

FREE CHECKLIST

# The MLM Red Flags Checklist

10 Questions That Could Save You Thousands

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*By John · Founder, MLM Detective · 50 years in the industry*

## You've been pitched.

Maybe it's a friend. Maybe it's someone you trust. They're excited. The opportunity sounds incredible. Ground floor. Life-changing income. Be your own boss.

## And you want to believe them.

Here's what 50 years in network marketing has taught me: **hope is not a business plan.** Over 90% of people who join MLMs lose money — not because they didn't work hard enough, but because they never asked the right questions *before* they signed up.

**This checklist gives you those questions.** Use it before your next meeting. Before you buy the starter kit. Before you tell your family about the opportunity. Because the best time to spot a bad deal is before you're in it.

RED FLAG  
01

### The Income Disclosure Dodge

#### ASK:

*"Can I see your most recent income disclosure statement?"*

→ **If they hesitate, change the subject, or say "we don't focus on that" — STOP.**

→ Every legitimate MLM is required to publish income disclosures.

→ Look at what the median person earns — not the average, not the top earner.

→ If 70%+ of participants made less than \$500 per year, you're looking at a recruitment scheme.

#### 60-SECOND HACK

Flip to the last page of the disclosure. Find the chart. Look at the bottom 50%. That's your most likely reality — not the testimonial they just showed you.

RED FLAG  
02

## The Product Nobody Would Buy Retail

### ASK:

*"If there was no business opportunity attached, would anyone still buy this at this price?"*

→ Compare the price to similar products on Amazon or in a regular store.

→ **If it's 3-5x more expensive with no clear advantage — RED FLAG.**

→ **If the only people buying are distributors trying to "stay active" — PYRAMID SCHEME.**

### THE TEST

Would your most skeptical friend buy this product at full price with no income opportunity? If the honest answer is no — you're not building a sales business. You're building a recruiting chain.

RED FLAG  
03

## The Compensation Plan Confusion

### ASK:

*"Can you explain in plain English, in under two minutes, exactly how I make money?"*

→ **If it takes more than two minutes to explain — TOO COMPLICATED.**

→ **If the explanation focuses more on recruiting than selling — PYRAMID SCHEME.**

→ **If you hear the words "binary matrix hybrid uni-level" — RUN.**

### THE TRUTH

Legitimate businesses have simple value propositions: you sell X, you earn Y. Complexity is not sophistication — it's camouflage. It hides the fact that most people at the bottom don't make money.

**"Legitimate opportunities don't evaporate in 48 hours. Scams do."**

— John, Founder, MLM Detective

## The Upfront Investment Trap

**ASK:**

*"What is the total cost — everything — to get started and stay active for six months?"*

→ Starter kit costs. Monthly minimum purchases. Autoship requirements.

→ Training fees, conference tickets, promotional materials.

→ **Add it all up. If it exceeds \$1,000 in the first six months — DANGER.**

**REALITY CHECK**

If you have to spend \$2,000 to maybe make \$500 — that is not a business. That is an expensive hobby that someone else profits from.

## The Pressure Close

**ASK:**

*"Can I take a week to research this and get back to you?"*

→ **"This offer expires tonight" — MANIPULATION.**

→ **"You're not thinking like an entrepreneur" — GUILT TRIP.**

→ **"Ground floor closes Friday" — LIE. There is always another ground floor.**

→ **"Your doubt is what's holding you back" — PSYCHOLOGICAL PRESSURE.**

**THE TRUTH**

Any recruiter who won't give you a week to do your homework is telling you something important — they know what you'll find if you look.

## The Regulatory Rap Sheet

**ASK:**

*"Has this company ever been investigated by the FTC, FDA, or SEC?"*

- Google: "[Company Name] FTC" — look for enforcement actions and settlements.
- Google: "[Company Name] FDA warning letter" — health claim violations.
- Google: "[Company Name] lawsuit" — class actions and consumer fraud cases.
- Multiple results across multiple searches — investigate further.

**PRO TIP**

Check TINA.org (Truth in Advertising) — they track MLM income and health claim violations across hundreds of companies. Free. Use it.

## The Health Claims Hustle

**ASK:**

*"What peer-reviewed clinical studies support these product claims?"*

- **"Cures cancer," "reverses diabetes," "detoxes your body" — FDA VIOLATION.**
- **"Proprietary blend" with no ingredient transparency — SKETCHY.**
- **Testimonials presented instead of clinical evidence — NOT SCIENCE.**

**THE REALITY**

The FDA will eventually shut down companies making illegal health claims. The question is whether you'll still be holding inventory when they do.

## The Crypto / Blockchain Buzzword Bingo

**ASK:**

*"How exactly does the crypto or blockchain component generate returns — in plain English?"*

→ **Vague answers about "decentralization" and "passive income" — RED FLAG.**

→ **Promises of guaranteed returns — PONZI SCHEME.**

→ **"Get in before it goes public" — UNREGISTERED SECURITY.**

**50 YEARS. ZERO EXCEPTIONS.**

In half a century in this industry, I have never seen a crypto MLM last longer than 12 months. Not one. If blockchain is in the pitch, that is not a feature — it is a warning.

## The Success Story Smokescreen

**ASK:**

*"How long did it take them to reach that income, and what did they spend to get there?"*

→ They show the top earner at \$500K — but don't mention they joined 10 years ago.

→ They show gross income — not what was spent on inventory, travel, and training.

→ They omit the years of zero income before the breakthrough.

**THE REALITY**

Showing you a winner doesn't mean you'll win. Casinos have winners too. The income disclosure tells the real story. The testimonial is the marketing.

**"The person who recruited you isn't trying to scam you. They believe in this. They're hopeful. But belief doesn't change math."**

*— John, Founder, MLM Detective*

**ASK:**

*"Would I feel genuinely proud explaining this business to my most skeptical friend?"*

→ If you feel defensive before you've even started — LISTEN TO THAT.

→ If you're already rehearsing rebuttals to objections — WARNING SIGN.

→ If you'd be embarrassed to post about it on social media — YOUR GUT KNOWS.

**THE TRUTH**

Legitimate opportunities don't require you to override your own instincts. If you have to convince yourself it's real — it probably isn't.

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**WHAT TO DO NEXT**

**3 or more red flags? Walk away.**

Not because you can't make it work — but because the math was rigged before you got there. Protect your money, your time, and your relationships.

**Still unsure? Get an independent investigation.**

MLM Detective analyzes 40 FTC criteria, pulls income disclosures, checks regulatory actions, and delivers a plain-English verdict in 60 seconds.

**Already joined and having doubts?**

It's not too late. Cut your losses early. Protect your relationships. Move forward. The sunk cost of what you've already spent is not a reason to keep spending.

### Want the full investigation on the company you were just pitched?

MLM Detective pulls FTC actions, income disclosures, FDA warning letters, compensation plan analysis, and regulatory records — then gives you a plain-English verdict.

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

3 free reports · Archived reports \$9.95 · Custom investigations \$19.95

*Because the truth costs less than the lie.*

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Whatever you decide — I hope you go in with your eyes open. Know the odds. Read the income disclosure. Ask the hard questions. And if something feels off, trust that feeling.

— **John**

Founder, MLM Detective · 50 years in the industry · Finally telling the whole truth

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