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“Don’t Be Pressured Into “Gifting” Your Hard-Earned Money”

By Jon Bruning

What if I told you that you could make \$35,000 just by hosting a party? In today’s tough economy, this idea is luring everyday Nebraskans into illegal money-making. Sometimes advertised as “gift circles” or “empowerment meetings,” these are just new names for old-fashioned pyramid schemes. Regardless of the name, the consequences are the same – you contribute your money, receive nothing and lose your original investment.

Inviting terms like *women helping women* and *social dining clubs* often mask the real intention of these groups - funneling cash up the pyramid. Unfortunately, invitations may come from trusted family members, co-workers and friends. With the help of e-mail and social-media, one person can reach out to hundreds in a matter of minutes.

According to the Better Business Bureau (BBB), “a person explains—in vague terms—that they’ve discovered a new program to help people make money through cash leveraging or cash gifting, and might even show an envelope with cash inside to prove the effectiveness of the program.” The BBB points out that less than 10 percent of investors ever see a return.

Nearly every state has laws prohibiting pyramid schemes - including Nebraska. The Federal Trade Commission warns, “A gifting club is not legitimate just because the ads say that members consider their payments a gift and expect nothing in return. This is an attempt to make an illegal transaction look legal.” Consumers should be suspicious of any group that spends a lot of time talking about the legality of their actions.

There are a few things consumers can do to avoid falling victim to pyramid schemes. Beware of clubs that require large up-front investments and make promises of even larger returns. Don’t be pressured into “gifting” your hard-earned money – not even by friends or colleagues. And remember, other people are *not* looking for ways to make *you* rich.

As part of our 2010 legislative package, we are working with State Sen. Tony Fulton to assure our office has the tools to take on these scammers. In order to properly protect Nebraskans, we must have a clear legal definition of a pyramid scheme.

LB801 clearly defines a pyramid scheme as one where people sign up knowing the primary source of revenue will be through the recruitment of others to the scheme and not sales or services. This modification adds provisions that allow victims of fraud to collect damages and will protect legitimate party-based businesses that provide quality products and services.

For more information on pyramid schemes and other scams, call our Consumer Protection Division at (800) 727-6432 or visit our Web site at www.ago.ne.gov.

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