

# Giftng Club?... Run the Other Way...

© Jeffrey Babener 2013

A gifting club usually begins unintentionally between friends, family and neighbors. Unlike the traditional pyramid scheme, gifting clubs are not promoted as an investment by fraudulent financial advisers. Gifting clubs are usually home-grown. Those involved believe that they are genuinely helping one another. However, there is no exchange of merchandise and someone always ends up on the losing end.

Those who join usually do so by investing anywhere from \$2,000 to \$5,000 and then recruiting others to join. As more people join beneath them, their "investment" grows. Cash flow is passed from new recruits to those higher in the pyramid. Those at the top of the gifting club pyramid usually leave with roughly eight times the amount they originally invested, while those on the bottom lose their money as new recruits decline and cash ceases to drive the pyramid. All gifting clubs eventually die because they run out of people (and therefore cash) to continue to "feed" the pyramid.

Unfortunately, and to the surprise of the founders and participants, they are engaged in an unintentional cash pyramid headhunting recruitment scheme. Such practices violate consumer protection laws and criminal laws in most states. And, also unfortunately, the end game sometimes is a criminal prosecution for the participants, all of whom might be your next door neighbors and "great" people under most circumstances. Basic greed has blinded their judgment however, and the price to pay is often very "expensive."

Additional information on gifting clubs is available at [MLMLegal.com](http://MLMLegal.com).

Visit [www.mlmlegal.com](http://www.mlmlegal.com) and [www.mlmattorney.com](http://www.mlmattorney.com) for more information.

Find us on our social networks:

[Google+](#)

[LinkedIn](#)

[Twitter](#)

[Myspace](#)

[Facebook](#)

Our next [Starting and Running the Successful MLM Company Conference](#) takes place October 24th & 25th, 2013 in Las Vegas. Call 503-226-6600 or 800-231-2162 to register.

This article is also available online at: <http://mlmlegal.com/MLMBlog/?p=711>

[www.mlmlegal.com](http://www.mlmlegal.com)

---

Welcome to MLM Legal - a valuable resource to the Multi-Level Marketing and Direct Sales Industry. Use this site to review interesting articles about this high growth industry. Keep current with the law and how it is affecting large and small companies throughout the United States. MLM Legal is sponsored by Jeffrey Babener of [Babener and Associates](#).



**Jeffrey Babener**  
On Assignment

On any given day you can catch [Jeffrey Babener](#) lecturing on Network Marketing at the University of Texas or the University of Illinois, addressing thousands of distributors in Los Angeles, Bangkok, Tokyo and Russia, or writing a new book on Network Marketing, an article for Entrepreneur Magazine or a chapter for a University textbook. Over two decades he has served as marketing and legal advisor to some of the world's largest direct selling companies, the likes of Avon, Nikken, Melaleuca, Discovery Toys, NuSkin, and he has provided counsel to the most successful telecom network marketing companies...Excel, ACN, World Connect, ITI, AOL Select and Network 2000. An active spokesperson for the industry, he has assisted in new legislation and served on the Lawyer's Council, Government Relations Committee and

Internet Task Force of the Direct Selling Association (DSA) as well as serving as General Counsel for the Multilevel Marketing International Association. He is an MLM attorney supplier member of the DSA and has served as legal counsel and MLM consultant on MLM law issues for many DSA companies.

---

[www.mlmlegal.com](http://www.mlmlegal.com)