offer what they have available or request what they want at no cost, because that's what makes it a networking publication. Subscribers don't just "read" the *Worldwide Business Exchange*; they buy, sell, trade, wheel and deal, and share opportunities with each other. If you just like to read about business, any old publication will do. But if you do business, *Worldwide Business Exchange* is for you.

### **The Value of a Homegrown Import**

The import companies that prove most successful are those that grow out of a native cottage industry whose product is considered exotic or rare back home. That's why Annie Hurlbut's import business is booming. She discovered a cottage industry that was already thriving in Peru—and then transported the fruits of that industry back home to the United States, where alpaca sweaters handmade in Indian designs are valued—and not easy to come by.

An idea for a similar import is handmade cotton clothing from Guatemala. The colorful and comfortable shirts and skirts being made there can be bought for virtually nothing and then shipped back home, where young girls are willing to spend a pretty penny on these fashion statements. I know of a couple living in Maryland who travel to Guatemala several times a year to purchase the handmade clothing and then ship the pieces to the United States for resale. Like Annie Hurlbut,

this couple are not only able to travel to their favorite South American country three or four times a year free—but they are also making a comfortable living off of the profits of their small import company.

The ideas are virtually limitless . . . handmade Mexican blankets, which can be purchased anywhere in Mexico for a few dollars and then resold in the United States for \$30 or \$35 . . . brass pots from Morocco, which can be purchased in any shop or from any street vendor for about \$15 and then sold in the United States for at least twice that . . . tiny wooden boxes from Uruguay, useful as decorative objects or for storing jewelry, sell for \$5 or \$6 in nearly every gift shop in Montevideo and can easily be resold in the United States for \$10 or \$15. . . . Similar deals can be made between any two countries.

Where do you want to go? Which country of the world are you interested in exploring? That should be the primary determining factor when trying to decide on an import. Remember, the whole idea is to use the import business as a way of paying for your travel.

Here's an unusual suggestion for the importer in Sulawesi. In Sulawesi Indonesia, where craftsmen make traditional wooden sailing boats using methods little changed from those used hundreds of years ago. These boats, built without hand tools or electricity, come minus an engine, and they have two huge steering oars instead of a rudder.

Known as an Indonesian *pinisi*, a boat of this type is a cross between a junk and a sixteenth-century galleon. The *pinisi* was once the sailing ship of choice among the fierce Bugis pirates, who ravaged the islands of Indonesia and conquered much of mainland Malaysia.

It is possible to buy one of these boats for as little as \$5,000 or \$10,000. Of course, you must travel to Ujung Pandang, the capital of Sulawesi, to do so. But that's where the adventure begins.

Once in Ujung Pandang, your first job is to find a reliable agent, who speaks the language and who knows something about building a *pinisi*. One agent I can recommend is a Mr.



Rustum, who can be contacted at Jalan 302/10, Ujung Pandang, Sulawesi, Indonesia.

But perhaps the most helpful person in the traditional boat trade in Sulawesi is a Yugoslavian sailor named Ivo Rebic. Ivo speaks fluent English and Indonesian and has spent two years researching traditional wooden boat building. He is your best bet for reliable and enthusiastic local assistance. Contact him in care of Evie Rumagit, Jalan Sumba 86/9, Ujung Pandang, Sulawesi, Indonesia.

Once you have found an agent, the next step is to find a competent builder. The biggest boat-building center in Sulawesi is Tana Beru. At any given time, there are 50 boats being built along the palm-lined beach of this seaside village.

One of the most respected builders in this area is Usman Hasan, an Indonesian Chinese who has the most Western-style approach to the boat-building business of anyone in Tana Beru. You can contact him at Jalan Tokambang 072, Bulukumba, Tanner Beer, Indonesia.

Now, you may be thinking, that all sounds intriguing, but why in the world would I want to buy an Indonesian *pinisi*?

First, it is a wonderful excuse to travel to exotic Indonesia and have the adventure of a lifetime. But more than that, investing the time and money in building a *pinisi* makes it possible for you to see Indonesia free.

Before you take off for Sulawesi, contact marinas and boat clubs in your area. Put up notices on the club bulletin boards explaining what you're planning to do. If you're lucky, you may be able to arrange for a buyer—or a sponsor—before you depart for your trip. But at the very least, you'll build interest in your venture.

Once your boat has been built and shipped back home, contact all those marinas and boat clubs again. And place small ads in boating magazines and newsletters offering your rare and authentic Indonesian *pinisi* for sale—for several times what you paid for it. You should have no trouble finding a buyer; these boats are beautiful and truly exotic in any other

part of the world. Any boat lover anywhere would be thrilled at the opportunity to own one—and probably more than happy to pay enough to cover all the costs of your trip to Indonesia.

### **Buy a Chinese Junk**

Years ago, the harbor at Hong Kong was filled with Chinese junks. These flat-bottomed, high-sterned sailing vessels with square bows and masts carrying lug-sails served as floating homes for thousands of the island's residents. Today, these traditional junks are disappearing from the harbor. They are inconvenient and uncomfortable places to live. And few new junks are being built.

But that is not to say it is no longer possible to buy a junk. You can get one for as little as \$8,000 or \$10,000. They are listed for sale in the classified sections of local newspapers.

Which brings to mind an idea. You could travel to Hong Kong, purchase an old junk, and then go on an extravagant shopping spree in the myriad antique shops that line the streets of the city. Oriental carpets. Porcelain and marble statuary. Centuries-old Chinese vases. Jewelry. Carved wooden boxes.

Then you could pack up all your Chinese treasures, stash them in the holds of your Chinese junk, and have your junk loaded onto a huge ocean freighter and shipped back home. While your treasure chest is crossing the sea, contact the local media of the city where the ship will land. Send out press releases. Alert everyone in the area that an authentic Chinese junk, filled with valuable Chinese antiques, will be landing in the city's harbor. Make it a gala event. All the press coverage of the junk's arrival will help you sell the treasures it contains. You should make enough to pay not only for the antiques you shipped home, but also for your adventure in Hong Kong.

What do you do with the junk? Well, you may decide to keep it; you'd surely be the only one on your block to own one. Or you could sell it. A Chinese junk is a rare and valu-

able thing outside its home country. You could sell one back home for several times what you paid for it in Hong Kong. The real wealth angle here, however, is not buying a Chinese junk. It's using your imagination to unlock profits that no one else ever thought of. Ultimately, your imagination—along with your patience and energy—is the key to your fortune.

### **Before You Buy Anything . . .**

You can simply take off for parts unknown, with several hundred dollars cash (or traveler's checks) in your money belt, and buy up a few dozen of whatever strikes your fancy and you believe will sell well (and for a premium price) back home. It really could be that simple.

But taking off blind can also be a bit risky. Better to do a bit of homework first.

Begin by reading everything you can get your hands on about the country where you want to travel. What do the local craftsmen make there? What do they make it out of? Where can you buy it? How much will it cost? Will it ship easily?

A good first contact is the embassy or tourist board for the country where you'll be shopping. Representatives at these offices should be able to provide you with some of this information over the phone; most are natives of the country they are representing. Also, ask a staff member at the tourist board for a listing of department stores or specialty shops in your area that carry handicrafts or other goods imported from his home country. Then go to see for yourself what is being sold, for how much, and to whom.

It is also a good idea to introduce yourself to the owners, managers, or buyers of a few shops in your area. Tell them about your shopping trip and your plans for importing goods back home. Ask what they would be interested in carrying and what prices they would charge. (Remember, most retail outlets mark prices up 100 percent.) You might even get an order before you leave.

The other things to investigate before you take off on your grand shopping adventure are customs and rates of duty in your country. Explain to your local customs service what you are planning to import and to where and ask that you be sent all relevant information on clearing customs and paying the appropriate duties.

### **Setting a Price**

Don't wait until you've returned home, suitcases full of silver bracelets and brass pots, to determine prices for all of your exotic treasures. If you leave all of this to chance, you may be in for a very unpleasant surprise. Instead, do a bit of arithmetic before you even get on the plane.

Start with the purchase price. What do you think you'll have to pay for whatever it is you plan to buy? Add the expected costs of shipping and duty. This gives you your total cost. Double it, and you have the cost you can charge the retail outlets you do business with. Double it again, and you have the cost the retail outlets will charge their customers.

Say you plan to buy wool blankets in Mexico for \$8 each. You know the cost of shipping each blanket will be \$1, and the cost of duty will be \$2. That's a total of \$11. Double this to get \$22, the cost you should charge when selling your blankets to a retail outlet. Double that again, to get \$44—that is the cost to the consumer. Is the blanket worth \$44? Is it worth more than \$44? Consider the market. What else is available? How much is it selling for? Who is buying it?

If the total cost to the consumer you come up with sounds like too much—or too little—make adjustments one way or the other. In the case of the Mexican blanket, for example, \$44 is a bit high. The retail outlet may only be able to sell the blankets for \$35 apiece. Thus, you can only sell them for \$17.50 apiece. This means that the most you can pay is \$5.75. It's possible to buy blankets in Mexico for \$5.75 apiece—if you buy a dozen or more at one time, and if you know how to haggle. If, however, once you get to



Mexico, you find that you just can't find the blankets you want for the price you can afford, reconsider. Maybe you ought to be shopping for silver earrings instead.

Remember also that the whole purpose of importing the goods in the first place is to pay for your trip. So, once you've arrived at a price, determine how much you will make if you sell all of the merchandise you have imported back home. Make sure you'll come out ahead—or at least even. If not, reconsider, both the pricing and the merchandise you're importing.

### **The Shipping Factor**

One of the most important considerations for anyone in the import business is shipping.

The shipper you deal with is responsible for picking up your purchases at the shop, packing them, and shipping them back home for you in 20-foot containers. With some shippers, you can arrange for a split-container. This way, the shipper doesn't send the merchandise until he has enough going to your city to fill the entire container. Shipping costs about 15 percent of the value of the merchandise when a full container is sent; it's about 25 percent or more when a partially filled container is shipped.

The shipper should provide you with stickers (one is attached to every item being shipped), a shipper booklet (in which you record the merchant's name, the agreed-upon-price, your company name, and a description of the item), and the name of a driver, if you need one. (If English is not spoken in the country where you're shopping, you'll need a driver to help you find the markets and to negotiate with the merchants. A driver can be expensive—as much as \$75 a day. But this is a worthwhile investment.)

How can you find a competent and reliable shipper? Two good places to try are your embassy in the country where you will be shopping and the local chamber of commerce office.

### **Tricks of the Trade**

Always carry a Polaroid camera, a 35mm camera, and lots of film with you when shopping for merchandise to ship home. Take two pictures of every item purchased, one Polaroid and one 35mm. Keep two ledgers, one that lists prospects and another that lists actual purchases. This way, if you're unsure of something, you can easily go back to buy it later; you've got a record of where to find it.

Europe does not have the same type of wholesale market, but it does have large wholesalers. They may not be willing to deal with an individual, which is one good reason to form a company first. But if you tell merchants that you are buying for export, they'll usually give you a 15- to 20-percent discount.

In some countries of Europe, especially France, the entire country goes on holiday at the same time. In France, it is the month of August. Plan your buying sprees around these holidays.

Always keep all of your invoices and receipts. If your merchandise doesn't arrive as expected—or if you have to prove the value of your goods to a customs official—you will be lost if you've accidentally thrown away your documentation.

### **What Governments Won't Allow You to Import**

Many countries have passed stringent laws against importing many of Mother Nature's souvenirs from foreign countries, and many of these types of products are protected by international treaties. These laws have been established to protect endangered animal species. Certain plant species are also outlawed as imports.

If you ignore the regulations and try to import two dozen pairs of Brazilian alligator pumps (because you're sure you can sell them back home for a 200-percent profit, and you simply can't resist the opportunity), you risk having your booty snatched. You may even be hit with a hefty fine. So be sure to check the regulations of your destination country carefully.

## **Sell American . . . and Make a Fortune Doing It!**

What would happen if, in your business, all you did was “buy” from yourself?

You wouldn’t make very much money, would you?

Think about it! That’s exactly what the United States would be doing if we were to *only* “buy American.”

Every time we sell an American-made product in the international marketplace, those dollars come back into the U.S. economy, increasing profits, creating jobs, making America stronger. Statistics show that 80 to 85 percent of U.S. businesses don’t export.

But American products are in demand. Amway recently went into Mexico, expecting \$3 to \$4 million in sales the first year. Instead they hit \$15 million in sales the first year and \$50 million the second year and said that they have never seen such strong demand for American products in any of the more than 20 countries they are now in.

Yet it seems that when someone thinks about getting into international trade, they decide to import instead of export. Actually, exporting is just as easy as—maybe even easier than—importing. Besides, as an importer, you have to buy things to sell here . . . that takes money. But, as an exporter, you are selling things overseas . . . which doesn’t take much money at all.

As a matter of fact, you can actually start your own export business for a couple hundred dollars. Your very first order could easily return your investment tenfold or more. There are thousands upon thousands of products you can start exporting tomorrow! Most of the books and courses on exporting being offered today are theoretical, not practical. In reality, selling overseas is no more difficult than a company in New York selling and shipping a product to a buyer in California.

The most useful, complete startup guide is a manual called *Sell American*, and you can get free information on it by writing to Sell American, Dept. 70197, P.O. Box 5385, Cleveland, TN 37320. Once you finish reading *Sell American*, you can

export U.S.-made products simply and easily and start earning your fortune in the international marketplace.

With the end of the Cold War, unification of Europe, breakup of the Soviet Union, and free trade agreements being established in the Americas, every entrepreneur should now recall the words of Thomas Jefferson—"A merchant, by his very nature, is a citizen of the world."

While the governments discuss the issues of world trade, it is up to us as merchants (entrepreneurs) to meet the challenge head-on with action instead of talk. As an American entrepreneur, you should make it your responsibility to "sell American."

### **YOU CAN PROFIT BY EXPORTING COMPUTERS AND SOFTWARE**

If you are selling computers, computer programs, or computer supplies and want to export, there is an information source that can help you to profit from the Latin American and Caribbean markets.

Latin America is often overlooked as suppliers turn their attention to more lucrative markets in Europe and Asia. But many of the Latin American markets are growing rapidly. There is a great deal of market potential in the region. This market study contains detailed reports on 22 countries. It's called *Marketing Computer Hardware and Software in Latin America and the Caribbean*.

You can use the information to study the potential of the whole region or of one country and to compare the different countries.

The lists of contacts in each country include government agencies, industry associations, agents, distributors, manufacturers, trade magazines, etc.

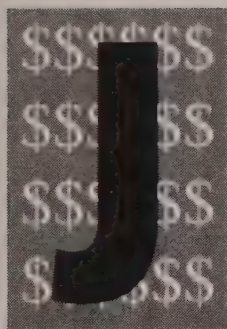
The 300-page report is available for \$79.70 including shipping. A hardcover binding is \$6 more. Send payment with order to: University Microfilms International (UMI), 300 North Zeeb Road, Ann Arbor, MI 48106. (The catalog number



of this report is AU00431, which is important because UMI has more than 100,000 publications.) The price can certainly save you thousands of dollars of market research and get you quickly into these profitable parts of the world.



# The Ups and Downs of Multi-Level Marketing



erry Rubin, the 1960s radical who went on trial with the Chicago Seven, went from hippie to yuppie in the 1980s, venturing into nightclubs and networking and new stock offerings. In March 1992, he wrote an article for *Success* magazine, extolling the virtues of multi-level marketing (MLM), saying "MLM's residual income will give us the flexibility to put family, community, and personal fulfillment first."

His own experience in MLM involved Omnitron, which sells vitamin drinks. Rubin's gross income from Omnitron was more than \$60,000 a month, he wrote, while the 18-year-old college student who had recruited Rubin for Omnitron was earning \$30,000 a month just from Rubin's network.

In October 1992, a slightly different story appeared in the press. *USA Today*

reported that Omnitron distributor Shaun Webster filed a class-action suit against Rubin and Omnitron's two owners. According to the suit, Webster lost his \$2,800 investment while up to 50,000 others may have lost more than \$50 million.

Rubin and Omnitron denied the charges, saying that Omnitron is a legitimate business, projecting more than \$100 million in sales for the year. A lengthy lawsuit seems likely.

Whatever the result, however, this episode illustrates both the risks and rewards of MLM: you can make money—big money—if you're in the right place at the right time. But unless you're careful as well as diligent, you can suffer heavy losses. As many as 90 percent of all MLM companies fold after less than 18 months of operation. If that happens to you, you can be wiped out.

When you investigate MLM, you'll probably hear stories like Jerry Rubin's, who claimed to be making \$60,000 a month. Sure, there are people who earn that much, even more. But those big incomes are the exception, not the rule. To even think about reaching this level, you have to work full-time for several years.

In reality, most MLM distributors work part-time, perhaps to supplement another job. According to surveys, the average MLM participant works five or six hours a week and makes perhaps \$15,000 to \$20,000 a year selling products for several companies. Now, \$15,000 or \$20,000 a year is a long way from \$60,000 a month, but it's certainly not a bad payoff for a part-time job. So, if you're looking for a career or sideline business, MLM is worth investigating.

## **MULTIPLY AND CONQUER**

Yes, there are opportunities in MLM. Fortunes have been made and will be made in the future. But you need to know what to look for in an MLM organization, and you also need to know what to avoid.

To begin with, you need to understand MLM. Virtually any



product or service can be sold via MLM, but most of the companies in the field emphasize consumer goods, such as cosmetics, vitamins, and personal care items.

Every person in an MLM organization can sell those products directly to a consumer, receiving a commission on each sale. However, it's doubtful you'll succeed strictly through your own sales efforts. Instead, with an MLM program, you'll make the most money by recruiting other salespeople, sometimes known as distributors. Then, you'll earn a partial commission, known as a bonus or an "override," on all sales made by the distributors you recruit. Here's how a sample MLM operation might work:

Every distributor starts out paying a nominal amount (usually less than \$100) for a distributor's kit that might contain a carrying case, a manual, a product catalog, brochures, order forms, audiocassettes, video cassettes, etc. In addition, distributors can buy the company's products at a discount, say 20 percent off the retail price. Each distributor recruits other distributors, who recruit still more distributors, and so on. All those below you in your organization are known as your "downline," and you'll share in the commissions on what they sell.

Often, your downline must generate a minimum amount in sales before you're entitled to bonuses and overrides.

Suppose a first-level recruit (a distributor you brought into the organization) reaches a certain level of sales, \$300 worth of products in a month. Then an override kicks in, and you might collect 5 percent of your recruit's total sales. If a second-level recruit (someone your recruit has recruited) reaches the \$300-dollar plateau, you might get a 4-percent override. This structure continues down the line, so you might get 3 percent for a third-level recruit and so on.

### **Pull Back from Pyramids**

As you can see, the organization chart of an MLM organization is shaped like a pyramid. Therefore, a lot of people confuse legitimate MLM organizations with pyramid scams. And,

in truth, some business opportunities billed as “multi-level marketing” or “network marketing,” are pyramid scams.

How can you tell the difference? With a pyramid scam, the payoff is primarily for bringing in recruits instead of for selling products. Ask yourself if there are any conditions under which a person would rather purchase a product than become a distributor; if there aren't, you're probably looking at a pyramid scheme.

### **Half a Century of MLM**

Although some people may think all MLM organizations are pyramid schemes, there are many genuine operations. As far back as the 1940s, Nutrilite Systems and Stanley Home Products created companies in which salespeople received not only commissions on products they sold directly but also bonuses or overrides for sales made by people they recruited. Eventually, this commission structure expanded to several layers of salespeople.

Two of the largest MLM companies, Amway and Shaklee, started in the 1950s. Today, each of these companies has around 1 million distributors. Another 1950s pioneer, Mary Kay Cosmetics, has built huge success with “party plans,” at which demonstrations are given to several potential customers at one time. Eventually, some of those customers may become distributors and sponsor their own parties.

The birth of today's MLM business, though, can be traced to 1979, when a court upheld the legality of Amway's sales plan and, by inference, the entire MLM industry. The key, according to the decision, is that the organization exist primarily to sell products or services, not just to line up distributors.

Besides the companies named above, some other “household word” companies have used MLM, including Avon and Tupperware as well as subsidiaries of Gillette and Colgate-Palmolive. Long-distance phone companies US Sprint and MCI have used MLM in their efforts to compete with AT&T.

The market for home water-treatment and filtration systems

has virtually been created by MLM companies, including National Safety Associates. More than 50 percent of the water filters sold in the United States are sold via MLM.

### **On the Plus Side**

Why are so many major companies using MLM, which now accounts for tens of billions of dollars of sales each year? Because they can sell products through a distributor network without spending millions on advertising and promotion to build up consumer demand.

Therefore, an MLM company is only as strong as its distributor network. To succeed, such a company needs many strongly motivated distributors. Distributors, in turn, are attracted to MLM for the following reasons:

- **Discounts.** If you're a distributor, you can buy the product itself at a discount. As long as you're working with products that you ordinarily use, or that your family members use, you benefit by buying wholesale.
- **Pricing.** MLM products may offer better value than traditional retail products because advertising and promotional costs are reduced. This is attractive to distributors who use the products as well as to those who use low costs to help sell the products.
- **Flexibility.** When you work in MLM, you set your own hours. If you have a regular 9-to-5 job, you can spend nights and weekends on MLM, increasing your income. Or if you have other responsibilities—taking care of a young child, for example—you can schedule your MLM activities at your convenience.
- **Taxes.** There may be tax benefits to working in MLM. Essentially, you become an independent contractor, eligible to deduct business-related expenses. A home office, for example, could translate into a big tax savings, but you do need to meet the IRS's exclusivity rule: a home office must be used for your business only—all of the time.

- **Low entry fee.** If you're interested in a business opportunity, you may have looked into franchising. Virtually any franchise would require you to put up thousands, even tens of thousands, of dollars. In a legitimate MLM venture, your up-front contribution usually is less than \$100. However, although it is true that the cost of entering an MLM organization is much lower than that of entering a franchise business, it may not be realistic to expect your only cost to be one \$50 distributor's kit. You may have to spend several hundred dollars or more to buy samples, sales aids, etc.
- **Low ongoing costs.** Most MLM businesses can be run out of a home office, with no need for employees, equipment, or inventory. The only inventory you'll really need will be samples for recruiting efforts and for direct sales to your own customers.
- **No territorial restrictions.** Many franchises limit you to a certain area. In many MLM organizations, you and your downline can sell to anyone.

### **First Things First**

Certainly, MLM is appealing to anyone who's looking for a low-cost business opportunity. But no matter what anyone tells you, MLM is no slam dunk. To succeed in MLM, you need to keep the following basic principles in mind:

- **Without a decent product, the whole plan collapses.** You can have thousands of distributors, but you need consumer sales to generate income. That means you need a product that consumers will want to buy and that will live up to its expectations after it is sold. Generally, the best MLM products are unique, not available through traditional retail stores. The real test: Would you or a family member buy the product at the suggested price?
- **Nothing beats hard work.** Don't think that money will



just roll in as long as you find the right MLM company to join. Succeeding in MLM requires long hours and strenuous effort; in that respect, MLM is no different from any other enterprise.

- You're a manager now. If you have people in your downline, they're your responsibility. You have to motivate them, deal with their personal problems, handle customer complaints, and so on. You have more flexibility and less responsibility than you have in a corporate management position, but you still have to get the most out of your distributors.
- The organization matters. No matter how hard you work or how good your product is, you still need to sign on with a reputable, competent MLM organization. You need to be sure products will be shipped on time and checks will be paid. So check into a company's background before making any commitments.

### **Spread Your Risks**

Don't forget that 90 percent of all MLM programs go out of business. That means you have to take your time and investigate thoroughly before choosing an MLM organization. Also, just because you have one MLM product, don't stop there. Look for other, noncompeting products you can sell through other MLM organizations.

Should you sell for several companies or stick to just one? In one respect it makes sense to focus on one line. Most compensation plans increase the commission rate as you produce more volume. You're better off selling 1,000 items for one company than 250 items for each of four companies.

However, there's an old saying about not putting all your eggs in one basket. If you sell for just one company and that company fails, you're out of the MLM business.

So you should at least look around. Even after you find one MLM company to represent, keep looking. If you find another company that you like, give it a try. See how it compares with

your first company in terms of service and promotion; see which product lines consumers seem to prefer. If you represent two or three good MLM companies, you'll protect yourself in case one goes under.

### **Take a Hard Look Before Leaping**

Indeed, investigating specific MLM companies may be the most important thing to do before making a commitment to MLM. Spend time checking into ones you're considering. You probably spend 10 or 20 hours a week watching television. Isn't it worth taking that much time before you embark on a new career?

How can you check into an MLM company's reputation? First, find out some basic information about the company:

- How long has it been in business?
- What is its sales volume?
- How fast are the company's sales growing?
- How fast is the distributor network growing?
- How cooperative is the company in providing information about itself?
- Does the company belong to professional or trade associations, the chamber of commerce, the Better Business Bureau, etc.?
- Has the company filed all the necessary legal documents in your state?

After you have this information and if it looks promising, here are the steps you need to take:

- 1) Ask to speak with distributors who have been with the company for several years. Talk with these people in person to find out if they're the type of people with whom you'd like to associate. Find out how well these people are doing and how satisfied they are with the company's support and its product line.

- 2) Check into the company's financial situation. Many MLM organizations have perished because of a lack of capital. If you're not financially sophisticated, ask a friend, relative, or professional advisor for help. You want to see financial statements audited by a reputable firm that's not related to the MLM company. Other documents to inspect are a Dun & Bradstreet report and a TRW credit history on the company.
- 3) Ask for the names of the company's major suppliers. Then call the suppliers to find out if the MLM company makes its payments on time.
- 4) Make sure there are no serious lawsuits outstanding. There are a lot of frivolous lawsuits today, to be sure, but meaningful suits against an MLM company can indicate an organization of which to steer clear. In addition, a successful suit may wipe out a company's assets. You or your attorney can institute a pending litigation search through Equifax or Prentice-Hall Legal & Financial Service. In a similar vein, ask about complaints at your local Better Business Bureau and your state's attorney general's office. A list of complaints is not unusual, but those complaints should be resolved.
- 5) Find out if the MLM company uses state-of-the-art computer systems for sales organization reports, inventory control, sales analysis and forecasts, marketing projections, tax records, etc. If not, the company will find it difficult to get its organization under control and to generate accurate, timely commission checks.
- 6) Before you commit yourself to an MLM company, find out what its policy is on "frontloading," i.e., pressuring distributors to buy certain amounts of inventory each month. In some cases, distributors must meet this quota in order to qualify for commissions.

If you see this kind of operation, back off. Reputable MLM companies don't use this technique, and they prohibit individual distributors from doing

so. A legitimate marketing program will have no minimum purchase requirement and no inventory requirement for new distributors. However, distributors who sign up usually have to meet certain levels of production to qualify for continued participation or bonus compensation.

On the other hand, don't shy away from an MLM company just because most of its sales are to its own distributors. Many successful MLM companies sell heavily to inactive distributors, people who stay in the company just to get discounts on their own purchases. Amway, for example, sells more than 80 percent of its products internally, yet it moves more than \$3 billion a year and generates fat commissions for many of its distributors.

- 7) Ask about the backgrounds of those holding top management positions. Ideally, you'll see track records that include success in MLM. Failing that, the company's founders should have records of success in other areas of the business world. MLM corporate officers should be working with the company full-time, not part-time.
- 8) Naturally, the product line deserves careful scrutiny. A one-product organization is risky, no matter how good that one product may be. Suppose a competitor introduces a better or cheaper alternative? Look for a diversified product line, with many selections for buyers to choose among.

What's more, a company selling vitamins, cosmetics, pots and pans, etc., will have a lot of competition; it will need to be truly superior to survive. Companies with unique product niches may have a better chance of success. You should be looking for a company that continually introduces new products. For example, Nu Skin International recently developed an odor-fighting antibacterial agent for deodorants that was issued



a patent by the U.S. Patent Office. The company is now selling a "time-release" deodorant using this agent, and the product has been positively mentioned in trade magazines.

- 9) Look at how the organization supports its distributors. How? The parent company might run ads in national publications, promoting a great business opportunity. Then the leads that are generated are turned over to the closest distributor. With this process, you'll have a steady stream of prospective recruits who have expressed interest in a business venture.

What's more, a solid company will turn recruiting ads over to you and your distributors, so you can use them.

Another means of support is a team of regional sales consultants. If you or anyone in your downline has a sales problem, you can reach your regional distributor on a toll-free phone line.

- 10) Investigate the buy-back policy. Typically, a legitimate MLM company will buy back inventory and sales materials from dropout distributors within a certain time period.
- 11) Another question you need to consider is how an MLM company treats multiproduct selling. Suppose you have built up a successful downline for a cosmetics company. One of the distributors in your downline also begins selling for a vitamin company. The cosmetics company, upon finding this out, terminates your distributor. In an extreme circumstance, it might terminate you as well. If this happens, you could lose significant income after doing a great deal of work. So find out what the company's policy is on this issue before you go to the trouble of building a sizable downline.
- 12) Find out about the training program. Sales training is crucial for an MLM organization. Remember, when

you look at the expression “multi-level marketing,” the emphasis really is on “marketing,” which means, of course, “selling.” To succeed, you’ll have to sell new recruits on the program. Then, you or your recruits or their recruits will have to sell the end product or service to users. This is why sales training is a must. Most people don’t know how to sell; it’s unfair to give them sales kits and say, “Go get ’em.” So find out what kind of introductory sales training is offered and whether ongoing sales training will be available.

- 13) Take a look at what the company’s sales promotion material consists of. A top-notch MLM company will provide you with color brochures, audiotapes, and videocassettes, often at production cost. Such materials will help you recruit distributors as well as sell to consumers.
- 14) Look for good internal publications that offer sales support to distributors. Many MLM companies have internal newsletters. However, many of these publications are nothing but hype, touting their products and the moneymaking opportunity. If you see a newsletter with practical tips on recruiting, selling, and so on, you’re probably looking at a serious MLM organization.
- 15) Consider the benefits package. In addition to offering competitive commissions, top MLM companies also provide health benefits, auto allowances, and profit-sharing.

### **Payoff Pointers**

All the above points are important, but you also want to make sure you understand the company’s system of compensation and find it fair. If you devote a lot of time and effort to MLM and sales result, you want to be sure you’ll be treated well.

When looking at compensation, keep the following points in mind:

- Frequency of payments. If you can promise recruits

they'll receive money more than once a month, they'll be more likely to sign up.

- **Simplicity.** A bonus-override system that's too complicated to understand will discourage prospective recruits.
- **Long-term bonuses.** Such payments can give your recruits incentive to stay with the program.
- **Marketability.** If the product or service is relatively easy to sell to consumers, distributors can count on regular income, which will help your recruit-retention rate.
- **Stability.** Find out if the company has changed its compensation plan recently. Has the qualifying level been increased, the payout rate decreased? These are all signs that you're not dealing with honest people. Another negative sign is a large increase in the wholesale prices that distributors pay. The company may say that price increases were forced by rising costs, but inflation has been relatively tame for many years. In fact, it has been holding steady at 3 percent for the last 2 to 3 years. Certainly, there's no justification for raising the price of mascara from \$7.50 to \$12.50. When you see a move like this, it's a sign that the company just wants to make money from its distributors rather than work with them.
- **Minimums.** Generally, there will be some minimum amount of sales volume required to remain a distributor as well as to receive bonuses. Find out if your downline must be a certain size for you to collect overrides and what levels of volume are necessary for bonus commissions, leadership commissions, etc.
- **Upside potential.** Typically, an MLM company will pay out about 35 to 60 percent of its sales volume in total commissions. That is, out of every \$10 order, \$3.50 to \$6 will go to commissions, bonuses, overrides, etc. If your MLM company is not in this range, find out why.

### **An MLM Plan in Action**

To get an idea of how an MLM compensation plan might work, here is a look at the structure used by American Benefits Plus. The point is not to recommend or condemn American Benefits Plus; the plan is too new for evaluation. However, this plan, endorsed by religious broadcaster Pat Robertson, is a sophisticated one, so it serves as a good illustration of how MLM compensation plans are structured.

The plan itself is a consumer discount service. Consumers who buy the basic membership for \$129 a year save on long-distance phone calls, airline tickets, cruises, car rentals, and other goods or services.

You can be an "associate," the plan's entry level for distributors, with no required entry fee. For every membership you sell, you earn a \$25 commission.

At the same time, for each membership you sell or order from the company, you receive a \$60 "personal bonus volume." That's the minimum necessary to become eligible, each month, to receive bonuses and overrides.

The next level is "manager." To achieve this goal, you or the people you recruit must sell at least 10 memberships ("passports") within a six-month period. This gives you \$600 "group bonus volume."

Once you're a manager, you move to a new level of compensation. You get an extra 10 percent "production bonus" on all bonus values, personal and group. Because each passport sold has a \$60 bonus value, 10 percent equals \$6.

Thus, managers earn \$31, rather than \$25, on each passport they sell personally. If a recruit you've sponsored sells a passport, you get \$6. The same goes for their recruits.

### **Real Time**

The American Benefits Plus brochure asserts that each representative is promoted on an order-by-order basis, rather than having to wait until the end of a month. For example, you're an associate with \$480 in group bonus volume (BV). On March



17, one of your recruits places an order for five passports, worth \$300 in group BV. Now, you have a total of \$780 in group BV, enough to qualify you as a manager. For the \$180 in group BV over the \$600 threshold, you're entitled to your 10-percent override, so you collect \$18.

There's a catch, though. If your recruits do so well that they catch or surpass you in rank, you won't share in their group BV, unless you're at the director's level or higher. Thus, you need to send in your personal orders as soon as possible, to move up the ladder before your recruits do.

The next step up the ladder is "executive manager," meaning that you and your group have sold 50 passports within six months (about two per week). Now, you get \$37 on each passport you sell, \$12 on each passport your associates and their groups sell, and \$6 on every passport your managers and their groups sell.

The next level is "director," which requires that members of your downline sell 100 passports within a six-month period. Another requirement is that you have about 17 passports (\$1,000 group BV) that are "unencumbered," meaning that they're not being used by another representative to qualify for advancement to director.

As a director, you earn \$43 on the passports you sell yourself, \$18 on those your associates sell, \$12 on those managers sell, and \$6 on those executive managers sell.

If you get to be a director, a new set of bonuses kicks in. Some of the people in your downline—people you've sponsored and people they've sponsored—eventually may join you as directors. If so, you get an additional 5-percent group BV on all of their value. In essence, that comes to \$3 per passport sold in their downlines. Again, you need to maintain your \$1,000 "unencumbered" group BV.

If three of the people you've recruited become directors, you can become an executive director. Now you'll also collect additional 5-percent and 4-percent (\$3 and \$2.40) bonuses on sales by people further down your downline

who become directors. The next and final step, “national director,” can be achieved if you develop 18 directors, six of whom you’ve personally recruited. Now you get extra bonuses on sales by directors who are further downline, plus a 1-percent extra bonus (60 cents a passport) on all downline passport sales.

### **The Bottom Line Is the Bottom Line**

There are 17 more “compensation plan provisions” in the American Benefits Plus brochure, but you get the idea. You move from level to level as you sell, earning larger and larger commissions.

Still, the actual commissions received are modest, no more than \$46 per passport sold. So you and the people in your downline need to sell lots of passports in order to make this program work. That’s particularly true here, because the program relies heavily on annual renewals. If the program doesn’t live up to its promises, consumers won’t renew.

The same holds true in any MLM program. You can only make money with substantial product sales. Thus, make sure you’re offering a good product before signing up with an MLM company.

### **Safety in Numbers**

There are organizations you can turn to when you’re trying to choose an MLM company. For example, you should check to see if a company is a member of the Multi-Level Marketing International Association (MLMIA). Although companies who are active in the MLMIA are not automatically legitimate, membership is a good sign because it shows the company wants to get involved in helping MLM gain respectability.

Another organization that can help you is the Direct Selling Association (DSA). Here are some tips on evaluating an MLM company from the DSA.

- Take your time. If an MLM company really affords a

good business opportunity, it won't disappear overnight. Don't let someone pressure you to join now because you'll be left out if you hesitate.

- Ask questions. Find out about the following:
  - 1) the company and its officers
  - 2) the cost of its products
  - 3) the start-up fee, including required purchases
  - 4) the company's promise to buy back required purchases
  - 5) the average earnings of active distributors
- Get samples of all company literature.
- Consult with others who have had experience with the company. Find out if its products are actually being sold to consumers.
- Investigate and verify all information. Don't assume that documents are accurate or complete just because they look official.
- Ask to see, in writing, the following information:
  - 1) the business backgrounds of the company's principals, including any lawsuits or bankruptcies
  - 2) audited financial statements (operating revenues, sources of revenue profits and losses) for the past three years
  - 3) a complete description of all initial and future charges that you'll have to pay, as well as all other obligations you'll incur
  - 4) a description of any sales training or other assistance the company will provide to you and to distributors you recruit
  - 5) a list of the names and addresses of others who have signed up with the company
  - 6) support for any earnings claims, including the percentage of purchasers who have actually achieved the results that are claimed
  - 7) a description of any restrictions on what and when you must buy and sell

### **Experience vs. Excitement**

If you decide to go into MLM, you can choose either an established company or a relatively new one, even one just getting started. Obviously, you're safer with a company that's been around for 10 years, with hundreds of millions of dollars in sales. However, the opportunities likely will be limited because so many other distributors already are in place.

The opportunities may be greater with a young MLM company, but so are the risks. Before you sign up with such a company, take a hard look at the product. Has there been any market testing? Does it have a unique market niche, an attractive price? Be especially careful if the product requires approval by the federal Food and Drug Administration.

### **Trust Your Instincts**

More than anything else, a high-quality MLM company will pass the "smell test." The people you meet should be the kinds of people you want to do business with on a long-term basis. Be especially wary of promises of too-easy fortunes or superproducts. Go with your gut instinct.

### **Building Blocks**

Let's assume you have reached the point where you have decided on an MLM company. The company you have picked out has an excellent record, fine managers, and superior products. Is that all there is? Not at all. You'll succeed only if you actively recruit distributors, who'll recruit more distributors, and so on.

Distributors who get the best results emphasize the "multi" in MLM. For example, you recruit four distributors who, in turn, recruit a total of 16 distributors. If those 16 recruit another 64 distributors, that's a total of 84 distributors in your "downline," with whom you share in the commission on all of their product sales. Moreover, your downline will keep growing as those 84 people keep recruiting other distributors. And so on.



How can you get to this point, where you effectively have 84 people selling products for you and generating commission income? Here's how to build a profitable MLM downline.

- **Start right away.** The faster you begin to line up distributors, the sooner you'll get your downline up and running.
- **Play the numbers game.** The more people you try to recruit, the more recruits you'll get. Don't be shy. Professional salespeople advise making a certain number of calls each day or each week.

Suppose, for example, you call one new prospect each day. That comes to 365 prospects per year. Even if you close only one out of 10, you have 36 distributors a year. One out of 20 is 18 distributors a year.

- **Don't be afraid to approach friends or relatives.** You've done a lot of homework, and you're satisfied that the MLM company is bona fide. So why shouldn't you offer this attractive opportunity to people you know and like? If they sign on, you'll have that much more incentive to succeed, because you won't want to disappoint friends or relatives. If they say no, you haven't lost anything. Anyone who cuts off your friendship because you offered him a moneymaking opportunity wasn't much of a friend to begin with.
- **Always ask for referrals.** If a prospect turns you down but the refusal is fairly civil, ask, "Can you help me?" Very few people turn down a plea for help. Then ask, "Can I have the names of three friends who might be interested in a moneymaking opportunity?" Don't ask for "some friends." That's too open-ended a question. Asking for three friends gives the prospect a target he can meet.

Then, call the people whose names you receive. Prospecting is a lot more effective if you say, "Hi, I'm Joe Jones; I got your name from Mary Mason," rather

than “Hi, I’m Joe Jones; I got your name from the telephone book.”

- **Fish where the fish are.** Whenever you meet someone, you can prospect. However, some people are more likely prospects than others. People who have been laid off from regular jobs, for example. Retirees looking for extra income. Mothers who would like to provide a second income even though they have child-care responsibilities. When you have an opportunity to meet someone in one of those circumstances, put that prospect on top of your list.
- **Keep your priorities straight.** As your MLM business expands, you’ll find yourself with many chores, some of which will seem terribly important. Don’t be distracted. Keep up your prospecting. Other items can wait for a day or two, but you can’t afford to let up on your prospecting.
- **Don’t overpromise.** When you went looking for an MLM organization, you were careful to avoid those that tried to lure you with tales of big money for little work. So don’t make that mistake when you’re recruiting. Tell prospects that they can make big money, but only if they put in ample time and effort.

### **Skim the Cream**

You’ll likely start prospecting for new distributors by making a list of all the people you know, however casually. Now, it doesn’t really make sense to take a list of 100 people and go through it alphabetically. Instead, you should start with your most likely prospects. Once you have a few distributors in your downline, you can go on down the rest of your prospect list while the distributors you’ve already recruited are out in the field working for you, selling products and signing up more people.

So you need a plan for going through your prospect list. Start with the prospects who relate well to other people. You

know who they are—they show up at a party and are immediately surrounded by a group of others. They're the people who spend a lot of time on the phone, who always are having lunch with their friends, who engage in weekly card games, etc.

After these "people-oriented" prospects, your next targets should be the people who have been most successful in their careers. Now, this may seem odd to you—surely a physician or a top corporate executive wouldn't be interested in selling vitamins or water filters.

Don't believe that. For one thing, many professionals and executives are ready to get off the treadmill. They're looking for an opportunity that will allow them to be in charge, where they'll have flexibility they don't have right now. Also, the most successful professionals and executives have spent years achieving their current stature. In all likelihood, they'll reach retirement age fairly soon. So they may be looking for a venture in which they can learn the ropes now in preparation for taking a more active role after retirement.

Moreover, successful people are most likely to succeed in MLM. They have contacts, they have experience, they have ability, they have drive. Wouldn't you like to have a team of winners in your downline, rather than people who have spent their lives jumping from one thing to another, never succeeding at any of them?

After you've mined this level, go for people in situations conducive to their becoming MLM distributors. Again, look for retirees, people who have been laid off, homemakers with young children, etc.

When you've run through all of these people, you can go on to the rest of your distributor list. Chances are you won't have to, because you'll never get that far down on your list. Why not? Because you should ask people who turn you down for three referrals. Following up on those names will keep you busy.

At the same time, ask people who turn you down if they'll purchase at least a small amount of your product. Many peo-

ple will feel guilty about turning down your offer to work as a distributor, so they'll buy something from you. Every sale helps, of course. More than that, if you really have a good product, you'll have a satisfied customer who may reorder, in larger amounts, and who may reconsider your offer to become a distributor.

When you run down the list, don't neglect those prospects who live in the next county, the next state, even across the country. You can recruit them by phone; call Saturday or Sunday to hold down the long-distance charges. Then you can mail them the necessary samples and literature. Today, with fax machines and conference calls and overnight express service, you can maintain a downline in Oregon even if you live in Georgia.

### **Cast a Wider Net**

Can you advertise for leads who might become distributors? Yes, if you choose your media well. Start with small ads in inexpensive publications. Your parent company probably has some recruiting ads with proven pulling power. If not, write your own copy. Emphasize that you represent a national company offering full- or part-time work with excellent income potential. Leave a phone number to call.

Your area probably has weekly "pennysaver" newspapers with low ad rates, and perhaps a local weekly newspaper. Test your ads there before moving on to more expensive daily newspapers.

If your ad draws responses, answer them right away. Set up appointments. Remember, these people answered your ad, so they have some interest in earning extra income. If you can't get to the responses right away, pass them to an appropriate member of your downline.

### **One Step at a Time**

Remember, prospecting is prospecting. No one is going to say, "Sure, I'll become an XYZ distributor" after a brief phone



call or casual meeting. If you find someone who does, be careful. That's a sign of someone who's not taking this venture very seriously.

Instead, your object when prospecting is to make an appointment for a detailed presentation. You make this appointment using the following procedure, or something along these lines.

- 1) Introduce yourself.
- 2) Ask the prospect if he or she would be interested in earning extra money.
- 3) If you get a yes answer, tell the prospect you'd like to "discuss an idea" for a few minutes.
- 4) Try to make an appointment.

When you ask for an appointment, don't give the prospect a chance to say no. Instead, ask, "Would next Thursday night at 7 or 7:30 be better?"

### **One-On-One or One-On-Ten**

There are several ways to set recruiting presentations. The basic recruiting visit is face-to-face, usually in the prospect's home. When you go to him or to her, the prospect feels comfortable and is more likely to be receptive to your presentation.

Some prospects, though, won't want you in their homes, particularly if they don't know you personally. In that case, you can invite them to your house. If that's not convenient, set up a lunch or dinner meeting at a local restaurant. Pick a casual, inexpensive spot where you can make your presentation without making the prospect feel awkward.

Another recruiting technique is to hold a meeting in your home or even at a prospect's home. Instead of trying to recruit one prospect, you make one presentation for several prospects. The best time for these meetings is the early evening. Schedule them for 45 minutes to an hour, no longer. If you can't sign up any prospects within an hour, you're doing something wrong. At these meetings, ask an upline dis-

tributor, perhaps the one who recruited you, to help. His or her success stories will impress prospects. As you establish your downline, be available to help at your distributors' meetings. Remember, any new recruits go into your downline too, increasing your income.

Whether you prospect on a one-on-one basis or in meetings, take advantage of whatever training aids the parent company provides. Play a video recording or audiocassette, if available. If you're going to play a cassette, set it up beforehand so you won't have to disrupt your presentation.

### **Making the Most of Meetings**

If you decide to try small recruiting meetings, there are a few basic rules to follow. Start on time. If you call a meeting for 7:30, and a few people show up on time, but you don't start the meeting until latecomers show up at 8:00, that tells your prospects that you're not very businesslike. And you'll alienate the people who got there on time.

Put out a few chairs but not too many. It's better to add chairs later, creating the impression of unexpected demand, rather than have a bunch of empty chairs out, giving the impression that attendance was disappointing.

Don't serve much in the way of refreshments. This is a business meeting, not a party. You can offer coffee or soft drinks, to be hospitable, and perhaps some packaged cookies, but hold down the extravagance. You don't want to scare people off by having them fear they'll be called upon for lavish entertaining if they become distributors. Don't serve any alcoholic drinks, even beer or wine.

Go into a brief presentation, focusing on the company, its products, and the income opportunities. Show the video your company provides, if there is one. If your company's product lends itself to sampling, give everyone a chance to see it, taste it, or try it on. Nothing sells like a good product.

Then, open up the meeting to questions. Answer every question right away, briefly, looking each questioner in the

eye. If you don't know the answer, say so (but find it out so you can answer that question if it's asked again at a meeting or one-on-one).

After the questions are asked, pass out the applications. Go for the close, but don't pressure people. After the meeting, you can call prospects and try to sign them up while the excitement of the meeting is fresh in their minds. Give prospects an audio-cassette or video recording to take with them to help reinforce your message after the meeting.

### **Your Best Foot Forward**

Recruiting face-to-face involves different techniques than recruiting at a meeting. When you meet with a prospect one-on-one, you're selling yourself as much as, or perhaps more than, you're selling the company.

Dress conservatively. That doesn't mean you have to wear a three-piece suit and a tie. It does mean, however, that you dress in a way that won't draw attention. No spiked hair, no tank tops. You have to convince your prospect that you're a serious person who's serious about conducting business.

Start the meeting with a handshake that's neither limp nor a bone crusher. Don't underestimate the importance of the first handshake; any banker will tell you more loans are approved or disapproved on the basis of the introductory handshake than on all the documents borrowers provide.

When you make your presentation, you need to get the prospect to trust you. Look into his eyes when you talk and when you listen. If you look away, you're telling the prospect he's not important, and he won't want to work with you.

Show enthusiasm. When you describe your MLM opportunity, be a booster. Otherwise, your prospect will doubt your sincerity.

Whether you're meeting one-on-one or with a group, a good way to start things off is to tell something about yourself. Don't spend an hour on your life history; just touch on the highlights. Emphasize your work experience and your family

ties. Your goal is to convince prospects that they can trust you. Only then will they agree to work with you.

Then, go into introductory remarks about the business at hand. Explain to your prospect that you're going to talk about the following points:

- the company
- its products
- the income opportunities for distributors

In other words, go through your presentation enthusiastically but concisely. Don't talk too long. Make your points, ask for questions, and shut up. Don't talk too much. Don't confuse the prospect with all the details about compensation, overrides, price lists, etc. Your prospect will get sidetracked discussing minor issues. Instead, hit the highlights of the product and the income opportunities.

Make a list. Actually, have your prospect make a list of all the people he or she knows who might become downline distributors. This involves prospects right from the beginning and helps them visualize a future in which many people are working for them. This will help increase your success rate in recruiting.

Answer all the questions as well as you can. If you can't answer a question, admit it. If it's a crucial issue, promise to find the answer as soon as possible.

### **Turning Objections into Sales Points**

Some objections are bound to arise. Take the following, for example:

- "I'm not sure I want to make a commitment now." If that's the case, propose a trial period. Have your prospect call a few friends within the coming week. If even one signs up, you'll have two new members in your downline, your recruit and the friend he called.



- **“I want to think it over.”** Generally, that’s a polite way of saying no. When you hear that, you can counter, “What more information would you like that you don’t have right now?” If a prospect truly is wavering, you may be able to convince him right then.
- **“I’ve never sold anything before, so I don’t think this is for me.”** When you get this response, tell the prospect that most people have a misconception about selling. A real salesperson doesn’t fast-talk the customer into buying something that’s unneeded. Instead, a true professional finds out what the buyer wants or needs and then provides the appropriate product or service. You can point out that many MLM distributors have become successful without sales backgrounds. What’s more important is an ability to work with people, either distributors or consumers.
- **“I don’t know anyone that I could recruit as a distributor.”** First, point out that one is not restricted to recruiting close friends. In fact, few people have so many friends that they can make up an entire downline. Your prospect can recruit among all the people he knows or has known, even casual acquaintances like neighbors and store clerks.

More than that, stress the fact that the MLM organization will provide leads and sales presentations that can be used to find prospects and sign them up. Tell the prospect that all he needs to do is sign up a few good distributors, who in turn will build their own downline networks.

- **“I don’t have enough time for MLM.”** In truth, most people have more available time than they appreciate. Time spent watching television or talking on the phone to friends can be redirected to MLM. The average MLM worker devotes only five or six hours a week to the job. That’s less than one hour per day. Yet the average worker takes in an extra \$15,000 a year or more.

- “I can’t afford to start a new business.” When you hear this, explain how little it costs to start and maintain an MLM business. Prospects who voice this objection obviously have financial concerns. That’s a perfect opportunity for you to reiterate the potential of MLM to increase the prospect’s income.
- “How do I know this is legitimate?” At this point, describe all the research you have done into the company. Emphasize the company’s history, the size of the organization, the background of the top executives. Not only will this explanation establish the company as viable, but it will show the prospect how diligent you have been as well. This will increase his trust in you, and thus help you sign him as a downline distributor.
- “I’ve had bad experience before with an MLM company.” Say that each company is different. Wal-Mart is a huge success, while Macy’s is in bankruptcy. Similarly, if you join the right MLM company, you can succeed along with it.

Remember, every time a prospect raises an objection, he’s not saying no. Often, an objection indicates real interest. If you can answer the question, the prospect may convince himself that he should sign up with you. Therefore, after meeting an objection, go for a close. Hand the prospect an application form and encourage him to begin filling it out.

If a prospect turns you down, go on to someone else. Play the numbers game. There are plenty of prospects out there, and the more you approach, the more you’ll sign up.

### **Close Encounters**

Few prospects will sit up and say, “Sign me up.” More likely, you’ll have to lead them into an agreement. In sales lingo, you’ll have to “close the sale.”

One technique is to assume that the prospect has agreed. You’ve answered a question satisfactorily, and the prospect

doesn't seem to want to ask anything else. You might take out an application form and ask, "Do you need some help in filling it out?" No matter what the response, the prospect is on the way to an agreement.

### **He Who Hesitates Is Lost**

Naturally, whenever you sign up a new distributor, you're ready to celebrate. You feel as if you've accomplished something important. And you have. However, your responsibilities don't end there. Your new distributor has to produce if you're to have anything to celebrate, and chances are that this new distributor doesn't know what to do next.

When you sign up a new distributor, you must be prepared to act right away. On the one hand, your new distributor is fired up from your presentation or the opportunity meeting. At this point, he wants to get out and start selling, start making money.

On the other hand, there's always some doubt after a major purchase or commitment. Your new distributor is asking himself, at some level, "Did I do the right thing?" Again, to reduce these doubts, it's necessary for you to take action right away.

One good strategy is to have "starter kits" on hand, so your new distributors can start selling right away. This will help convince a prospect that he has signed up with a high-quality organization.

Some MLM companies have their own starter kits for new distributors. If yours doesn't, make up your own kits, consisting of product samples, brochures, and any other relevant product literature. Keep your costs low, around \$50 per kit. Your new distributors can pay you for these kits. If they won't pay \$50 to get started, they're not committed to you and your organization.

After they get started, they won't need more samples from you; they'll order direct from the parent company. Of course, you'll be credited with commissions on the sales they make, even if you're not directly distributing the products.

### **Plenty of Prospects**

One of the first things you should teach new distributors is to make up a prospect list. Ask for at least 100 names on each list; some people will be able to include many more.

Where will all these names come from? Start with the prospects' personal address books, the ones in which they list the phone numbers they call. Then ask about people they've worked with—some of the prospects may have business cards stashed away in drawers. Suggest also people who share interests and people who belong to groups they've joined.

More than likely, your new distributors will already have lists they can use. Do they have children? Ask about school rosters. If a prospect belongs to a community group, find out if a membership list is available.

At the beginning, tell your new distributors not to try to be selective but to make their lists as large as they can.

The reason is psychological. If a new distributor starts out with 10 names and the first three people turn him down, he's likely to be discouraged. But with 200 names to prospect, the loss of three isn't any big deal. Your new distributor still is looking at a list of 197 prospects. Eventually, your new distributors will recruit their own distributors.

### **Help Others to Help Yourself**

As you build up your organization with a number of first-level recruits, you'll want to spend time helping those distributors hold recruiting meetings. Remember, every new distributor they add is another participant in your downline.

As you'll recall, you build a downline by the numbers. You call a lot of prospects and then recruit a percentage of them as distributors.

Once you have a number of distributors, you'll see that they're not all world-beaters. You go to a recruiting meeting sponsored by Janet and you see 10 or 12 prospects there; the next week, you finally persuade Steve to hold a meeting and only two people show up.



Your best course is to focus on the Janets of the world; they're the motivated ones, the enthusiastic ones, the ones who are going to make you money. Get Janet to hold meetings once or twice a week, then help her follow up to recruit more distributors. Within a year, Janet might have a dozen active distributors, all of who are working for you as well as for her. If you have a few Janets in your downline, you'll be on your way to success in MLM.

What about the Steves, who far outnumber the Janets in most organizations? Don't waste a lot of time on them. You're not likely to build a fire under somebody who's not self-motivated.

Instead, ask Steve to come to Janet's recruiting meetings and bring along a potential recruit or two. This will help keep Steve in your organization, as a customer and perhaps a small-scale recruiter. Also, the excitement generated at Janet's meetings may help persuade Steve's one or two prospects to sign up.

According to industry sources, the majority of people who go into MLM never collect a check, and even the checks that are collected average less than \$50. The attrition rate among distributors is 70 to 90 percent. As a result, there are a few people at the top making big money, many people on the bottom making very little, and a relative few in the middle. How will this affect you? You need to spend a lot of time with new distributors. Don't expect them to be able to start a new business right away. Give them encouragement, go with them to prospect meetings, pass on whatever training tools you can find. The more you help them, the more likely they'll succeed, building your downline.

### **Nothing Happens Until a Sale Is Made**

Don't get so hung up trying to create a downline that you forget the ultimate goal; selling the MLM organization's product or service. You can have 10,000 distributors in your downline, yet you won't make any money if nobody sells anything.

Therefore, you need to spend as much time on product sales as you spend on recruiting. Get to know all the products and services in your company's line. Try them yourself, or have your family try them. When you find something you like, buy it.

Nothing convinces a customer or a prospect like saying, "I spend my own money on these products." (Don't lie about it. People can tell when you're just handing them a line. If you can't find something in the line that you or your family will buy, find another company to represent.)

At the same time, try competitive products to find out the advantages of your own line. These are what you should emphasize in pitches to customers, distributors, and prospects.

Keep up with any information your company provides—news announcements, literature, meetings. Make an effort to discuss your products with consumers. The more you know about your products, the better you and your downline will be able to sell them.

You and your distributors can build up product sales via recommendations and referrals. Ask satisfied customers if they'll provide testimonials, which may be written, video-taped, or both. You and your distributors can use these testimonials as selling tools.

Similarly, have distributors ask customers for the names of friends or acquaintances who might buy the product. Just as is the case when you're recruiting, it's a lot easier to get your foot in the door if, instead of making a cold call, you can say, "Tom Gibson gave me your name."

Don't forget, your best customers are the ones who are most enthusiastic about your products. That's why they keep buying. So why not ask these customers to become distributors?

### **Party Time**

In most MLM organizations, sales are made one-on-one. However, some companies, such as Stanley Home Products and Mary Kay, use "party plans," in which a group of customers is brought together for product display and demonstra-

tions. Although sales parties can take time to organize, the party atmosphere helps to increase sales.

Usually, sales parties are held in someone's home, and the attendees are women. The products most suitable to this approach include cosmetics, housewares, and small gift items.

Therefore, the first step in organizing a sales party is to get someone to play hostess, allowing guests in her home. Typically, the salesperson offers an incentive to the hostess, either a gift from the company's line or cash—often a percentage of sales made at the party. Although this number varies, 10 percent is probably the most common arrangement.

Then, it's up to the hostess to invite people to the party. The more the better, in terms of sales, but you don't want to invite so many people that the shy ones hold back. Make sure the hostess tells all of her friends that this is a sales party so they bring money. It's awkward for people to come expecting a purely social gathering only to find out later that such isn't the case.

Although "party" indicates refreshments, keep the food and drink modest. Coffee with cake or cookies is an appropriate menu.

The focus of the party should be on the product, so be prepared to put on a show. If you're selling cosmetics, for example, you or someone else who's knowledgeable should demonstrate how the cosmetics should be applied. For clothing, you or a professional model should show how the items will look; if feasible, give the guests a chance to try things on.

Usually, people come to a sales party expecting to buy something; if you put on a good show, creating excitement, you may convince them to buy more. Having a drawing for a door prize helps to send the guests home in an upbeat mood.

Remember that it can be difficult for people to keep all the items and prices straight in their minds. For this reason, pass out a list of your products, with prices, at the start or the end of the party, to facilitate ordering. Try to get people to buy on the spot rather than order later, by offering a discount or a bonus gift.

Get the names of all the attendees, especially those who

purchased your products or services. Follow up with them for future product sales or to act as party hostesses. When you follow up, find out if they're interested in becoming distributors.

### **Stock in Trade**

If you're involved with an MLM company that sells products, you'll need to make some decisions regarding inventory. Perhaps most important, don't mix products you plan to use personally with products you're holding.

When you go into any sideline business, including MLM, you should set up a separate checking account. Pay for your business inventory from your business account.

As a general rule, don't order too much. It's better to have to order some items and wait, than put down a lot of your own money up front.

In some plans, you have to make certain "levels" each month to be eligible for extra compensation. Don't buy extra inventory just to make these levels. Next month, you'll have to order more, and so on, until you've sunk all your money into unneeded inventory. Buy the inventory you need for your business, and collect the commissions you and your downline actually earn from product sales.

On the other hand, don't skimp on inventories. If you're constantly having to submit back orders, you're not carrying the right amount of stock. Have enough products on hand to serve your customers. If your business is growing, spend a little more on inventory each month.

The above comments refer to literature as well as product samples. You'll need literature on hand to help move your products.

### **Fraudulent MLM Structures: A Word of Caution**

There are many very solid, very honest MLM companies, but there is a threatening sentiment brewing in the federal and state regulatory agencies that could not only put you out of business but expose you to expensive lawsuits and even jail time if you don't heed the laws that are already on the books.



The underlying issue is the question of what is actually being sold when a new distributor signs up. The unique and complex structure of the MLM company is just what makes it profitable, but that is the very part that is under fire. According to many regulators, when a recruit purchases his way into this structure, he may be really purchasing an investment—an as of now unregulated one. But it is unregulated only because enforcement has not been directed at the industry, not because the laws don't already exist. Even back in the 1950s, when chinchilla breeding was a popular home business fad, the federal government successfully prosecuted a number of the promoters for securities fraud. Yes, the courts held that the chinchillas were "securities" because they were being sold as an investment with a promise that money could be made with them.

In order to protect yourself, your first step is to take a hard look at your MLM or network marketing company. Examine the structure and how recruitments are done. If it is sold on the basis of promises of income, or paying a fee for a higher level distributorship, it is probably a security. In which case, saying that you are only selling the package the company gave you is no defense in a civil or criminal case against you. *You* are the person who made the sale, and if that sale is illegal, it is *you* who will go to jail. Others may be guiltier, but that is no defense. Many people who have gone to jail for sending out chain letters try to blame the person who sent them the chain letter, to no avail, as they are equally guilty. Not all participants may be prosecuted, and who gets prosecuted is often like a lottery, but it is an important consideration in looking at a company structure.

These comments are not meant to scare anybody off of MLM, but to inject a dose of reality before it is too late. The mails have recently been flooded with offers from chain letter and pyramid schemes falsely claiming to be MLM companies. If you participate in one, you face a real risk of legal action.

But other companies, offering a real line of products, are

flirting with the law by requiring monthly minimum purchases, or high distributorship fees to purchase a special level in the company. Apart from the legal risks, there is also the more fundamental risk that in such schemes the majority, of necessity, must lose their money in order to enrich the promoters.

### **Making MLM a Less Taxing Experience**

How can you make the most of the tax advantages that come from being active in MLM? Most important, keep careful records. Show all of your income—hiding income is the surest way to incur the wrath of the IRS. But record all of your expenses, too, to offset as much of that income as possible.

Your deductible expenses include your office supplies, phone expenses, travel (including auto costs), entertainment, and so on, as long as they're business-related. The better your records, the more deductions you'll be able to sustain.

In some circumstances, you'll be able to take a home-office deduction. If you use 10 percent of your house for business, you can deduct 10 percent of your expenses for heating, electricity, home repairs, security systems, insurance, and so on. However, there are a few standards you must meet to qualify for this deduction.

First, you must have a section of your house (a room or part of a room) that's used regularly and exclusively for business. You can't deduct your kitchen just because you work on your kitchen table.

To qualify for deductions, your home office must be your principal place of business (for your MLM activity) or a place you use regularly to meet with prospects, distributors, or customers. Also, the allowable deduction is limited to the gross income generated from the use of your residence. There's a complicated method of deducting various expenses, but the bottom line is that your home-office deductions are essentially limited to your gross income from your at-home businesses.

Can you deduct losses on MLM, counting all your expenses? You may be able to, but only if you demonstrate an honest

attempt to attain profitability. If you're haphazard in your record keeping and your approach to your business, the IRS may claim you're only doing this as a tax dodge and disallow deductions for losses.

The key to taking the deductions mentioned above is your status as an independent contractor. To be an independent contractor, you need to be truly independent. Set your own schedule; work as you want to work, not as the parent company directs you to work. If you work for more than one MLM company, you're more likely to qualify as an independent contractor.

Do you owe sales tax on the products you distribute? Check with a local attorney; your parent MLM company may be able to provide you with a legal opinion that applies to your state. If you need to get a "tax number" to avoid sales tax, do so.

### **Following Up**

In essence, MLM is like any other business. If you work hard and know what you're doing, you can enjoy profits, not just tax benefits. MLM, however, allows you to get started without substantial startup costs; you can pursue MLM on your own schedule, full-time or part-time.

If you'd like to learn more about MLM, here are some good sources:

- **Multi-Level Marketing International Association**, 119 Stanford Court, Irvine, CA 92715.
- **Direct Selling Association**, 1776 K St. N.W., Washington, D.C. 20006.
- **M-L Hotline**, a training company for multilevel distributors that sells through its own multilevel structure. If you are already involved in MLM, this is definitely something you'll want to take a look at. It could be particularly helpful in recruiting distributors who are skeptical of MLM. For a brochure, send a stamped, addressed envelope to M-L Hotline, Box 387, Weslaco, TX 78599.





# Part-Time Home Business Opportunities



he opportunities discussed in this chapter are ones I've looked at and feel comfortable with recommending. I am a cynic about most "business opportunities" being offered and have some strict criteria as to what I consider acceptable. You'll find those biases reflected in my comments on the specific opportunities.

This chapter tells you how you can make a fast start—without having to invest in starting a business from scratch and without having to waste a lot of time and money looking for opportunities that work. In sifting through tons of opportunity material, I can truly say that less than 1 percent of the offers I reviewed were worth writing about.

## **NETWORK MARKETING WITHOUT FEES OR TRICKS**

Entrepreneurs are always looking for

new products for multi-level or network selling companies. Some people hate network marketing, but others have made fortunes with it.

The general rule of thumb is to avoid companies that have any sort of high monthly fee or minimum purchase to stay in the program. Once you've earned a commission or a bonus on the sales of somebody under you in the organization, that money should be yours no matter what. If your commissions are dependent on your personal purchases or sales, the efforts you made to recruit others are a gift to the company. If profits are based on people making minimum payments, pretty soon you have people buying products because they are afraid they will lose commissions if they drop out. Before long the whole company is doing that, and nobody is really selling products. After awhile such companies fall apart, as people get tired of paying for a dream of profits that never come.

So it is always a pleasure when there is a network marketing company with both a new product to market and a compensation system that is fair. MagNet has come along with a magazine subscription sales company that is intriguing because it guarantees the lowest price on subscriptions to more than 400 of America's most read consumer publications.

Last year, consumers purchased more than 540 million magazine subscriptions in the United States through a wide variety of costly marketing techniques. These include television and radio advertising, direct mail campaigns, and high-pressure telemarketing. Millions of dollars in sweepstakes giveaways and TV celebrities' salaries add further costs to these already expensive methods. This also means that magazine publishers can afford to pay high commissions to sales companies like MagNet, who only have to be paid for results.

MagNet utilizes word-of-mouth advertising and a network marketing program that eliminates many of the expenses attributed to subscription sales. MagNet's representatives have

an opportunity to earn commissions, overrides, and bonuses and they can also participate in a company profit-sharing program. Subscribers also win because they get their favorite magazines at great savings.

MagNet has no distributor or membership fee, inventory, deliveries, collections, bookkeeping, monthly purchase mandates, need to change anyone's buying habits, required product knowledge, or conflict with any other business. This last point is especially important to people already involved in network marketing, because it allows them to add MagNet to their existing distributor organization to increase their profits with minimal extra effort.

You receive a complete catalog with detailed descriptions of all magazines. Selections range from comic books to *Cosmopolitan*, from *Prevention* to *Sports Illustrated* to *Newsweek*. Every time one of your customers, or a customer of a representative you recruited, buys or renews a magazine subscription through MagNet, commissions, overrides, bonuses, and a contribution to the company profit-sharing plan is paid.

Look for small stores where the owner might join and put the brochures in a "take one" display on the counter.

Another point is that this is the only multi-level plan we've seen that will accept a representative under age 18 (with parental consent of course), so it could be an excellent way to help one of your children become an active entrepreneur. And they earn residual income on renewals and downline activity, which is much more profitable than the couple of dollars commission on the subscription sales plans usually available to youngsters.

MagNet also accepts organizations as agents. This offers some nice fund-raising possibilities for any project, plus an ongoing income stream for the group instead of just the one-time cash they normally would make from a candy or cookie sale. Plus by signing up the group, you also will be making commissions for a long time to come. This type of strategy is the way to build large sales volume fast.

If you would like information on MagNet International, send an SASE (self-addressed stamped envelope) to RDC Network, Dept. 9049, P.O. Box 166, Champlin, MN 55316.

## **HOW TO MAKE A FORTUNE GIVING AWAY FREE LONG-DISTANCE CALLS**

I have analyzed material from a number of the companies in the long-distance reselling business and found some real bad deals.

One multi-level plan pays you \$3 for each person signed up and paints a lovely picture of how much that could add up to after your network of distributors brings in thousands of customers. They give you \$3, and they get a lifetime customer! Another charges a \$10,000 franchise fee for the privilege of selling their services. Whether or not they'll be in business after they sell the franchises is another question. Yet another wants \$1,000 for the privilege of selling their prepaid telephone credit card, another \$1,000 if you'd also like to sell their payphone service, etc. Yet another looks good on the surface, as a multi-level program, but it depends upon your remaining a customer of their service. So if you move in with someone and don't have a telephone billed in your name for awhile, you forfeit the entire distributor organization and commissions you have built up. The same thing happens if you pay your telephone bill late.

Having sorted through all this mess—and some of them were hard to pry the facts out of—I did find that you can make a very good income as a long-distance reseller.

### **Earn 5-Percent Commissions for the Rest of Your Life**

The good one in the bunch turned out to be Business Network Communications (BNC). It pays independent representatives a 5-percent commission—for life—on the new accounts they sign up. It also has some interesting group deals, which let a representative sell the service to an organization, which can promote it to its members as a fund-



raiser. Both the organization and the representative get lifetime commissions on all the long-distance calls placed by the members.

You can sign up business accounts with AT&T long distance at rates up to 30 percent lower than all others. You can even save big money for people who are already with AT&T! To make it even easier to get customers, you give each new customer a certificate good for four hours of free long-distance calls, in addition to their other discounts. BNC will provide you with training and proven methods/materials to assure your success. You'll receive generous commissions on the long-distance bills of your customers every month!

### **How to Start**

To receive information, order *Unleash the Entrepreneur Within*, the company's agent manual, for \$29.95 plus \$4.50 shipping and handling. There is no additional cost to become a representative. You simply send in the contract form that comes with the manual and start earning commissions. The payment for the manual is refundable after you sign up your first six customers. But even if you were to only sell to three or four friends who are always complaining about the size of their long-distance bills, in a short time your 5-percent commissions are going to exceed the cost of the manual. Everybody has somebody they call frequently.

If you decide this isn't the opportunity for you, just return the manual and you will not only receive a full refund but also a certificate for four free hours of long distance calls just for having considered it. To order with your MasterCard or Visa call 1-800-945-1333, operator 3642. By mail send \$34.45 to BNC Fulfillment Processing Center, 2770 Ridgway, Suite 3642, Walled Lake, MI 48390.

Don't forget to sign up your own long-distance account once you get started. Unlike the other long-distance companies using independent agents, BNC does not require you to

sign up your own account. This is one of the reasons I recommend them, because anybody can make money with BNC, whether or not they have a telephone of their own. The opportunity to make money representing a company should never be linked to an obligation to use the company's service.

### **FINDER'S FEES: THE EASIEST MONEY YOU'LL EVER MAKE**

It is not uncommon for a professional finder to earn more than \$100,000 a year. One finder earned \$75,000 per month for 5 years. He saw an item in a newsletter offering 10,000 barrels of crude oil per day for 5 years. Putting that seller together with a buyer at a small refinery, he earned a fee of only 25 cents per barrel, and collected his fee of \$75,000 every month for 5 years.

How about trading less than \$1 in postage and a couple hours easy work for \$100? Not a big fee but it was so easy that another finder couldn't pass it up. Reading a "collector's" magazine, he came across an ad seeking some college memorabilia from a college near his home. He made some local telephone calls, located the items, wrote a letter, and earned an easy \$100.

A finder is nothing more than a "matchmaker" for a fee. The professional finder simply matches qualified buyers with qualified sellers for a fee. A finder is not a preseller, dealer, representative, or agent.

Jim Straw, a nationally known publisher and entrepreneur who has been a professional finder for more than 30 years, has written the only course on being a professional finder. To get more information on *Finder's Fees—The Easiest Money You'll Ever Make*, write to Finder's Fees, Department 70197, P.O. Box 5385, Cleveland, TN 37320 and ask for information on the finder's fee course.

If a product or service can be sold or bought, there is a potential finder's fee just waiting for a finder with the

“know-how” to earn it. There are finder’s fees to be earned in every small town or big city, in every state and country. All you need to do is match up the buyers and sellers, put them together, sit back, and collect your fees. And you can start your own finder’s fee business for less than it would cost you for a good meal at a fine restaurant. All you really need is a typewriter, business letterhead, and a telephone to get started.

### **More on Profiting from Finder’s Fees**

The *Finders International Network Directory*, or *FIND*, is a new, unique directory that lists professional international finders from around the world. Are you seeking precious stones from the Orient, desert land in Nevada, international financing from foreign banks or financiers? Do you need business contacts in Arabia, India, Canada, Ghana, Europe, the ex-USSR, or anywhere in the United States? Are you trying to sell an old airplane or ship, or closeout merchandise? Having trouble finding a rare or unusual item; looking for a lost loved one; searching for buyers, sellers, commodities, international business opportunities?

From Singapore to Norway, from New Orleans to Ontario, professional finders in *FIND* can locate funding, capital, rare real estate, collectibles, buyers and sellers of all kinds, agency and licensing deals, import/export products, and much, much more! Listed are finder’s names, addresses, telephone and fax numbers, as well as a description of what they specialize in locating.

Join the “network” by ordering your own copy of *FIND*. Network with professional finders for finder’s fees and finder assignments. Internationalize your business today.

Professional finders can get free international advertising listing their finder’s service in *FIND*. A free listing application is included with *FIND*. To order, send \$15 to Ronald G. Wyatt, 2128 Goldbrier (F-22), Memphis, TN 38134.

## **SELL YOUR KNOWLEDGE AS A CONSULTANT**

The “downsizing” of the American corporation, coupled with the merger mania, is creating a fabulous number of consulting opportunities for the man or woman who is *prepared* for them. In one case, the corporate brass had just dismissed all the in-house talent to do the job they found themselves needing a consultant for and didn’t want to “lose face” by calling them back in as consultants.

For the better part of the last decade one organization has been helping professionals who, possibly like you, didn’t think they could develop a successful consulting practice and either were not aware of or ignored the vast consulting opportunities right in their own backyards.

*The Consulting Opportunities Journal*, published by the Consultants National Resource Center, has for 8 years been the information source for thousands of first-time and “old pro” consultants alike. A number of special items are also included with membership, making it a complete consulting course. Plus, there’s a full money-back guarantee. For more information, write to Consultants National Resource Center, Dept. 2001, P.O. Box 430, Clear Spring, MD 21722, and ask for membership information.

## **EARN BIG WITH YOUR OWN MORTGAGE-REDUCTION BUSINESS**

Homeowners across America are paying big money to save \$50,000 to \$100,000 or more on their mortgage interest costs. Working from your home or office, you can earn a six-figure income by offering the Equity Acceleration Program with no previous experience or license required.

The Equity Acceleration Program saves homeowners up to \$100,000 or more in mortgage interest, reduces a 30-year mortgage to 20 years, builds home equity two to three times faster, and can be transferred to future mortgages. With the deferred payment program and a low minimum price, you can sell in volume.



The lifetime program requires no refinancing or credit checks and works within the client's existing mortgage agreement.

U.S. Mortgage Reduction is the nation's largest loan acceleration company. It hires and trains more agents than any other company in the industry. You can become an agent for the company and either direct-sell its money-saving program or hire other agents to sell for you.

If you prefer just to hire other agents to sell for you, they will help you hire a successful network of agents and pay you large commissions on their sales. You won't even need to direct sell, handle money, or manage people. They do it all for you. They earn their money through a larger sales volume. You can hire agents through employment ads almost anywhere in the United States with their proven system.

Would you like to learn more about this incredible sales and/or management business? Or why U.S. Mortgage Reduction has now become the number one mortgage reduction company in the United States? Call the toll-free number below and they'll send you a complete information package absolutely free. If you are interested in earning a seriously large income on a full- or part-time basis, now is the time to call.

For a free information package by mail, call (800) 365-7550, extension 70021.

## **COMPUTER SOFTWARE FOR SHARING—AND PROFITING**

The most effective software for your computer may not be the most expensive. Many people prefer low-cost "shareware" programs.

Low-cost shareware programs can perform tasks previously carried out by \$500 word processing programs and \$700 spreadsheets sold by commercial software firms.

### **What Is Shareware?**

Shareware programs are software programs that can be distributed and copied at little or no cost and without break-

ing any copyright laws. In fact, the computer programmers who create and distribute these programs want others to make copies of the software and give those copies to friends, relatives, and neighbors.

For programmers who lack access to conventional software-marketing channels, the shareware procedures can be effective in putting a new program into users' hands. Then, as distribution widens and the use of the shareware increases, users' experiences can lead to refinements in the program. After they have been used and improved over time, shareware programs sometimes are sold to conventional software-marketing companies. While they are in the shareware-distribution channels, however, such programs can be welcome cost savers.

Among the companies using shareware programs are Caterpillar, MCI Telecommunications, DuPont, Ford Motor Co., *The Los Angeles Times*, and Texaco. Word-processing shareware is used also at institutions such as Kent State University, Rutgers University, the U.S. Naval Academy, and the University of Hong Kong.

### **How Is Shareware Distributed?**

Shareware is distributed in two ways. Programs can be copied from program diskettes borrowed from someone such as a friend or a computer club, or they can be obtained for a small charge from mail-order companies that specialize in shareware programs. A buyer who requests shareware from a mail-order company receives disks with full working programs; the charge is usually \$2 to \$5 per disk.

A person who has tried a shareware program and decided to use it is expected to register with the software company that created the program. The fee is typically \$10 to \$129, depending upon the complexity, quality, and popularity of the program. By registering, the shareware user receives support and manuals like those that come with commercial software packages. A person who tries such a program and chooses not to use it simply keeps the diskette; no registration is expected.

### **Low Price Is Not Low Quality**

Price does not necessarily indicate the quality of shareware. There's the perception that if you don't pay a lot of money for a program, it's not a good program. Overcoming that is not easy.

Many shareware programs, like those on subjects such as stargazing, genealogy, and golf-score tracking, have small, special-interest audiences and might not succeed in the commercial market. Others are of more general interest and sell well. A number have sold more than 100,000 copies.

Although it's a low-cost way to examine and acquire software, shareware is not just for firms on tight budgets. If there's a product that meets your needs in the shareware area, there's no reason not to go with it.

### **Network Marketing Can Pay You Big Commissions**

Matrix Software Company has chosen to market its shareware club memberships through a network of individuals who distribute its Automated ShareWare Catalog—a diskette listing programs available. Matrix charges \$24 per year for a membership (a three-month membership for \$9 is also available) and members can then buy programs for as little as 89 cents per disk.

As an ASC club member, you are invited to sign up as a sponsor and earn money from distributing copies of your catalog disk. There is no additional charge to become a sponsor. But you do not have to become a sponsor—you can simply join the club and get programs at the member prices.

By sponsoring members, you earn commission from their dues and from their shareware purchases, as well as earning commissions on those they sponsor for nine levels down from you. This can add up to a substantial amount of money if you are willing to put just a small amount of effort into it. Just passing out the catalog disk is sufficient, since you are automatically credited with orders that are placed from the disks you hand out.

To get a catalog disk and membership information, send \$2

for postage & handling to Lewis Sierra, 51 MacDougal St., Suite 192, New York, NY 10012. Be sure to specify whether you need a 3 1/2- or a 5 1/4-inch diskette.

### **Profit Ideas**

First, even if you don't have a computer, you could get a friend to print out your initial order and membership application after you get the disk. You could then buy catalog disks from Matrix instead of copying them yourself. So a computer isn't really essential if you are interested in the income aspects of this opportunity.

You could give catalog diskettes to college and high school students who have computers. They have lots of computer-using friends through their school contacts and are likely to become some of your most aggressive sales agents.

Local computer clubs can be located through your public library or newspaper announcements of meetings. They are always interested in items that their members can use, and you can give them each a catalog disk.

### **CASH IN ON THE DEMAND FOR CREDIT CARDS**

If you've been searching for a business opportunity to give you solid financial independence, or if you simply have been unable to obtain a VISA or MasterCard, then this article is going to be an exciting message for you.

Credit cards have revolutionized the business world and have made many in that industry fabulously wealthy. And they can do the same for you.

Almost every other business requires you to convince someone that they need your product or service. Give people the credit they need and they can then spend it on what they really do want. Everyone knows what credit is, and everyone has heard of VISA and MasterCard.

Our society today is run on credit. Without credit cards, it is virtually impossible to go shopping; make airline, hotel, or car rental reservations; or even cash a check! Many big-



city convenience stores no longer even accept cash! Today's mail, newspapers, and television are flooded with advertisements for all sorts of products, but you can't order most of it by telephone unless you have a credit card. It doesn't matter who you are, you cannot exist without credit cards. Credit at one time was a luxury, but in today's economy it has become a necessity.

### **A Gigantic Market**

Yet an estimated 140 million Americans don't have and can't qualify for a credit card. Many major corporations are laying off hundreds of thousands of employees, many of who thought they had a job for life. During the past 7 years (remember, credit bureaus report information 7 to 10 years old—and older in some cases), 50 million Americans have suffered income interruptions, job layoffs, or reduced incomes (lack of overtime, loss of second job, etc.). More than 2 million Americans have had their homes foreclosed. Industry statistics indicate approximately 40 million people in the United States are denied credit each year. Since 1987, 14 million divorces occurred. Bills often go unpaid while attorneys fight over assets, and many people come out of divorce court with a blemished credit rating. There are 15 million people 18 to 21 years of age who have not yet established credit. Large numbers of people immigrate to our country each year, many of who wish to establish credit. In addition, serious illness and accidents strike millions of families each year with the consequences of huge medical bills and income interruptions. The individual may recover, but the credit rating can remain tarnished for 7 to 10 years.

Desire and demand from these groups to obtain a major credit card is very high. Secured VISA and MasterCard credit cards can be the answer to the demand. These cards have been available for quite a few years from a few lending institutions. While it's improving, consumer awareness remains low, due primarily to limited interest and lack of effort in marketing by

most lending institutions. Consumer participation, however, has been high for those consumers who are familiar with secured credit cards.

These people can obtain a secured VISA card by opening a savings account with a deposit of \$400 or more. The credit limit on the VISA will equal the savings deposit. The transactions on this card will be reported to the credit bureau, building the record that is necessary for unsecured credit, but the fact that the card is secured will not be reported.

### **Profits for Distributors**

Many people are paying application fees of \$35 to \$65 to get these secured credit cards. Not only is it possible to get these cards without an application fee, but the bank's marketing agency will pay you a commission of \$15 to \$20 for each accepted application, and 98 percent of applications are accepted.

Just imagine how much you could make offering people something that everyone needs and literally can't live without in today's economy. Working part-time, you can make a lot of money filling this need.

Distributors use techniques such as "take-one" boxes in stores and approved printed media advertising. Distributors promote the secured credit card program by placing take-one displays in various retail outlets for customers as well as employees. Typical locations are check-cashing outlets, liquor stores, video stores, or most retail establishments with a heavy volume of traffic. Compensation is controlled through a coded number on each application, which identifies the distributor.

Prospective distributors have to complete an application form, giving personal and credit references. A starting fee of \$145 includes an initial supply of take-one boxes, application forms, and a marketing guide. The first 99 approved applications pay the distributor a commission of \$15 each, 100-499 pay \$17.50 each, and from 500 approved applications

onward, the distributor receives \$20 each. Commissions are paid monthly.

For information on becoming a distributor, write to National Bankcard Services, Inc., Dept. A, 680 Village Trace, Bldg. 20, Suite E, Marietta, GA 30067.

## **THE POWER OF RESIDUAL INCOME**

Have you ever fantasized about making a hit record or writing a best-selling book and then spending the rest of your life collecting fat royalty checks? Unfortunately, for 99.9 percent of us, that's a fantasy that will never come true.

Network marketing offers something just as good as royalties. It's called "residual income" and basically means that for the work you do today, you can earn money today and for many years to come.

Top corporate executives and time-clock punchers alike are leaving the 9-to-5 routine in record numbers. Home-based business is being called one of the few hot spots in today's business climate.

Despite allegations that multi-level marketing is nothing more than a lot of hype and deception, multi-level sales are expected to exceed \$100 billion this decade. If multi-level marketing is so questionable, why are thousands of men and women from all walks of life turning to network marketing as part-time or full-time work?

And why is Minneapolis businessman Irwin L. Jacobs at the vanguard of this business explosion?

Irwin says almost everyone dreams of owning his or her own business, but obstacles like lack of start-up capital, high inventory costs, or inexperience are keeping most people mired in jobs they don't like. Multi-level marketing, he says, offers a way of eliminating those obstacles. Irwin Jacobs is president of Watkins Incorporated, one of the oldest direct-marketing businesses in the nation. Of the hundreds of network marketing companies I've reviewed, Watkins stands well above the crowd in all vital areas.

### **Stability and History to Help You Profit**

Security starts with a good foundation, and Watkins has been building one successfully for 125 years. That's a track record of rock-solid stability that only a handful of companies in the world can match.

The founder, J.R. Watkins, came up with a very innovative idea in the 1870s. He decided to imprint a line into some of the bottles his products came in. Customers could use the product down to this line. If at that time they decided they weren't satisfied with the product, Watkins would provide a courteous refund. It was the first-ever money-back guarantee!

The ample financial resources of Watkins also give you security; Watkins is owned and vigorously backed by one of America's wealthiest men, multimillionaire Irwin Jacobs. Another important issue affecting your long-term security is legal soundness. Once again, Watkins is extremely solid, proven over decades.

With Watkins, the monthly income you build today is truly residual and can continue, and even grow, indefinitely. In fact, the income you create with Watkins can continue beyond your lifetime, because it can also be willed to your children or other loved ones.

One important point to consider about residual income. What good is it to create residual income, if the company is not around to collect it from? Again, this is why the proven stability and security that a company like Watkins gives you is so very, very important.

If you truly want long-term success and security, you need a stable, proven company with the resources, the integrity, and the experience to continue far into the next century. Watkins definitely delivers in these vital areas.

### **No Need to Handle Products Yourself**

You never have to handle products because Watkins takes care of all product distribution for you. They stock,



ship, and deliver every order directly to your customers and your networking associates from their 54,000-square-foot shipping facility. The size of that shipping facility gives you an idea of the kind of strength they have to back your efforts.

### **No Forced Quotas**

Most network marketing companies have forced monthly sales quotas of \$50 to \$200 (you buy the required minimum amount of products whether you want them or not). Watkins has no monthly sales quota (frankly, it doesn't need one; natural high demand for the company's products generates millions of dollars in sales every month).

### **Consumable Products for Repeat Sales**

Tupperware is a great product, but it never wears out. Mary Kay comes closer to being consumable, but it can be used by only half the population. Watkins is unique because it is something everyone can and must use—groceries are a major part of the product line, along with vitamins, spices, sauces, aspirin, cough syrup, aloe vera, shampoo, mouthwash, household cleaning products, and many, many more.

The single most important ingredient of success for a network marketing company is its product line. First, unless you want to severely limit your market base, you'll want to represent a company with products that everybody uses. Fad products or products that offer little chance for repeat business are also extremely restrictive. Again, Watkins scores extremely high in this category with its diverse line of highly consumable mass-appeal products. Watkins products are, in general, competitively priced (in fact, many actually provide a savings), and recent surveys have shown that the average American family already uses more than \$80 a month of the same products available through Watkins. That's an *enormous* market.

Today, over 350 different products display the Watkins name. That kind of diversity is extremely rare in a network marketing company and is a big plus. Another big plus and rarer

still, Watkins research and development team delivers a minimum of two new products to the market every month—each accommodating the special needs of today's society, like environmental sensitivity and sensible nutritional formulations.

For the Watkins marketer, however, clearly the most important aspect of the product line is that it features numerous products that everyone uses and consumes regularly. Hence, every person you meet is a potential lifetime customer.

### **More Than One Way to Make Money**

There are many ways to make money with Watkins. Watkins places few restrictions on how you sell the product. A few ways you may want to investigate are hosting parties, organizing fundraisers, selling in offices, and recruiting sales agents.

For example, you can combine the last two on that list. Recruit receptionists in large offices. Everybody knows the receptionists, and they will naturally share the catalog with everyone in the office.

Fund-raising is another possibility. You can sign up a church, club, or other group as a Watkins distributor itself and let them earn commissions on all orders placed by their members. Since Watkins products are items families use everyday, they can support the organization through their normal purchases. They don't have to buy some special fund-raising item during a one-time fund-raising drive.

Your customers can place their catalog orders directly with Watkins—and you still receive the commission on all of their purchases.

Everyone can build a Watkins business to fit their own needs. You can share the business opportunity with others and build your business to the size you are comfortable with while earning a good override commission on your group's sales. Or you can choose to be a sales force of one, since it is not necessary to sponsor other representatives to make good money with Watkins. But if you don't plan to sponsor anybody else, what tends to happen over time is that other people ask you how they

can be representatives too. It is nice to be able to profit from their sales instead of having them become your competitors.

Part of the beauty of this company is that the opportunity spans the entire spectrum, from those who simply want to purchase products for their own use at a wholesale price to those who want to build a multimillion-dollar business. The only limits are what you choose to place on yourself.

### **Other Benefits**

Group health and life insurance, designed especially for entrepreneurs, is available through Watkins' membership in the Direct Selling Association, after you've become a representative.

Enjoy legal tax deductions, just like the ones taken by large corporations (a home office can be especially tax advantageous, allowing you deductions for gas, electricity, phone, etc.).

Every year Watkins offers you the opportunity to earn an exciting all-expense-paid trip as a bonus.

For more information on Watkins, send \$3 with your name, address, and telephone number to Doug Slaton, 15311 E. 15th Ave., #B, Veradale, WA 99037. The package you'll receive will contain various brochures, the business plan presentation, the Watkins mainline catalog, a sign-up application, a chicken soup sample, a coupon for a free copy of Watkins' *Reach for Tomorrow* video, and a \$1 off coupon for a Watkins order of \$10 or more. Doug Slaton is a full-time Watkins marketing director.

### **COOKING FOR FAST PROFITS**

Anyplace where there is a crowd, there is money to be made from food: state fairs, hobby and craft shows, street carnivals, schools, clubs, fund-raisers.

The trick is keeping to one or two basic items and some beverages. With a large crowd, you don't have time to service a full menu or cook from scratch, and people don't want microwave sandwiches. So how do you do it?

There is a little-known Instant Burger fast-food system that can cook more than 200 burgers and sandwiches in an hour. Using direct energy transfer, this is the fastest burger-cooking innovation since the hamburger was created. In simple terms, it means the energy is transferred directly through the meat. The cooking process takes place inside the meat, instead of the heat penetrating from the outside as it does with conventional grills, griddles, and ovens. This way the fat is cooked out and the natural juices stay in. This produces a delicious, juicy, healthy hamburger.

The same equipment can be used to cook two burgers in 25 seconds, four hot dogs in 25 seconds, two sausage patties in 25 seconds, or two chicken fillets in 25 seconds. It cooks automatically, so no cooking skills are needed. And it has no hoods or venting, so you can set up in temporary locations, like stadium concession stands, church parking lots, or anywhere there is a crowd. It does require electricity, but if you have a chance to serve a large outdoor event, it could pay to rent a small generator for the day.

Usually this type of equipment is available only to restaurants through a few specialized restaurant equipment companies, but there is a dealer who will ship UPS anywhere. For \$5 they will send a complete information package on profiting with the Instant Burger system and on barbecue machines and chili seasoning mixes. Order the information package from H & M Marketing Co., Attn: Fast Food Department, P.O. Box 2255, Sapulpa, OK 74066.

### **LEGAL PLANS CAN PROTECT YOUR FAMILY— AND YOU CAN PROFIT BY SELLING THEM**

How many times have you received shoddy merchandise or shoddy service for good money? How many times has someone bumped into your car, causing a few hundred dollars damage? How many times has someone tried to take advantage of you, and you were unable to do anything about it, because legal action, or even getting legal advice, would have been too expensive?



This is not a problem for rich people, who can call a lawyer whenever they want to. It is not even a problem for many poor people, who can get legal aid. It is a problem for average, hard-working, middle-income Americans.

But there is a solution: legal protection plans.

As simple and as necessary as they are, legal protection plans have not become available in the United States until quite recently. Legal protection plans were introduced in Europe about 70 years ago and over the years have become very common and popular there.

### **The Need for Legal Plans**

Statistics indicate the average American faces a greater risk of being in court than in the hospital. Annually, millions of lawsuits are filed in the United States, and more than one-third of the population experiences problems with legal ramifications. Unfortunately, most consumers in the greatest need of legal services do not seek help because they do not know how to select competent legal counsel and fear the cost of that counsel.

Pre-Paid Legal Services, Inc., formed in 1972, pioneered the legal plan in the United States. Their products are to attorney fees what prepaid medical plans are to doctor and hospital bills. The plans are designed to help middle-income Americans get quality legal assistance without having to first make a financial sacrifice. The company offers plans that make services available through a national network of independent attorneys under contract with the company. In most states services include unlimited telephone consultations, legal correspondence on your behalf, will preparation and maintenance, legal document review (to protect you before you sign), motor vehicle violation defense, vehicle damage recovery, trial defense in civil actions, and IRS audit protection. Depending on the state and the coverage selected, costs are in the range of \$9.95 to \$25 per month.

### **A Major Public Company**

Pre-Paid Legal Services, Inc. (PPLS) is a public company

with its stock listed on the American Stock Exchange. It has enrolled more than 750,000 consumers. In addition to individual clients, the company has group plans that can be offered by employers as well as considerable experience serving the needs of health care facilities; law-enforcement associations; firefighters; city, county, and state governments; banking institutions; school systems; and retailers.

### **The Business Opportunity**

The opportunity to buy a legal plan would be useful information, but there is also an opportunity to make money marketing the plans. For a one-time fee of \$49, you can become an independent sales associate of PPLS, Inc. Excellent commissions are paid weekly, and you can earn overrides on the sales of associates you recruit. The amount of money you can make depends solely on you. You are also paid renewal commissions. You own the business, and you can even will the renewal income to your children.

### **How to Get Started**

For more information, send \$3 for the PPLS Information Package to Choyo Gomez, P.O. Box 1160, Pomona, CA 91766. Be sure to let him know if you just want information on buying a plan or if you also want information on becoming an associate.

# Maintaining a Professional Image



When you are running a small business, especially from your home, it is extremely important to maintain a professional image. The two principal outside projections of your business image are how the telephone is answered and what your printing looks like.

## **A PHONE FOR YOUR HOME BUSINESS FOR ONLY \$5 A MONTH**

If you are running a business from home, or even a limited business activity like multi-level sales but are not ready for a separate business telephone line, there is a service now available from most telephone companies that can make your life much easier, as well as save you money. The generic term is distinctive number ringing, and the different local telephone companies have different trademarks for

it: IdentaRing, IndentaCall, Distinct-A-Ring, etc. What the service does is give you two (and with some phone companies even three) separate telephone numbers, but still only one telephone line.

The second number rings with a distinct tone, usually two short rings. (If you have a third number there is still another tone, usually a long-short mixture.) Since no extra wiring to your home is needed, the monthly cost is very low—around \$5 per additional number in most areas. Many families are using these to set up a separate children's number; two rings tells the children to answer it, and the adults can avoid interruptions to take kids' calls. In turn, a business caller doesn't deal with a kid answering and gets a professional response instead of a small child saying he'll go get Mommy.

Many entrepreneurs are finding the service useful for business. They give out the distinctive number for business use and answer it either with a business name or at least with a more professional response than "hello" or "yeah." You might find this an inexpensive solution to your business phone needs. Also it is possible to buy mechanical devices that detect the different ring patterns, so that the business line goes to the answering machine if you're out and the fax number is routed to the fax machine. But do keep in mind that you still have only one line, so any telephone activity will block all numbers.

### **Presenting a Businesslike Image in Print**

Cards, letterheads, and business forms from the local discount office supplies store are not of terrific quality, but most people figure they are acceptable only because they think they can't afford anything else. But you want top quality printing to give your home business the proper image, and one of the most inexpensive ways to get it is from one of the national mail-order companies that specializes in this type of work. They buy the best grades of paper in huge quantities and can provide a variety of choices of paper types, colors, and typesetting, while still maintaining good prices. This gets you the same quality of



paper, typesetting, and ink used by giant corporations. Your printed material is crucial as an image builder.

Some entrepreneurs are reluctant to order printing by mail, thinking that the local print shop will do the job faster. Usually what happens is that the local print shop is actually slower, and the quality cannot begin to compete with what the giant corporations provide.

There are some mail-order printers who are terribly slow (but they are usually the ones with poor quality too). I've done a little checking around and found a national catalog house, New England Business Service (NEBS), that ships most orders within two days of receiving them (although it only promises to do so in six days). It's nice to find somebody who can deliver the best quality faster than it promises. For a variety of printing, most people would be better off ordering by mail and letting their new business have a proper image from the start.

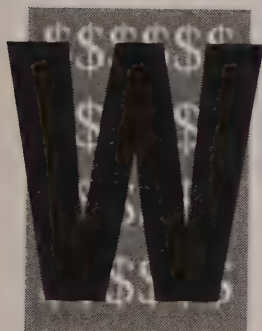
NEBS also does check printing, and a variety of formats are available. Instead of just accepting the limited choices your bank offers, you can choose or design a check that meets your exact needs: special boxes, carbon copies, a layout that fits the one-write bookkeeping system or the computer program you are using—whatever you want.

NEBS has several different free catalogs. Ask for the business forms, checks & supplies catalog; the computer forms & software catalog; the retail supplies catalog (signs, tags, gift certificates); and/or the contractor's catalog. Just write to NEBS, Mailcode 18704, 500 Main Street, Groton, MA 01471.

NEBS has more than 2,000 employees and is a public company with its stock is traded on NASDAQ. Founded more than 40 years ago, NEBS served 1.2 million small businesses throughout the United States, Canada, and Great Britain in 1993, providing them with the printed business products they use every day.



# Profiting at Government Auctions



ould you like to buy a low-mileage Porsche for less than \$14,000? A Lincoln Continental for under \$1,000? How about a VCR or a fax machine for \$20? Such fantastic deals are available to savvy shoppers who know where the best sales really take place at government auctions.

Government, you probably know, dwarfs every other industry in the United States. The federal government alone has an operating budget of well over \$1 trillion per year. (One trillion, hard as it is to comprehend, is a thousand times 1 billion; 1 billion is a thousand times 1 million.) Each state and local government handles even more millions. New York City has an annual budget of approximately \$30 billion, more than the total output of most nations.

With all that money floating around,

opportunities are bound to arise. Governments buy things by mistake, for example, and they have to dispose of them. Not-so-old supplies and equipment have to be sold to make room for newer, more expensive models. (Heaven help the bureaucrat who doesn't spend his or her annual budget allotment.) As crime increases, so does the inventory of seized property; the same is true for assets seized in lieu of back taxes or unpaid debts.

As governments at all levels amass unwanted goods, there's a constant need to get rid of them. Moreover, bureaucrats aren't merchants with a constant eye on the bottom line. Often there's no incentive to get top dollar when unloading excess property. Instead, government employees merely want to get the stuff out of the way as soon as possible, as easily as possible.

The merchandise is sold through government auctions. If you're patient and diligent, you can buy an incredible assortment of goods at bargain prices. There are two ways to cash in on such opportunities: you can use the goods yourself, or you can resell them, reaping huge profits and creating a successful business for your spare time.

## **HIDDEN TREASURES**

Why are bargains so plentiful at these auctions? For one reason, government auctions are largely unknown to the public. Most shoppers hunt through the display ads announcing department-store sales rather than through the classified ads for auctions. Therefore, competition among the few buyers who do show up is often rather lackluster.

For another reason, the market value of many items—including luxury yachts, jewelry, fashions, and art objects—is often not obvious to the casual bidder. So investors who take the trouble to do a little preliminary research on the items up for auction can sometimes pick up very valuable merchandise for just pennies on the dollar.

To get an idea of how many opportunities there are,



pick up your local phone book. In major metro areas, there are pages of listings just for the U.S. government—Customs Service, Housing and Urban Development, Farmers Home Administration, Veterans Administration, and on and on. City and state governments, too, have their own agencies, such as police and sheriff's offices. A surprising number of these government agencies seize property—preferably someone else's. Perhaps they made a loan that went into default, so the collateral was attached. Perhaps property was taken to pay off tax obligations, or law-enforcement agencies seized it in connection with crime-prevention efforts.

Each of these scenarios is likely to result in an auction. To locate auctions, pick up a copy of your local newspaper, in which you might see property for sale, often in the "Legal Notices" section of the classified ads. Weekends are a particularly good time to look. Mid-summer is supposed to be a slow time of the year, but a look through the *New York Times* in July revealed nearly two pages of auction sales, including the following:

- Contents of six bank branches, by order of the Resolution Trust Corporation (RTC, the government corporation handling the S&L bailout).
- Furniture, wall units, glass-top dinette set, gold and silver jewelry, etc., by order of Queens County Public Administrator.
- A one-family house with four bedrooms, two full bathrooms, eat-in kitchen, and a detached one-car garage, by order of the U.S. Bankruptcy Court, Eastern District of New York.
- Autos, trucks, and vans by order of the New York City Department of Transportation (minimum bid \$50).
- Jewelry, watches, coins, cars, and a 27-foot boat and trailer by order of U.S. Marshals.
- A four-bedroom, two-bathroom house on Long Island

with a covered patio and thermopane windows by order of the U.S. Customs Service.

That's what was available in one newspaper in one city at a slow time of the year. Almost anything you might want to buy is available, far below retail price, if you know where to look. That's what you'll learn from this chapter.

## **DUTY-FREE SHOPPING**

Some of the best auction buys can be found in property that has been seized by a government agency. As you might suspect, the U.S. Customs Service is a major source of such property. Whenever a traveler coming into the United States can't or won't pay customs duties, the merchandise is impounded. That also happens when goods are shipped but the duties aren't paid. The customs service has a steady supply of jewelry, watches, clocks, liquor, electronics, clothing, and perfume among other goods to auction.

Moreover, when drugs or other illegal goods are seized while being smuggled into the U.S., the vehicles used to transport them are seized as well. So customs often has fast cars, boats, and planes to auction. The Houston Customs District alone seizes 15 to 20 boats and 60 to 80 airplanes each month.

From time to time, this inventory is auctioned off. For example, the customs service recently announced a "Short Notice Auction" of Oriental and Persian hand-knotted carpets and rugs. On another occasion, 19 Rolex watches went on the block. Real estate has ranged from marinas to country mansions. Lovers of tropical birds may be able to legally acquire rare specimens that have been confiscated as illegal imports.

At one California sale, the U.S. Customs Service auctioned off an airplane. Buying interest was sparse and uninformed, so a shrewd customer nabbed it for \$15,000. As it turned out, the

plane was worth well over \$100,000. The buyer sold it easily for \$90,000, still well under market value, and pocketed the \$75,000 profit.

If you buy assets that were originally bought with drug money, there's another advantage. Such items generally have been paid for in cash, so there are often no existing mortgages or liens on the property.

A private company, EG&G Dynatrend, conducts public sales of seized property and abandoned merchandise for the U.S. Customs Service. According to the company, auctions are conducted approximately every nine weeks in Los Angeles; Jersey City, New Jersey; Nogales, Arizona; Miami; El Paso, Texas; Edinburg, Texas; and Laredo, Texas.

In addition, sales are held approximately every four weeks in Yuma, Arizona, and Chula Vista, California, as well as in other locations as the volume of property warrants.

These sales fall into the following six categories:

- 1) **Cyclic sale.** These are public auctions, held regularly.
- 2) **Specialty sale.** These sales are held irregularly, whenever the volume, value, or the unique nature of seized items requires a sale.
- 3) **"Quick" sale.** Here, merchandise is sold through negotiation or via the best offer. Typically, these sales are held to rapidly move perishable items or large amounts of low-value merchandise.
- 4) **Sealed-bid sale.** Written bids are submitted to a specified place by a certain day and time, usually for merchandise that can't feasibly be sold otherwise. The sales flyers list the terms of sale and instructions for submitting sealed bids.
- 5) **Consignment sale.** When it is not cost-effective to transport seized property to an EG&G Dynatrend sales center, the merchandise is consigned to a local auction house.
- 6) **Open-bid sale.** If seized property does not merit reloca-

tion to a sale center because of quantity, location, or value, bidders may write their offers on publicly posted bid forms.

### **Information, Please**

Information on these sales is also available through a subscription service. Flyers are mailed about three weeks prior to a sale. Each flyer lists the following:

- Sale location and date
- Viewing, inspection, and registration times
- General description of the merchandise
- Terms of sale

For larger sales, abbreviated catalogs are mailed.

How do you subscribe to this service? Write EG&G Dynatrend, U.S. Customs Service Support Division, 2300 Clarendon Blvd., Suite 705, Arlington, VA 22201 and ask for a descriptive booklet titled *Public Auctions*. Complete the application in this booklet and return it to EG&G Dynatrend, along with a check or money order. After six to eight weeks, your subscription flyers will begin arriving.

Subscriptions are yearlong, and payment is nonrefundable. You have the following three options when you subscribe:

- 1) Nationwide, covering all sales in the continental United States, Alaska, and Puerto Rico. Cost: \$50.
- 2) Eastern Region, covering all sales east of the Mississippi River, including Puerto Rico. Cost: \$25.
- 3) Western Region, covering all sales west of the Mississippi River, including Alaska. Cost: \$25.

Add \$10 to each option for foreign delivery.

Another way to find out about U.S. Customs Service auctions is to dial the 24-hour public auction line (PAL), which provides a recorded telephone message explaining upcoming



sales. When you call, you'll get information about sale dates, locations, viewing times, and descriptions of some of the items for sale.

410-962-2444 280-273-2865

To reach PAL, dial (703) 351-7887. If you have a touch-tone phone, you can make the following selections by pressing:

- 1 to subscribe to a flyer service
- 2 for general information
- 3 for specific listings: Eastern region
- 4 for specific listings: Central region
- 5 for specific listings: Western region
- 6 for real estate sales
- 7 to leave a message

In addition to the subscription service and the PAL, you can find out about customs auctions by looking for ads in local newspapers and industry magazines. Upcoming sales are usually advertised for three consecutive weeks prior to the sale date. In addition, notices of upcoming sales are posted in the customs service office nearest the sale location.

### **Signing Up**

If you want to participate in a customs auction, you must register at the sale site. A bidder-registration form, located at each sale registration area, must be filled out and submitted to obtain a bidder number and sales catalog. Once you have a bidder number, you're authorized to bid on any item up for sale. You are responsible for any bids you make.

Once you have a sales catalog, be sure to read the terms of sale. They provide specific information about acceptable payment methods, removal dates, inspections, etc.

### **Look Before You Leap**

Each Customs Service auction's viewing time is listed on the flyers, on the PAL, and in ads. At these viewings you can inspect the merchandise or representative sample.

Naturally, you shouldn't bid unless you have inspected the merchandise first. Even if a flyer or catalog describes the items, all weights, measurements, and other attributes are only approximations. You have to see for yourself. Items for sale range from "new" to "salvage," and no merchandise is covered by warranties or guarantees. All items are sold "as is."

Viewing times may not be on the day of the sale. You may have to make another trip beforehand to inspect merchandise.

You should verify that the description of an item matches the actual merchandise. If there is any confusion about lot numbers, check with sales personnel prior to the start of the auction. The Customs Service reserves the right to pull any merchandise at any time prior to the sale.

Some merchandise will be identified as "export only." Such items can't be registered, used, or sold in the United States. You should bid on such merchandise only if you intend to resell it in foreign markets. EG&G Dynatrend, however, does not provide a list of licensing and federal permit requirements for export merchandise. All countries have their own regulations, so they may not allow these goods for entry. You should hire a customs broker or bonded carrier before bidding on "export only" merchandise.

### **Bidding Basics**

In a typical Customs Service auction, bids are open and prices are called out by the auctioneer. They're "progressive," meaning that each bid must top the previous one. Merchandise is identified and sold by lot number; if you bid, you bid on the entire lot. Usually, the lots are sold in the same sequence listed in the sales catalog.

When the auction starts, bidding begins immediately. The auctioneer will announce each lot as it comes up for sale. "Errata" sheets indicating any changes will have been inserted in the sales catalog. Announcements may be made to clarify export status, catalog description, or other information about a lot. These announcements don't alter the basic terms of sale.

To bid, raise your bidder number. Pay close attention to what's going on because the auction process moves very quickly. After making a successful bid, you're obligated to purchase that particular lot. After the bidding is over, proceed to the cashier, where you can pay and receive a "notice of award," a receipt that is needed to pick up your merchandise.

### **Money Matters**

At Customs Service auctions, you can pay for merchandise in U.S. funds with cash or cashier's checks. In some cases, Visa and MasterCard are accepted; check the terms of sale in the flyer or the catalog.

Cashier's checks should be made payable to U.S. Customs Service/EG&G Dynatrend. Alternatively, you can make the cashier's check payable to yourself. If your bid wins, you can sign the check over to EG&G Dynatrend. Note: at Customs Service auctions, personal checks, business checks, or bank letters of credit are not accepted.

What if your cashier's check is not made out for the exact amount of your purchase? Normally, it's not possible to get change for more than 10 percent of a cashier's check, so you should probably bring several small cashier's checks rather than one large one.

Unless you have a tax-exempt or resale number, you're responsible for paying any applicable state sales taxes on top of your winning bid. You may be required to pay these taxes to the cashier at the time of sale or to tax officials after the purchase is made. If sales taxes are required, you'll have to present proof of tax payment before the merchandise can be released.

### **You Can Take It with You**

After you've paid for your merchandise, EG&G Dynatrend will provide you with a "notice of award" form, which you can present to the storage vendor and take possession of what you've bought. Removal of merchandise stored with commer-

cial vendors is by appointment and must be completed by the dates specified in the terms of sale. If not, you may be able to make arrangements to continue storage, at your expense.

When you take your merchandise, you and the vendor must sign the property release on the notice of award and submit it to EG&G Dynatrend as proof of delivery or a storage arrangement. In all cases, merchandise must be paid for in full before removal. In most cases, title documents for vehicles, vessels, or aircraft will be provided immediately after payment.

What if you buy export-only property? It usually needs to be removed from the U.S. within 30 days after the sale, although for some merchandise you will be allowed 60 days. Check the terms of sale for specific dates.

If you don't make the required payment, or if you don't remove merchandise in the amount of time specified, you'll lose all rights to the items you've bought. The federal government will repossess the merchandise, and any money you have paid will be forfeited.

### **MAKING SURE CRIME DOESN'T PAY**

Other federal agencies also seize property, which is later sold at auction. The U.S. Marshals Service, a branch of the U.S. Department of Justice, sells property seized by the FBI and the Drug Enforcement Administration, including legitimate businesses run by illegitimate business people.

Recently, for example, the FBI ran ads detailing "properties seized for various federal forfeiture violations" of the Controlled Substances Act, the Anti-Drug Abuse Act, the Motor Vehicle Theft Law Enforcement Act, etc. Many of the items listed were various sums of U.S. currency, but there were also the following:

- Central California: 1991 Oldsmobile Custom Cruiser, 1990 Jeep Cherokee, 1991 Harley Davidson FXSTS motorcycle



- Eastern California: Sony video camera, Sony color television
- Southern Florida: 1978 Number One Hull fishing vessel
- Northern Illinois: Ameritech Motorola cellular telephone
- Southern Illinois: Laser Brand stand-alone personal computer with CPU, monitor, printer, keyboard, mouse, and power cards
- Southern New York: Eight video cameras, two fax machines, and one VCR

And so on, from Massachusetts to Hawaii. The purpose of the ad was to serve notice to the rightful owners, who can contest the seizures if they file a claim of ownership and a cash bond. Practically speaking, though, many of these owners have other things on their minds; properties seized by the FBI usually won't be claimed.

Then what? The FBI doesn't want to store and maintain cars, boats, motorcycles, cellular phones, etc. Most of this property will be auctioned off, probably in a U.S. Marshal's sale.

Careful readers of newspapers throughout the East Coast could recently have spotted a small ad under the heading "U.S. Marshal Auction." At the Doubletree Hotel near Arlington, Virginia, \$3 million worth of jewelry, watches, and coins was auctioned off. If you'd like to find out about the next such sale, call (800) 222-9885.

In the same newspaper editions, the U.S. Marshal of the Southern and Eastern Districts of New York announced a public auction of more than 50 "valuable drug-seized cars," including a Corvette, an Alpha Romeo, and a "completely customized Benz 500 SEL." If you'd like to get on the mailing list there, call (718) 845-2004.

There's no national mailing list; however, marshal's sales are held at dozens of district offices, with each office running its own program. To find out about marshal's sales

in your area, check the classified ads in your local newspaper. Also, ads frequently appear in the Wednesday edition of *USA Today*.

As you might expect, terms of sale vary greatly. Carefully check the procedures for each sale you attend.

### **THE TAXMAN SELLETH**

The customs service and the marshal's service aren't the only agencies selling seized property. The IRS also confiscates property, not necessarily from drug dealers, but from any taxpayer who can't pay his or her tax bill in full.

The IRS is known as an agency willing to sell merchandise cheaply. Say you owe \$10,000 in taxes, and the IRS seizes your two cars. If the cars sell for \$4,000 total, you still owe \$6,000. The IRS is going to collect somehow, someday. In the meantime, it wants to sell off seized merchandise quickly, often taking whatever bids are offered.

Recently, a young couple went to an IRS auction. A retailer that had specialized in baby furniture went out of business and owed the IRS money, so the tax collectors auctioned off the property. This couple, who had just had a second child, bought baby clothes, a musical lamp, and a rocking chair for \$161. That was a savings of more than 50 percent, the couple reported, based on what they had paid for similar items for their first child.

In another district, the IRS held a public auction of property seized from a printer. Property to be auctioned included printing equipment, presses, cameras, typesetting equipment, cutters, and platemakers. Not the types of things everybody can use, but possibly very useful if you're in a related business.

Another recent IRS auction involved an attempt to recover taxes owed by a married couple. The property: a platinum art deco piece studded with 40 diamonds, to be sold via sealed bids. As you can see, the IRS will go to great

lengths to collect what it considers its due, so be alert for items that appeal to you.

In a typical IRS auction, viewing time is limited to the hour before the sale begins. All merchandise is sold "as is"—normal for government auctions—with payment by cash, check, money order, cashier's check, or treasurer's check required immediately.

The IRS sells a lot of real estate on reasonable terms—20 percent down, 30 days to come up with the rest—but frequently there are questions about title to the property, so check carefully. In fact, the notice for the printing equipment sale mentioned the possibility of mortgages, encumbrances, and other liens.

To get on the IRS mailing list, call (800) 829-1040 or local hotlines at the following numbers:

(718) 780-4020	New York
(213) 894-5777	Los Angeles
(916) 978-5520	Sacramento
(415) 556-5021	San Francisco
(206) 553-0703	Seattle

You can also contact your local IRS office. If you have a problem getting the information you need, ask for the collections division and request notices of public or sealed-bid auctions. Announcements are made on IRS Form 2434.

### **STRESSING DISTRESS SALES**

Government agencies and lenders often auction properties that have been owned by individuals or businesses in financial distress. The property is sold to raise cash and satisfy creditors. As you'd expect, sellers in such situations are usually in no position to bargain, so buyers can frequently find good deals.

For example, there are more than 1 million individuals and companies declaring bankruptcy in the United States each

year. When you're bankrupt, you owe more than you can pay. Often, bankrupts have to sell their possessions to pay off their debts in whole or in part.

The U.S. Trustee program coordinates efforts by various bankruptcy trustees to make collections, often via public auctions. Unfortunately, there are no mailing lists for these auctions. Your best source is classified ads in your local newspaper. Or you can ask local auctioneers to notify you when they're going to handle a bankruptcy sale.

Government auctions can be a boon to businesses as well as to consumers. You might, for example, buy low-cost company cars, trucks, and vans. Sometimes you can find odd pieces of equipment that are not readily available through traditional marketing channels. If you're a business owner looking for equipment you can use in your business, don't neglect bankruptcy auctions as a source for furniture, fixtures, and office machinery. Business items are often auctioned after a bankruptcy or a loan default in which a bank or other lender takes possession of property pledged as collateral.

Following are some brief descriptions of recent bankruptcy auctions:

- The U.S. Bankruptcy Court, administering the liquidation of Russ Togs, Inc., served notice of an auction of 280,000 garments under the Russ, Crazy Horse, and Manhattan brand names.
- The Federal Deposit Insurance Corporation (the FDIC, which insures bank accounts) and the Resolution Trust Corporation advertised a "public liquidation" of desks, lateral files, vertical files, swivel chairs and armchairs, copiers, plus "3000 other items, from bulletproof glass to household furnishings."
- In 1992, Alexander's, which had been a major department store chain for decades, went bankrupt. The U.S. Bankruptcy Court ordered a total liquidation, so a public



auction of the store fixtures, furniture, phone systems, etc., was held in eight stores.

- On a smaller scale, Mamie's Bakery in West Islip, New York, went into bankruptcy, too. The U.S. Bankruptcy Court ordered a bankruptcy auction, putting merchandise such as baking ovens, butcher block tables, and walk-in freezers up for sale.
- Recently, the *New York Times* ran an ad announcing an auction designed to prevent foreclosure on A.W.B. & Partners, a major fine-art company. The auction, held at a Sheraton Hotel in Smithtown, Long Island, included emerald- and diamond-studded bracelets and works of art by Chagall and Dali. If you were willing to play in that league, the auctioneer was willing to accept credit cards, charging you a 10-percent buyer's premium.

Some auction notices merely state that a secured creditor is selling items, obviously collateral pledged to back a loan that subsequently went into default. Especially in these troubled economic times, you can expect frequent ads for auctions of office equipment, machinery, furniture, fixtures, etc., which might be useful if you operate a business.

If a retailer goes out of business, you'll likely see ads for secured creditors (manufacturers and wholesalers) who want to sell new furniture, such as bedroom sets and dining room sets. Recently, a bank in New Haven offered 2,000 Oriental rugs it had repossessed.

You can find out about such auctions in your local newspaper. As always, attend the preview to inspect the merchandise and read the terms of sale. If you're thinking about buying machinery, be certain that it works.

### **Great Buys in Small Packages**

Yet another federal agency auctioning property from distressed borrowers is the Small Business Administration. The SBA guarantees bank loans to small companies; the compa-

nies (and often the companies' owners) pledge assets as collateral for the loans.

If all goes well, the businesses will generate enough cash to repay the loans. But usually not all goes well, especially with start-up businesses. If the business doesn't perform well, the collateral will be seized and sold to facilitate repayment.

Who sells the property? Sometimes the bank, sometimes the SBA. Call your local SBA office to ask about future auctions. Also, ask which auctioneers the SBA uses and which banks are certified or preferred lending institutions. Then, contact those auctioneers and banks to ask about SBA auctions.

You need to be careful, though. In one recent instance, the SBA offered a home in a mountain resort community "as is." Although the home needed a new well and a new septic system, this wasn't revealed. According to local gossip, the auctioneer used the threat of a lawsuit to silence a neighbor who knew about the defects. So check carefully before bidding.

## **MAILCALL**

In addition to seized and forfeited property, governments may auction off abandoned goods. For example, the U.S. Postal Service holds auctions from time to time. Typically, the items sold are packages that are not delivered for one reason or another. These are consolidated in the following five regional centers of the U.S. Postal Service:

Atlanta	730 Great S.W. Pkwy. Atlanta, GA 30336
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New York	380 West 33rd St. New York, NY 10199
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Philadelphia	2970 Market St. Room 531-A Philadelphia, PA 19104-9886
San Francisco	390 Main St. San Francisco, CA 94105-9502
St. Paul	443 Fillmore St. St. Paul, MN 55107

You might find that items for sale may be viewed at 8 A.M. on the day of the auction, with the official bidding beginning at 10 A.M. A catalog describing specific lots for sale and additional instructions typically will be available on the day of the auction. Most of the items are merchandise you'd find in a department store, the kinds of things people send as gifts: books, clothing, etc. Often, the items are grouped into large lots, or "tubs," which you bid for as a package.

In order to bid, you must have a numbered paddle issued by postal personnel at the auction. When the bidding starts, all interested buyers raise their paddles. As the auctioneer increases the price, buyers who lose interest drop their paddles. The last raised paddle is the winner. All items are sold "as is" and must be paid for in cash or cashier's, certified, or traveler's checks. If you submit the high bid, you're responsible for supplying containers and transportation necessary to remove your purchases from the premises by 4 P.M. on the day of the sale.

Most post offices auction used vehicles, too, especially jeeps and vans. Call your local post office and ask when the sale will take place.

### **TOO MUCH OF A GOOD THING**

The federal government spends billions of dollars each year on equipment and supplies. To make room for new purchases, old property is labeled "surplus" and sold to the public at cut-

rate prices. The General Services Administration (GSA) and the Department of Defense, the two major purveyors of surplus property, dispose of more than \$120 million worth of merchandise each year.

These surplus sales allow individuals and businesses to buy items the federal government no longer needs. Among the types of surplus property the government sells:

- Autos
- Trucks
- Hardware
- Plumbing and heating equipment
- Paper products
- Furniture
- Medical items
- Textiles
- Industrial equipment
- Typewriters and other office equipment, such as calculators, word processors, printers, desks, shelving, envelope openers, and cash registers

If you're interested in autos, GSA sells large numbers of four-door sedans, primarily Chrysler K cars, Chevrolet Celebrities, and Ford Tempos. Usually, these cars are between 3 and 4 years old, with anywhere from 30,000 to 70,000 miles. Depending on model, mileage, and condition, these cars will sell for \$3,000 to \$5,000, with no warranty. Most auto auctions are held between March and November.

Recently, a young couple in the Midwest wanted to buy a secondhand car, so they went to a GSA auction in Detroit. They bought a 3-year-old Ford Tempo with air conditioning, power-steering, power brakes, and air bag. The cost: only \$3,000. If you've been shopping for a car recently, you know how hard it is to find anything decent for that price. Yet this car had well under 50,000 miles on it.

One car dealer commented that such a car would have sold



for around \$4,500 at a used car lot. In fact, the young couple sold the car shortly thereafter for \$3,600, a 20-percent profit.

Of course, buying a car at a government auction is not fool-proof. At that same Detroit GSA auction, another couple bought a similar car for \$3,400. A good deal? Hardly. The car needed \$400 in transmission repairs and quickly became an albatross. If you don't know what you're buying, you'll get burned.

The condition of GSA surplus property varies widely. Although some defects are noted, sale items may have other flaws. Don't bid without making a close inspection beforehand.

### **Three for the Money**

Surplus property from all U.S. civilian agencies is sold by the GSA. Items are sold to the public via the following three sales methods:

- **Sealed bids.** An "invitation for bids" (IFB) and bidding form are provided to prospective buyers. Each IFB describes the property offered for sale, lists special conditions applicable to the sale, indicates when and where the property may be inspected, and specifies when and where bids must be submitted. Then the sealed bids are opened with awards made to the highest bidders. The sales office notifies successful bidders as soon as possible.
- **Auction.** This is the traditional sales method, in which prospective buyers are given a description of the property and bidding instructions. At the auction, the auctioneer presents each item and sells it to the highest bidder.
- **Spot bid.** This is the same as the auction method, except that bids are written instead of called out.

In all three types of sales, special conditions and restrictions may apply. Before you bid, study sales invitations or catalogs carefully to make sure you understand the terms of sale. Often, if none of the bids represents what GSA considers a fair price, a sale won't be made; instead, the property will be offered again at a later date.

If you make the high bid, you have to pay in full before you can remove any item. Acceptable forms of payment include cash, money orders, traveler's checks, cashier's checks, personal checks accompanied by informal bank letters guaranteeing payment, credit union checks, and government checks. At many sales, Visa and MasterCard are accepted as well.

By an "informal bank letter" the GSA means a letter written on your bank's letterhead saying that the bank will guarantee your checks made out to the GSA. The guarantee must specify a maximum amount, be valid for at least 30 days after the sale date, and be limited to the purchase of U.S. government property. A bank executive must sign the guarantee.

### **Spreading the Word**

Information about GSA sales can be found in radio, TV, or newspaper ads, as well as posted in town halls and other public buildings. Information is also published in the official government newspaper, *Commerce Business Daily*, to which you can subscribe by writing to the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Information is also available from the 11 GSA regional Federal Supply Service Bureaus across the country. Send inquiries to Surplus Sales, Federal Supply Service Bureau, GSA, at the appropriate one of the following locations:

#### **National Capital Region**

(Washington, D.C., metro area and nearby Maryland and Virginia)  
6508 Lousdale Road, Bldg. A  
Franconia, VA 22150

#### **Region I**

(Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont)  
101 Causeway St., 9th Floor  
Boston, MA 02222-1076

**Region 2**

(New Jersey, New York, Puerto Rico, Virgin Islands)  
 26 Federal Plaza  
 New York, NY 10278

**Region 3**

(Delaware, Maryland, and Virginia [except Washington metro], Pennsylvania, West Virginia)  
 Ninth and Market Streets  
 Philadelphia, PA 19107

**Region 4**

(Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee)  
 75 Spring St. S.W.  
 Atlanta, GA 30303

**Region 5**

(Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin)  
 230 S. Dearborn St.  
 Chicago, IL 60604

**Region 6**

(Iowa, Kansas, Missouri, Nebraska)  
 4400 College Blvd.  
 Overland Park, KS 66211

**Region 7**

(Arkansas, Louisiana, New Mexico, Oklahoma, Texas)  
 819 Taylor St.  
 Ft. Worth, TX 76102

**Region 8**

(Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming)  
 Bldg. 41, Denver Federal Center

P.O. Box 25506  
Denver, CO 80225-0506

### **Region 9**

(Arizona, California, Commonwealth of the Northern Mariana Islands, Guam, Hawaii, Nevada)

525 Market St.  
San Francisco, CA 94105

### **Region 10**

(Alaska, Idaho, Oregon, and Washington)

GSA Center  
Auburn, WA 98002

## **THE BEST-KEPT MILITARY SECRET**

Just as GSA auctions surplus property for civilian government agencies, the Department of Defense (DOD) sells surplus army, air force, navy, and marine property. From the DOD you might buy needed bearings, chemicals, chains, cables, alarm systems, aircraft parts, hand tools, air conditioners, cleaning supplies, computer equipment, prefabricated structures, textiles, electric wire, and woodworking gear.

The DOD has a reputation for selling merchandise at extremely low prices—beat-up cars for \$200 or less, for example. Occasionally, the military screws up and purchases items in the wrong size or the wrong color. This brand-new merchandise may be auctioned off for a fraction of the going rate.

For information, write to the Department of Defense, Defense Reutilization and Marketing Service, P.O. Box 1370, Battle Creek, MI 49016-1370. Another good place to begin is with the Surplus Property Bidders Application. To get an application, call or write the National Sales Office, P.O. Box 5275 DDRC, 2163 Airways Blvd., Memphis TN 38114-5210.



You'll learn how to get on the national auction mailing list and receive auction catalogs, generally for larger sealed-bid auctions.

The next step is to contact the regional sales offices:

926 Taylor Station Road  
Blacklick, OH 43215-9615

2163 Airways Blvd.  
Memphis, TN 38114-5052

Defense Depot Ogden  
Bldg. 2A-1  
500 W. 12th St.  
Ogden, UT 84407-5001

Bldg. 12  
Camp H.M. Smith, HI 96861-5010

These regional offices hold public auctions, and so do more than 100 local marketing offices around the United States, often at military bases. The regional office nearest you can provide addresses and phone numbers of local offices.

In a typical DOD auction, previews are held for a full day, three days before the actual sale. If you place a winning bid, you generally have five days to pay in full with cash or a cashier's check. The defense department will accept money wired directly from your bank.

In addition to auctions of surplus property, the DOD will frequently sell merchandise from a contractor's leftover inventory. For information, write to the Commander, Defense Contract Administration Services Region, at any of the following addresses:

495 Summer St.  
Boston, MA 02210-2184

201 Varick St.  
New York, NY 10014-4811

2800 South 20th St.  
Philadelphia, PA 19101-7478

805 Walker St.  
Marietta, GA 30060-2789

Federal Office Bldg.  
1240 E. Ninth St.  
Cleveland, OH 44199-2036  
O'Hare International Airport  
P.O. Box 55475  
Chicago, IL 60666-0475

1136 Washington Ave.  
St. Louis, MO 63101-1194

1200 Main St.  
Dallas, TX 75202-4399

11099 South La Cienega Blvd.  
Los Angeles, CA 90045-6197

### **LOCAL HEROES**

So far, we've described the opportunities available at federal government auctions. State, county, and city governments also seize property and auction off surplus goods. If you live in an area where federal auctions aren't easily accessible, you can still cash in on local offerings.

In big cities such as New York, autos are regularly auctioned by agencies such as New York City's Department of Transportation as well as its police department.

In some cities, police auctions include merchandise other

than cars. Stolen merchandise that hasn't been claimed often winds up in a police warehouse. This merchandise usually includes TVs, VCRs, radios, stereo equipment, jewelry, and bicycles.

Police auctions, outside of large cities, tend to be very informal. Word gets around and bids are taken on the merchandise "as is," often with no time for inspection. Prices are extremely low because the merchandise often has been abused. Local sheriff's and marshal's offices auction similar merchandise with similarly low prices, but with questionable pedigrees. You likely will be able to track down your hometown auctions with a phone call or two.

Many states auction surplus property just as the federal GSA does. Ask your state government's public information office for details.

## **DEATH WISH**

Not all great auction buys are offered by government agencies. You may find bargains at estate sales, too.

What's an estate sale? When someone dies, he or she leaves an estate composed of all his or her possessions. These often include a home, investment property, a car, collections, clothing, jewelry, furniture, and more.

Sometimes estates are simple to process: a husband dies and leaves everything to the wife, who simply keeps it all. But that's not always the case. A wife, perhaps, has no desire to hold on to the gun collection or the fishing tackle that she inherits. She can give away the unwanted goods, but she probably prefers to have cash.

Sometimes estates aren't at all simple to administer. If a widow dies and leaves her property to her three children, who gets the car, who gets the antique furniture, and who gets the Rolex? If these items are converted into cash, the division is a lot simpler.

Suppose a business owner dies, leaving his company, his

real estate, and a wide variety of "personal property," which includes just about everything else. The executor is required to value the total estate for tax purposes. If the total comes to \$3 million or more (not unreasonable for a successful business owner), the total tax bill could top \$1 million. How will that money be raised? By selling off the family business? Not likely. In most cases, the real estate and the personal property will have to be sold, generally within nine months.

Therefore, you can see how many estates, from the smallest to the largest, need to raise cash. In many cases, the survivors are neither willing nor able to sell the items themselves, piece by piece, so they turn the property over to auction, where you can often find quality goods at excellent prices.

To find estate sales, check your newspapers. If you have developed relationships with local auctioneers, you'll probably hear from them when estates come on the block.

In major cities such as New York, some auctioneers regularly advertise estate sales. Sometimes fine works of art, such as a Hepplewhite side chair or Dresden covered urn, can be purchased at good prices. At such auctions, the entire day before the sale may be set aside for inspecting the merchandise.

## **REAL BARGAINS**

You're probably familiar with what has happened to real estate in the past few years. Many properties such as homes and condos and shopping centers have gone into foreclosure because borrowers failed to make loan payments and owners came up short on property tax. In fact, the entire S&L crisis was triggered by real estate failures.

Thus, a lot of real estate is now held by one-time lenders or municipalities who have become unwilling owners. Often, the new owners are government agencies, from local taxing authorities on up to the federal Resolution Trust Corporation. These government owners want to get the real estate out of their hands and back onto the tax rolls.



Their frequent method of disposal is the auction. Nearly \$4 billion worth of real estate is sold at auction each year. In the current economy, real estate bargains may be extraordinary. Buyers sometimes pay as little as 50 percent of earlier asking prices. In one Southern state, a buyer discovered a 40-acre ranch that was being auctioned by local authorities because property taxes had not been paid. He bought the ranch, which included a modern house, swimming pool, and two-car garage, for less than \$10,000! An appraiser put the value of the property at well over \$100,000!

The GSA, a major auctioneer of surplus property, is also heavily involved in real estate auctions. Call or write your local GSA office and ask for a booklet that will give you the procedure to follow to order the regularly issued "U.S. Real Property Sales List." There's no mailing list, so you need to send in the order blank from each issue in order to get the next one.

Another government source for real estate is the U.S. Department of Housing and Urban Development (HUD). When a borrower defaults on a Federal Housing Administration (FHA) loan and a lender forecloses, HUD buys out the lender and takes over the property. Then HUD sells the property to the public.

If you call your local HUD office, HUD will give you a list of designated real estate brokers in your area who will help you inspect properties and, if you wish, prepare bids for submission to HUD. Sealed bids are accepted by mail; a 10-percent down payment is required. HUD will pay the broker's fees.

A similar situation occurs when Veterans Administration (VA) loans go into default. The VA sells the homes via sealed bids, requiring a 10-percent down payment. You may be able to buy directly from the VA without using a broker. Call your state's VA office for its monthly listing. Here's a tip: call early in the month, because that's when the lists become available.

Finally, there's the S&L bailout to mine. As you certainly know, many S&Ls have failed. The "bailout" you keep reading about is not of the institutions or the stockholders, but of the

insured depositors; they're the ones receiving federal money. The government, through the RTC, tries to recoup whatever it can by selling S&L assets, principally real estate.

The RTC typically tries to sell its properties for a price approaching market value. All-cash deals are preferred, although in some cases the RTC will permit you to buy with as little as 15 percent down. Properties that are hard to move or have relatively low values, however, are sold through public auctions.

The RTC, set up by the government to liquidate assets of failed S&Ls, still has a lot of property for sale. Today the RTC is making it easier than ever for individuals and small investor groups to purchase assets through the Small Investors Program, which is designed to provide the smaller investor better access to RTC offerings. It has a special toll-free number dedicated to small investors, so you can have instant access to information about auctions, sales events and seminars, financing, and opportunities for minority- and female-owned businesses. Call RTC at (800) 421-2073 to find out about its Small Investors Program.

Check your local police, sheriff, and property tax offices, as well as local offices of HUD, VA, U.S. Bankruptcy Court, and Farmers Home Administration. A slew of federal agencies sell real estate acquired through foreclosure. Some have been mentioned above. Others include the following:

**\* Federal Deposit Insurance Corporation  
(Regional Directors of Liquidation)**

Marquis One Building  
Suite 1400  
245 Peachtree Center Ave. N.  
Atlanta, GA 30303

30 S. Wacker Dr.  
32nd Floor  
Chicago, IL 60606

1910 Pacific Ave.  
Suite 1600  
Dallas, TX 75201

2345 Grand Ave.  
Kansas City, MO 64108

452 Fifth Ave.  
21st Floor  
New York, NY 10018

25 Ecker St.  
Suite 1900  
San Francisco, CA 94105

**\* Federal National Mortgage Association (Fannie Mae)**

P.O. Box 13165  
Baltimore, MD 20203

3900 Wisconsin Ave., N.W.  
Washington, D.C. 20016-2890

510 Walnut St.  
Philadelphia, PA 19016-3697

950 Pace Ferry Road  
Suite 1800  
Atlanta, GA 30326-1161

One S. Wacker Dr.  
Suite 3100  
Chicago, IL 60606-4667

Two Galleria Tower  
13455 Noel Road

Suite 600  
Dallas, TX 75240-5003

135 N. Los Robles  
Suite 300  
Pasadena, CA 91101

**\* Federal Home Loan Mortgage Corporation (Freddie Mac)**

2231 Crystal Dr.  
Suite 900  
Arlington, VA 22202

2839 Pace Ferry Road  
Suite 700  
Atlanta, GA 30339-3718

333 W. Wacker Dr.  
Suite 3100  
Chicago, IL 60606-1287

Four Forest Plaza  
Suite 700  
12222 Merit Dr.  
Dallas, TX 75251

15303 Ventura Blvd.  
Suite 200  
Sherman Oaks, CA 91403

These agencies sell some properties by auction and some through local real estate brokers. Contact your local office for details. You can also call your local office of the Department of Housing and Urban Development, the Department of Veterans Affairs, or the Farmers Home Administration, all of which sell foreclosed real estate.



Want to buy raw land from the federal government? The Bureau of Land Management frequently sells public lands. For information, contact the bureau of 350 S. Pickett St., Alexandria, VA 22304.

One excellent source for auction schedules and tips is Auction Opportunities Inc. (AOI). Call (800) 551-5161 for a sample copy of its newsletter. AOI recently reported that RTC is making a major attempt to unload the raw land in its inventory. Land valued at less than \$500,000 can be auctioned without a minimum bid while land valued at up to \$2 million can be auctioned for bids as low as 50 percent of appraised value. (Previously RTC demanded 85 percent of the appraised value in most land sales.) Total RTC holdings of raw land topped \$7 billion, explaining its rush to unload.

### **GETTING REAL**

It's certainly no secret that this real estate market has been in a free-fall ever since the overdevelopment of the 1980s was capped by the 1986 tax reform, which eradicated many real estate tax breaks. As a result, many lenders and loan guarantors now own properties that they'd rather not. Auctions are increasingly favored by lenders and by government agencies as a way to move these properties.

For example, look at a recent auction of Federal Home Mortgage Corporation or "Freddie Mac" properties. More than 500 homes were to be auctioned in six Northeastern states over a five-day period. Before the auctions, there were open-house weekends and "free" bidders' seminars. As you can see, Freddie Mac is eager to unload its properties.

The auctions were "absolute," meaning no minimum bids were required. To sweeten the deals even more, the following favorable financing terms were offered:

- If you were a first-time home buyer willing to occupy the house yourself, you could buy with only 5 percent

down and get a fixed-rate mortgage at 8.133 percent.

- Other home buyers willing to live in the home or use it as a vacation home could also buy with only 5 percent down, but the effective mortgage rate was 8.635 percent.
- Buyers seeking investment property had to put 5 percent down and pay an effective mortgage rate of 9.193 percent.

If you'd like a free catalog of Freddie Mac properties and information about financing, call (800) 466-1155.

### **Crunching the Numbers**

As the ad mentioned illustrates, buying real estate is different for first-time home buyers, second-home buyers, and investors. If you're buying a home to live in full-time, your primary concern should be, "Do I want to live there?" Do you like the neighborhood, the schools? Is it safe, accessible to work, shops, and recreational facilities? If you're comfortable with the area, don't buy until you've hired an engineer to inspect the property for structural defects. Unfortunately, real estate that goes into foreclosure often isn't well-maintained, and a house that isn't kept up regularly may present serious problems, not always obvious from a first glance.

If a house passes all the tests, it's time to crunch the numbers. If you bid, say, \$100,000, you owe a \$5,000 down payment if the seller wants only 5 percent down. But then you have a \$95,000 mortgage to carry. How much does that come out to be, before and after taxes, each month? How much are the other charges, such as taxes and insurance? You can decide how much you can afford to bid if you look at the monthly charges you'll incur, but you have to do some sophisticated calculations beforehand.

Buying a vacation home is a bit more complicated. Again, you have to figure out if you really like the area and if you truly would spend weekends or summers there. You need to have a structural engineer inspect the property, and you need

to go through all the calculations, just as you would with a primary residence.

A vacation home, though, is an investment too. Before you buy, you should try to learn if you'll be able to sell the property, if necessary. A heavy inventory of unsold houses in the area will make your house harder to sell. Ideally, you'll want to buy in a popular, growing region where real estate values are likely to appreciate over the years.

You also may want to ask about seasonal rentals, if you decide to rent out your house rather than use it yourself. Houses near a beach or a ski slope, for example, often command high rents in season.

If you're buying investment property, the math is all-important, whether it's a house, condo, or commercial property (e.g., shopping center, office building). Here, you need some assurance you'll be able to find tenants. Otherwise, you'll have all the expenses of property ownership with no income.

Moreover, you'll need some idea of how much rent you can reasonably expect. Then you can compare your likely rental income with the amount of expenses you'll incur (mortgage interest, property taxes, maintenance, insurance) at various purchase prices.

The trick is to buy at a price at which the expected income exceeds the expected expense—what the pros call “positive cash flow.”

Some investors buy property even though cash flow is negative, figuring rents eventually will increase and the property will appreciate. That's a trap a lot of buyers fell into during the 1980s, which is why there are so many foreclosed properties on the market today.

Buying investment property likely will turn out to be more time-consuming than you imagine. In return for your money and your effort, you should receive positive cash flow plus any appreciation. Before you bid at an auction, do your homework to figure out how much you can pay and still enjoy positive cash flow.

## KICKING THE BRICKS

You shouldn't shop for real estate at auction without knowing some of the ground rules. Auction notices generally appear in newspapers, either as legal notices or in larger ads in the real estate section. If you see an ad for an appealing property, take a look at the property in person. Ask local real estate agents what comparable properties will sell for. Find out if the area has any social or environmental problems.

Next, call the auction sponsor and ask for an appointment to inspect the interior of the property. Unless you know a lot about construction, hire an engineer to conduct the inspection. If you're buying new property from a developer, pay attention to any unfinished items and find out if the developer has a legal obligation to finish them. Naturally, you should consult with an attorney to see if there are any questions about the property's title.

### Giving Notice

For real estate, cars, and other types of properties, how do you find out what's going to be auctioned? As mentioned above, government auctions are advertised in newspapers. In addition, auction notices frequently are located in post offices and city halls. Government agencies have recorded phone messages with details on upcoming auctions. These agencies also mail lists that notify subscribers of future sales.

### Playing by the Rules

Government auctions may differ slightly from one to another, but here's the basic idea: the day of the auction, you register by providing your name and address and obtaining a bidding number. You'll be able to get a copy of the auction rules and a catalog of the items for sale.

Some auctions are "oral" and follow traditional bidding methods. The auctioneer offers each item or "lot" (a group of items) for bids and sells the merchandise to the highest bidder. Once the bidding starts, don't worry about making unwanted



purchases. Only in the movies do you make the winning bid with a careless head scratch.

“Spot” auctions are similar to oral auctions, except that bids are written. In some cases, sales will be made by sealed bids, which must be handed in to the sales office by a certain time and date.

Some auction items have “reserve” clauses. This means that a seller can reject the highest bid and pull it from the auction block (usually when he considers all the bids too low). At some auctions, properties won’t be sold unless a minimum bid is placed; other auctions are “absolute”; an item is sold to the highest bidder no matter how low the bid is. In either case, expect to pay a “buyer’s premium” of 3 to 10 percent immediately after the close of the bidding. At that point, you’ll sign a purchase agreement and be given a certain time period to raise the money and close the sale.

If you have the winning bid, terms of payment will vary. Sometimes, Visa or MasterCard will be accepted. (Private auctioneers may accept American Express, particularly at art or antiques auctions.) Other auctions might require cash, money orders, traveler’s checks, cashier’s checks, certified checks, credit union checks, or personal checks backed by a bank letter of credit. Try to find out what will be required before going to the auction.

In the FDIC-RTC auction of office furniture mentioned above, the ad stated, “Terms: Cash, certified or bank check only.” So that’s what you would have brought. The ad went on to state, “Everything ‘As Is,’ ‘Where Is.’ Trucker on premises for delivery.” So if you did not have your own means of transportation, you could hire the on-premises firm.

Typically, all items are sold without guarantees, even though you’re buying from the government. Sometimes the sales catalog or the auctioneer will point out known discrepancies or defects. But don’t count on it. If at all possible, inspect the goods before buying. Sales notices or brochures or catalogs will often list the times and dates for inspection. After you

inspect items, check on their retail value. You don't want to pay more at auction than you would at a store.

Before you can take possession of your purchase, you'll likely have to pay for it in full. In most cases, there will be a limit to the length of time you can leave your property at the auction site. If you don't fulfill your part of the auction contract, you may have to pay a 20-percent penalty. On the other hand, if you do pay in full, on time, you'll get a bill of sale. If you buy a vehicle, you'll receive a "certificate of sale" that will enable you to obtain a valid title from the state.

Real estate auctions may have special rules on financing. In some cases, you'll have a two-week "recision" period, but in other cases you won't be able to change your mind. Some auctions will offer an escape clause if you can't get a loan to help you buy the property, but sometimes there's no way out.

Often, the auctioneer will require that you make a security deposit using a bank check or a certified check. Before you present a security deposit, make sure you'll get a refund if you don't show up or if you don't buy any properties.

After you get a number for bidding, you'll need to get more money; you may need cashier's checks or certified checks to get in the door. You'll need those checks in case your bid is the winner.

In many cases, the required deposit will be 10 percent of the winning bid. If you decide you are ready to bid up to \$100,000 for a property, you should bring \$10,000 worth of checks. Split that amount into several checks, perhaps one for \$5,000 and five for \$1,000. Then you can use the exact amount you need and return the unused checks to the bank. The checks should be made payable to yourself so you can endorse them if necessary.

## **GETTING STARTED**

The best way to get started in government auctions is to go to government auctions. Find out where they are held. Typically, there is an inspection period. The U.S. Customs

Service auction of carpets and rugs mentioned above was scheduled for 2 P.M. on a Sunday, but the ad stated that the goods would be available for inspection by 1 P.M.

If you can, attend the inspection period. Look at each item as closely as possible. If there are "estimated" or "appraised" values, disregard them. They're probably not meaningful.

Instead, come up with your own ideas of what you think various items are worth. If you have a particular area of expertise, focus there. Then write down your estimates in a notebook.

Your first time (perhaps your first few times at an auction), don't even expect to bid. Instead, check on the people there. See who the professionals are, the ones who bid to their limit and then drop out. Look at the amateurs too, the ones who just "have" to have a certain item, no matter how much it costs. You'll probably see some people get carried away with "auction fever" and wind up paying far too much. Once you've seen some people act this way, you'll know the kind of behavior you should avoid.

At the same time, pay attention to the procedures at the auction. See how the items come up for bidding, how the auctioneer handles the bids, and what the winning bidders do after they've come out on top.

Compare the winning bids with the numbers you've written in your notebook. Were your bids too high or too low? After a while you'll get an idea of what's realistic.

## **GETTING SERIOUS**

After you have been to one (or two or three) auction(s) and you have a feel for the characters and the action, you can plan to attend for real. At this point, you need to approach the inspection more diligently. Do some research. If it's a vehicle sale, go to a car lot with comparable models. See what they're selling for. If it's office furniture, go to a used-furniture outlet. For art objects, go to museums and ask your library for reference materials.

Before you go into an auction, select the items on which you wish to bid. Write down your maximum bid in your note-

book. If you intend to resell the items, figure out the top price you can pay and still earn a decent profit on the turnaround. Whatever you do, don't go over that top bid—and don't get caught up in auction fever.

What if you spot a big-ticket item, a boat or luxury car, you can't afford to purchase on your own? If you're sure that you know an item's true value, see if you can find some partners to pool money with you and share the profits.

## GETTING AROUND

Just because many of the examples in this book are from the *New York Times*, don't think that auctions are limited to big cities. No matter where you live, you're likely to find auction notices published regularly in your local newspaper.

For example, a notice appeared in the *New Jersey Herald*, a newspaper serving Sussex County, a semirural area in the northwestern corner of the state, far from metro New York. The owner of a local antique store had died several months earlier, and the store had not been opened since. No private sales had taken place. A toy store was about to move in, so the premises had to be cleared. Virtually everything in the store was to be auctioned off with no reserve and no buyer's premium; "bring your own chair." (At most private auctions there is a reserve, which is a minimum price that the auction house bids in if there is no sale, so that the audience doesn't know the item is unsold. A buyer's premium is a commission, usually 10 percent, that the buyer has to pay to the auction house in addition to the purchase price that he or she bid.)

Quite a bit of furniture was up for sale, including mahogany and redwood pieces, lamps, assorted glassware and a turn-of-the-century "Road Wagon," purportedly made by Studebaker.

No matter where you live, you probably can find an estate auction and perhaps a police or sheriff's auction.



## BUY LOW, SELL HIGH

If you're buying for your own use, the auction is the end of the game. But if you're hoping to make a profit on resale, it's only the beginning. Now you have to find some way to sell your purchases—at a profit.

For small items, you might run garage sales or take a stall in a flea market. Larger items can be stored in your house while you advertise them for sale, perhaps in a local newspaper or through a computer bulletin board. Discount and secondhand stores may be good outlets, especially if you deal in large lots.

Be creative. For example, consider the bankruptcy sale of 280,000 Russ Togs garments described earlier. Naturally, the bankruptcy court wasn't going to sell this stuff one shirt at a time. Buyers had to buy relatively large lots. If you could have gotten some Russ Togs clothes at a good price, what would you have done? If you sold them to a store, you'd have had to settle for a price low enough to enable the retailer to make a profit, too. Instead, why not aim at the users? Go to a local high school or college; advertise in the school paper or post notices on bulletin boards. Students often are eager to buy name brands for below-retail prices.

If you find some success, stay with it. Say you bought those Russ Togs clothes and disposed of them at a good profit. Now you have outlets for selling clothing. Check the ads for auctions to see when other lots of clothing will come up for sale.

Above all, be patient and be prudent. Start slowly, buying and selling a little at a time. Learn from your mistakes; everybody makes them. Once you get the hang of it, you'll find government auctions are an enjoyable and profitable way to shop.

## KEEP YOUR GUARD UP

Auction Opportunities Inc. warns buyers to beware of traveling auctions that breeze into town for a weekend and con the public with false or misleading advertising. If you buy some-

thing and you subsequently become unhappy, you can't complain, because the company has moved on.

Typically, auction buyers are lured to hotels or warehouses by ads that promise bankruptcy and liquidation sales or items seized by U.S. Customs. (Remember, all U.S. Customs auctions are officially run by EG&G Dynatrend.) Indeed, this merchandise is often shoddy and is sold for 10 times its true value.

So be wary of such ads, especially if the goods are subject to reserves. Get the name and address of the auction company. Inspect all merchandise and get a good idea of the retail value before you buy.

Yes, you can find great values at government auctions, but you need to know what you're doing, so do your homework before you do your bidding.

### TO LEARN MORE ABOUT GOVERNMENT AUCTIONS

In addition to Auction Opportunities Inc., the following are excellent sources of information:

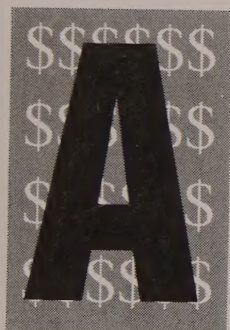
- *The Official Government Auction Guide*, by George Chelekis (Crown Publishers, \$25). In addition to explanatory text, this book has extensive lists of federal agencies, state agencies, specialty auctioneers, etc.
- *Buying Real Estate Foreclosures*, by Melissa S. Kollen (McGraw-Hill, \$14.95). Dozens of sample forms and checklists help you find good deals in real estate.
- *How to Make Nothing but Money*, by Dave Del Dotto (Warner Books, \$11.95). Much of this book is devoted to buying at auction. It includes lists of government agencies and sample leases.
- *The National Auction Bulletin*, 4419 West Tradewinds Ave., Fort Lauderdale, FL 33308-4464, produces *Info Pak*, which contains recent auction prices of vehicles, boats, and planes.

- *National Automobile Dealer Association (NADA), Used Car Guides*, available at newsstands or by calling (800) 544-6232. With these guides, you can check out car prices before bidding.





## About the Author



dam Starchild can occasionally be persuaded to take time off his private entrepreneurial activities to write. During these interludes he has written more than a dozen books and hundreds of magazine articles, primarily on international business and finance. His articles have appeared in a wide range of publications around the world, including *Business Opportunities Journal*, *Euromoney*, *International Living*, *The Futurist*, *Tax Planning International*, *Trusts & Estates*, and many more.





The cornerstone of the American Dream has always been financial freedom—enough money to do what we want, when we want. But for many of us, the American Dream has turned into the sour reality of working our lives away, trading too much time for not enough money to live on—much less retire on. We're not free to do what we'd really love to do, what we're really good at, for a living. Instead, we're strapped to jobs we dislike because we need the paycheck just to survive.

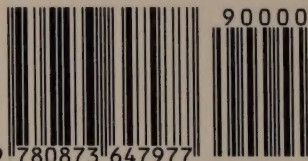
Can you still get a job where you earn what you're worth . . . find fulfillment . . . and gain freedom trading your time for money? Believe it or not, it *is* still possible, just not by the traditional methods. Author Adam Starchild is living proof of that. His alternative vision of the American Dream has brought him the kind of success and financial freedom that all of us want but many of us have all but given up on. In his down-to-earth and forward-thinking style, Starchild shares that vision, not with pie-in-the-sky intangibles, but with practical, thought-provoking ideas and concrete suggestions that will give you a new way of looking at your future. You'll learn how you can take advantage of viable part-time and working-at-home alternatives, find adventure and wealth in the travel business overseas, capitalize on the changing marketplace as an importer or exporter, cash in on the vast opportunities for profit in multilevel marketing (without getting burned), and make a killing at government auctions. He'll even tell you how to retire comfortably at 35, 45, or 55—without having to be a millionaire!

Sound too good to be true? *It's not!* By foreseeing the changes ahead and building a strategy around them as Starchild has, you will be able to enjoy the "good life" that the majority of Americans desire most.

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