ABOUT THE AUTHOR

His colossal #1 New York Times bestsellers Nothing Down and Creating Wealth established Robert Allen as one of the most influential investment advisors of all time. He followed that success with 3 more bestsellers: The Road to Wealth, Multiple Streams of Income and Multiple Streams of Internet Income. Recently he partnered with Mark Victor Hansen (co-creator of the phenomenal Chicken Soup for the Soul books) to write his most exciting book to date: The One Minute Millionaire - The Enlightened Way to Wealth.

For over two decades, graduates of Allen's popular investment seminars have successfully applied his techniques all over the world. Today, there are thousands of enlightened millionaires who attribute their success to the inspiration and ideas they learned from Robert Allen.

A popular talk show guest, Allen has appeared on hundreds of programs including: Good Morning America, Larry King Live and Live with Regis and Kelly. He has also been featured in the Wall Street Journal, Barrons, The Los Angeles Times, Money Magazine and Reader’s Digest.

This is a gift from:

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CREATING WEALTH
THE ENLIGHTENED WAY

"ONE OF MY FAVORITE, ENLIGHTENED WAYS TO WEALTH"

Co-author of The One Minute Millionaire

ROBERT G. ALLEN
SPECIAL REPORT

CREATING WEALTH
The Enlightened Way

by

ROBERT G. ALLEN
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Network Marketing

Just saying those words conjures up lots of emotions for most people. You either love it or you don’t. Sometimes both. But just what is it?

Have you ever been to a great movie or a great restaurant and told a friend about it? That’s called word-of-mouth advertising. Businesses love word-of-mouth advertising because it’s much more effective than any other form of advertising, promotion, or marketing. Network marketing is a way for businesses to leverage the power of word-of-mouth advertising.

Let me give you a hypothetical example. Suppose you recommend a great restaurant (let’s call it Tony’s Hacienda) to your sister. She and her husband make a reservation for dinner and, during the meal, the waiter asks them how they heard about Tony’s Hacienda. They mention your name. How would you feel if the owner of the restaurant sent you a thank you letter and a coupon for a free meal in appreciation of your recommendation? It would probably make you feel wonderful. The restaurant owner also explains in the letter that because of your recommendation, Tony’s Hacienda has gained a new long-term customer. This customer didn’t result from the restaurant’s ad in the Yellow Pages or its radio and newspaper campaign. Therefore, the owner wants to reward you for this new word-of-mouth customer. Anytime your sister visits his restaurant in the future, he will send you a check for 10 percent of the value of the meal as a continuing thank you. Sure enough, every several months you receive a small thank you
check. You’re so impressed that you encourage others to visit Tony’s Hacienda. This generates more free-meal coupons plus more 10 percent word-of-mouth checks. After a year, you are receiving several small checks each month. After several years you have helped to create dozens of monthly customers, which generates hundreds of dollars of extra, no-hassle income to you. That would be nice, wouldn’t it?

This is the theory behind network marketing, as it is now called. I prefer to call it “relationship marketing” because the word-of-mouth concept derives its power as a result of the relationship. These days, businesses spend up to 50 percent of the price of their goods on advertising and marketing expenses. Instead of sending these advertising dollars to newspapers, magazines, and television stations, several smart businesses have begun to share this money with their best customers. Every time one of their best customers influences someone to buy one of their products, they send this loyal customer a sort of referral fee.

One of the most recent success stories about the power of relationship marketing is Amazon.com. Soon after this groundbreaking Internet Web site launched, the folks at Amazon.com came up with a bright idea. Why not pay a referral fee to anybody on the Internet who sends customers to Amazon.com? They launched an “affiliate program” encouraging millions of Web page owners to provide links to the Amazon.com site. If a Web surfer visits an affiliate site, clicks on the Amazon.com link, and eventually buys a product, Amazon pays a small (3 to 7 percent) referral fee to the affiliate. This created tens of thousands of satellite mini-partners who have self-interest in the ongoing success of the Amazon mothership. This strategic marketing move was one of the major reasons for the explosive success of Amazon.com. Now this model is rampant on the Internet. It’s proof that network or relationship marketing works! Its time has
arrived. It’s the cool thing to do.

However, the first time I heard about network marketing I didn’t think it was very cool. I’m embarrassed to say that the first time I heard about it, I turned it down flat. I reacted like many North Americans did to franchising when it was first introduced.

In the world today, it would be difficult to find many people that are not aware of franchising. In fact, everyone in the free world is affected by some sort of franchise on a daily basis.

But just 40 years ago franchising was a revolutionary new innovation—a new and better way to retail goods, food products, and services to the consumer. The resistance to this new way of doing business was huge. Magazines and newspapers shouted bold headlines about what a scam and rip-off franchising was, and stories of little old ladies who lost their life savings to some flimflam franchise were everywhere. Even though some very big, well-known FORTUNE 500-type companies were involved, they made sure their names were not used in any of these newspaper or magazine stories—even about their own franchises.

Sentiment was so strong that there was a focused move to make franchising illegal. Yes, that’s right; franchising actually came within 11 votes of being outlawed by Congress. Wow! Today this once shady, shaky, so-called scam is responsible for over one-third of all retail sales in North America. Franchises sell nearly $900 billion worth of goods and services. That’s almost $1 trillion. Imagine, those 11 votes are worth almost $1 trillion today—that comes to more than $80 billion per vote.
Franchising was simply a new and unaccepted technology. Today, everyone is very aware of franchising, but most people do not know the history of it. They have no idea what the people who were first involved in franchising went through.

What they do know is that not only do they accept and revere franchising, but if they find themselves out of work, one of the first places they will look, if they can afford it, is to franchising.

You will read later in this report that franchising is no longer producing the results people are expecting. There is a new, emerging distribution technology on the horizon that will outperform franchising. Not only is there a new technology, but it is going through the very same process in our society today that franchising went through 40 years ago.

Network marketing has been resisted, misunderstood, criticized, laughed at, lobbied and legislated against. That is why I want you to not make the same mistake I made by ignoring this new phenomenon. People who are in the know have accepted this new step in the evolution of our free enterprise system. Many of these people have gone from major skeptics to major advocates who want to share the wealth. What I have learned from owning many conventional businesses is that not one of those types of businesses had the technology to provide personal and financial freedom like network marketing. You have the opportunity to pioneer this next step in the evolution of our free enterprise system.

Let me tell you how I was awakened to the power of networking.
The Awesome Power of Leverage

It all started with my wife’s best friend Collette Larsen. She had just gone through a bitter divorce, which left her with five children to support, a huge attorney bill, and no money. She needed a job, so I hired her as my executive assistant. After a few months, she came to ask my advice. “Bob,” I recall her saying, “I’ve been talking to my brother about a company he’s working for. He’s shown me how I can earn some extra income. I think I’m going to do it.”

“What kind of company is it?” I asked.

“It’s USANA, a company that markets nutritional supplements through a network of distributors,” she replied.

Well that’s all she had to say. My mind snapped shut and I told her, “Don’t do it!” Despite my objections, she went ahead. She said she had a “good feeling” about it. And sure enough, in a few weeks, she’d earned her first $100 check. Then her weekly check increased to $500 or $600. Then $1,000 a week. Of course, I still thought she was crazy, but I wondered, “How is she doing this?” Then she informed me that she was resigning from my company.

“Bob, my check was $2,000 this week.” Now this impressed me. I said, “$2,000 a week! How did you do that?”

“I keep telling you, Bob, this really works.”

I said, “Maybe it works for you, but I can’t see myself peddling little bottles of supplements from door-to-door. Dingdong, your pills are here.”
And she answered, “It’s not like that at all. In fact, I just share my story about how these products have changed our lives. People get curious and want to try them. They call a toll-free number and order products, which the company ships to their front door. I don’t deliver a single product to anyone. The company does it all and I get a check.”

She continued, “Now, here’s the best part. These products are powerful. People fall in love with them and keep ordering every month. And every time they do, I get more checks. But that’s not all. These same people just can’t help sharing how much better they feel. And when they do, I get a small sliver of profit from those transactions, too. And so on. And so on. Now there are thousands of people all over the world using these products—people I’ve never even met—and every Monday, I receive thousands of dollars as a result of my efforts and the efforts of hundreds of other people.”

Now this really got my attention. I understood the power of leverage from my experience in real estate, where a small amount of money can put you in control of a large amount of real estate. But this was even more powerful. Collette was levering herself through the efforts of hundreds of other people. Since these people are located all around the world, she’s earning income 24 hours a day—even while she’s sleeping. David George, M.D. once said:

“Poverty is when large efforts produce small results.

Wealth is when small efforts produce large results.”

That’s a perfect description of what Collette was doing—small efforts, huge results. More impressive still, her income was residual.
“Bob, I’m telling you, USANA is different!” she said. One day Collette left a video at our house, and my wife and I popped it in the VCR and started watching. I’ll never forget what happened. As I watched, my intuition kicked in, whispering, “This is the one!”

Have you ever had a hunch? When part of you knows that something is right even though another part is still skeptical? Well, I usually listen to my intuition. It was a hunch just like this one that inspired me to start investing in real estate in the 1970s just before the huge boom. Remember those days? I made a fortune. It was another hunch that inspired me to leave my career as an investment counselor and write my first book, *Nothing Down*. The odds of a new author getting a book published are 10,000 to 1. Part of me just knew that if I followed my hunches something good was going to happen. How could I have known that *Nothing Down* would become a number one *New York Times* bestseller. My second book, *Creating Wealth*, was also a number one bestseller. Then I had a hunch to start several seminar companies that grossed over $100 million over the next 15 years.

So you see, when I have a hunch it’s usually a good one. And when it came to that video, my intuition was screaming, “This is the one!”

Collette phoned the next day and asked, “What did you think of the video?” Despite my strong intuitive hunch, I replied, “Sorry, Collette, I just don’t think I’m interested.”

To her credit, she didn’t let my negativity stop her. She took my wife to lunch, and they decided to go ahead without me. I was so close-minded, I wouldn’t even sign the application. But before long, the checks started to flow in, just as Collette had said they would.
Now, several years later, a very, very large check is automatically deposited into my wife’s bank account every week, but it doesn’t have my name on it. It’s my wife’s check. Mr. Skeptical didn’t want anything to do with it! So, she gets the check and occasionally shares some of it with me. In the next few pages I’m going to show you how to get your name on a check like the one my wife gets every week. But only if you’re more open-minded than I was.

**Blinded by False Information**

Why do you think I voted against my own intuition? Perhaps it was because I had heard some negative things about network marketing. And without checking things out for myself, I made some quick judgments that turned out to be completely wrong.

My first mistake was to assume that USANA was like some of the old-style multilevel companies from the 1960s and 1970s. In these earlier and ancient forms of network marketing, distributors had to stockpile their garages full of products and then try to peddle them to friends and relatives. To recruit new people, they were encouraged to drag everybody they knew to endless weeknight pep rallies. Needless to say, very few people made any money and almost everyone else quit in frustration, their garages full of stuff that they couldn’t give away. Collette assured me that USANA was nothing like that.

Around this time I learned of a book by a former editor at *Success* magazine, Richard Poe. It’s called *Wave Three: The New Era in Network Marketing*. He writes:

“The Wave Three Revolution…began over 50 years ago, when Carl
Rehnborg invented network marketing—a business system designed to make it easy for anyone to become an entrepreneur. MLM’s rough-and-ready days lasted 40 years, a formative period that I have named Wave One. Wave Two took hold in the 1980s when PC technology made it feasible to start an MLM company from your garage. That created a ground swell of new companies. But Wave Two network marketing still tended to work best for those who needed it least—aggressive, sales-oriented entrepreneurs. It is only Wave Three, now making it’s entrance that finally offers the masses a realistic promise of financial freedom. Through new systems and technology, Wave Three enables average men and women—not just super salespeople—to enjoy the fruits of entrepreneurship while avoiding many of its hardships.”

Obviously, Collette had found one of these Wave Three companies. Based on the impressive research in Poe’s book, I reluctantly allowed Collette and my wife to introduce the concept at one of my smaller seminars.

I was still very skeptical, but within weeks, some of these same people were calling back to tell me how much better they were feeling. I was amazed. You see, I hadn’t been taking any nutritional supplements myself. I felt I was in pretty good health and didn’t need anything. Only later did I learn that our health really is in danger and that every one of us should consider daily nutritional supplements.

When it came to making money through network marketing, my seminar graduates were calling me and saying:

“Bob, this is the best moneymaking idea you’ve ever recommended.”
“I’ve tried network marketing before, but this one really works.”
And I’m thinking to myself “Hmmmmm! Maybe there really is something to this.”

It all clicked for me when I watched a quadriplegic in a wheelchair earn his first $1,000 network marketing check. I thought to myself, if he can do this, anybody can. That’s when I decided to focus more attention on “our” nutritional business and to definitely add it to our portfolio of income streams.

We’ve been involved in a lot of businesses over the years, and network marketing has been one of the most rewarding things we’ve ever done. We have no overhead and no debt. We maintain this powerful stream of income with zero employees. We don’t even have a secretary. And it’s completely portable, which means I can run this business from my own home in my bathrobe, from my car phone in my jeans, or from a laptop computer in Tahiti. It has very little downside. And the income is residual.

When people ask me today if I’m involved in network marketing, I reply with a resounding, “absolutely!”

I don’t know what your experience with other network marketing companies has been, but my experience has been fantastic! Once the income starts to flow, it’s like an oil well in your back yard. It just keeps pumping out profits. Looking back, I wonder how I could have overlooked such a powerful moneymaking idea for so many years. And I’m saddened because those same misconceptions are holding back so many other smart people.
Put Yourself on Neutral Ground

Well, let’s suppose that you aren’t as skeptical as I was at first. Suppose you take me at my word and at least put yourself on neutral ground to consider adding another stream of income like this to your life. Let’s discuss answers to the three most common questions that people ask:

**Question 1.** Is this really legitimate?

**Question 2.** Why should I consider this type of business versus a traditional franchise?

**Question 3.** What do I really have to do to make this work?

**Is this industry really legitimate?**

Frankly, this was one of my first questions. I didn’t want to get myself, or my loyal readers involved in some pyramid scheme. I checked out the industry and found it had combined sales of tens of billions of dollars and more than 10 million active distributors worldwide. Yes, it is not only legitimate, but it’s being recognized as the growth industry of the future. It has attracted the attention of many Fortune 500 companies, including Colgate-Palmolive, Gillette, Avon, Coca-Cola, and MCI. AT&T, the worldwide telecommunications giant, also began marketing its long distance services through network marketing.

If AT&T is willing to bet it’s reputation on it, then so am I. And so are a lot of other smart, successful people (entrepreneurs, doctors,
teachers, astronauts, Fortune 500 executives, famous actors, best-selling authors, health professionals, university professors, coaches, Olympic athletes, world-record holders, chiropractors, nurses, scientists, bankers, and attorneys, along with tens of thousands of other intelligent people from all walks of life) who are flocking to this industry. Many of us who wouldn’t have considered network marketing in the past are now wholeheartedly embracing the Wave Three companies that are emerging.

So, if the industry is being embraced by some of the world’s leading companies, then the next logical question is, “What about the company and compensation plan?” There are between 200 and 300 legitimate, long-term, viable companies involved in the network marketing business today—marketing everything from toys to skin care, long-distance telephone services to financial services and legal services to nutrition. When choosing the right company for you, you should examine the following three criteria:

- The products or services of the business
- The compensation plan: How will you get paid?
- The company and its management

Choosing the right products or services

Pick a product you are passionate about or would like to become passionate about. If you do, it will be easy for you to talk with other people about it. It will become your hobby, not just your livelihood. Personally, I picked the health industry. Whether your passion is health, cosmetics, or jewelry, there is most likely a company that markets products you could get excited about.
The most important consideration when selecting a network marketing company is the type of products that the company markets. By “type” I mean the frequency of consumption. Does your customer use the product daily, weekly, monthly, or infrequently? You want a product with high frequency consumption. Why? Because it generates frequent reorders, usually on a monthly basis. Frequent reorders mean constant, residual business. Therefore, and this is extremely important, your business can grow with fewer customers. If, however, the product is used infrequently, orders will be sporadic and infrequent and it will mean that you will have to attract more new customers to be able to build enough residual monthly orders to earn regular checks.

The growth of any business is dependent upon an influx of new customers and continuing orders from a base of existing customers. If your base of existing customers reorders your product only on an infrequent basis, then the major source of growth will have to be in attracting large numbers of new customers. Any businessperson will tell you that attracting new customers is the most difficult and most expensive way to build a business. If, however, your existing customer base must reorder frequently, you will be able to build a stable foundation for your business.

To earn residual income, you want a product that lends itself easily to residual reorders. That’s the main reason I love nutritional products. People consume them on a daily basis and reorder them every single month to replenish their supply. I also like nutritional products because people can feel the difference in their health which is one of the most important areas of life.
To illustrate, let me share with you the ancient Arabic formula for wealth, shown in the diagram below. In this formula, 1 represents your health, and all the zeros represent everything else in your life—cars, houses, stocks, jewelry, real estate, and so forth. As you can see, if you take away the 1 at the beginning (your health), then everything else is truly just a bunch of zeros!

\[ 1,000,000,000,000 \]

When you select a product to represent, try to choose one that is more like 1s and less like 0s.
Choosing the right compensation plan

There are five or six different and competing systems that network marketing companies use to reward their entrepreneurs/distributors/associates/affiliates. They are the breakaway, the unilevel, the matrix, the two-up binary, and various hybrid or combination plans. Sounds confusing already, doesn’t it?

Let me make it simple for you. Over 75 percent of the companies in the industry use a breakaway or stair-step breakaway plan made popular by such industry giants as Amway, Shaklee, and Nu Skin. In my opinion, they represent old-style network marketing. Recently, these older plans have been losing ground to newer, more equitable, simpler pay plans like the unilevel and the binary used by a company called USANA. Older companies have a challenge keeping up with innovations in compensation plans because their huge distributor base is locked into a single pay plan.

The most important consideration when choosing a pay plan is the number of people that the average person needs to enroll to begin earning income. Here is the question you would ask before you join a company:

How many customers do I need to enroll to be able to earn $500 a month in extra income?

The lower the number, the better. If it’s relatively easy for the average person to earn a steady income, it will be easier for you to grow your business.
Choosing the right company and management team

As in any industry, the majority of network marketing businesses fail in the first five years. Therefore, you need to be extremely careful in selecting a company that is going to stand the test of time. The easiest way to do this is to select only a company that has a track record of producing profits for at least five years. Those that have been around for at least ten years are even more of a safe bet. This narrows the field drastically.

On the plus side, if the company you’re researching is publicly traded so much the better. It will be easy to scan the financial statements and quarterly earnings reports. You’re looking for a company that is well-managed, solvent, with little or no debt, that has reached a critical mass of distributors to sustain growth and that has been around long enough to have worked out the beginning bugs.

Check your local Better Business Bureau to see if any complaints have been filed against the company either in your state or nationwide. That is an indication of the company’s ability to keep out of trouble. If you find problems, you might also check with your state attorney general’s office to see if there are any legal actions pending that might affect the ability of the company to do business in your state.

If you are so inclined, you might even make a visit to the headquarters of the company to check things out. Because your income relies on the ability of the company to survive long term, you might even visit with members of top management.
Timing is Everything

The timing is perfect for the future growth of this industry. It coincides with the massive layoffs and downsizing of the early 2000s and the huge explosion of home-based businesses. Over 77 million baby boomers are searching for ways to earn income to supplement their upcoming retirement needs.

Why should I consider this type of business versus a traditional franchise?

Suppose you love nutrition and health. You like the thought of earning money while helping people get and stay healthy. You decide to check out several business models.

You see an ad in Entrepreneur magazine for a top nutrition franchise. For only $58,500, you can own your own business with the support of a worldwide company using a proven business system. The odds for success are high. However, there are some disadvantages. It will require that you sign your name to a lease, hire and train employees, purchase inventory, equipment, shelving, and so forth. However, after a short, intense training period you can open for business and be your own boss. It sounds irresistible—if you have $58,500. Should you mortgage your home?

In the same magazine, you notice an ad for a company that markets quality nutritional products through network marketing. You check out the company, the products, the people you will be working with. You find out that for less than $1,000 (usually a lot less) you can become a dis-
tributor and be up and earning income in a matter of days, not months.

Perhaps the most compelling advantage is the fact that this has the potential of creating residual income—multiple streams of income from your growing group of downline distributors. It’s feasible that with a few short years, you could even retire with a substantial, recurring stream of income that takes minimal involvement on your part. You have none of the hassles of taking inventory, doing books, and managing employees. But there are some disadvantages. You’ll be operating out of your own home, so you have to be self-motivated and disciplined. It might get lonely. But that’s okay. You can occupy yourself by counting all the money you’ve saved by not mortgaging your house.

TABLE 1.  
Franchising Wave Three Network Marketing

<table>
<thead>
<tr>
<th>Franchising</th>
<th>Wave Three Network Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large up-front franchising fees</td>
<td>Small initial distributor fee</td>
</tr>
<tr>
<td>Leasing office/retail space</td>
<td>Work from home</td>
</tr>
<tr>
<td>Hiring, training, managing employees</td>
<td>Recruiting, training other distributors</td>
</tr>
<tr>
<td>Stockpiling and keeping inventory</td>
<td>Little or no inventory</td>
</tr>
<tr>
<td>Shipping and/or delivering products</td>
<td>Company ships products directly to customers</td>
</tr>
<tr>
<td>Locked into retail business hours</td>
<td>Flexible hours</td>
</tr>
<tr>
<td>Linear income (you must be present)</td>
<td>Potential for residual income</td>
</tr>
<tr>
<td>High overhead</td>
<td>Low overhead</td>
</tr>
</tbody>
</table>

22
### $$$ Start-Up Costs for 25 Well-Known Franchises $$$

<table>
<thead>
<tr>
<th>Franchise</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAMCO Transmissions</td>
<td>$151,000</td>
<td>$166,000</td>
</tr>
<tr>
<td>Baskin-Robbins Ice Cream</td>
<td>$78,000</td>
<td>$447,000</td>
</tr>
<tr>
<td>Blockbuster Video</td>
<td>$245,000</td>
<td>$823,000</td>
</tr>
<tr>
<td>Budget Rent-a-Car</td>
<td>$166,000</td>
<td>$449,000</td>
</tr>
<tr>
<td>Dairy Queen</td>
<td>$181,000</td>
<td>$585,000</td>
</tr>
<tr>
<td>Denny’s Restaurant</td>
<td>$392,000</td>
<td>$711,000</td>
</tr>
<tr>
<td>Dunkin’ Donuts</td>
<td>$46,000</td>
<td>$287,000</td>
</tr>
<tr>
<td>GNC (General Nutrition Center)</td>
<td>$112,000</td>
<td>$197,000</td>
</tr>
<tr>
<td>Gold’s Gym</td>
<td>$434,000</td>
<td>$1,800,000</td>
</tr>
<tr>
<td>Great Earth Vitamins</td>
<td>$92,000</td>
<td>$111,000</td>
</tr>
<tr>
<td>Jenny Craig Weight Loss</td>
<td>$159,000</td>
<td>$314,000</td>
</tr>
<tr>
<td>Jiffy Lube</td>
<td>$174,000</td>
<td>$194,000</td>
</tr>
<tr>
<td>Kentucky Fried Chicken</td>
<td>$1,000,000</td>
<td>$1,700,000</td>
</tr>
<tr>
<td>Kwik Copy</td>
<td>$216,000</td>
<td>$357,000</td>
</tr>
<tr>
<td>Mail Boxes Etc.</td>
<td>$115,000</td>
<td>$178,000</td>
</tr>
<tr>
<td>McDonald’s</td>
<td>$115,000</td>
<td>$1,300,000</td>
</tr>
<tr>
<td>Mrs. Field’s Cookies</td>
<td>$45,000</td>
<td>$412,000</td>
</tr>
<tr>
<td>One Hour Martinizing Dry Cleaners</td>
<td>$180,000</td>
<td>$260,000</td>
</tr>
<tr>
<td>Rent a Wreck</td>
<td>$15,000</td>
<td>$207,000</td>
</tr>
<tr>
<td>Stanley Steamer Carpet Cleaner</td>
<td>$80,000</td>
<td>$340,000</td>
</tr>
<tr>
<td>Subway Sandwich</td>
<td>$61,000</td>
<td>$170,000</td>
</tr>
<tr>
<td>Super-Cuts</td>
<td>$90,000</td>
<td>$164,000</td>
</tr>
<tr>
<td>Terminix Termite Pest Control</td>
<td>$42,000</td>
<td>$75,000</td>
</tr>
<tr>
<td>The Athletes Foot</td>
<td>$175,000</td>
<td>$325,000</td>
</tr>
</tbody>
</table>
Many of these start-up costs do not include the costs of leasing your space, remodeling it, buying the equipment, or paying for the inventory.

ON-GOING ROYALTIES RIGHT OFF THE TOP!

Do you know what I mean by right off the top? The franchise takes a percentage royalty as the very first expense from the total dollars coming from your sales. It is called your gross sales, but what most people do not realize is that a 5 to 10% royalty on the gross sales could amount to 50% or more of your net sales. The net profit is the amount you get to take home. So people who own the rights to the franchise operation may be paying as much as half or more of the profits to the head office with them doing almost all of the work. If you want to find out what traditional businesses as well as many franchises really hold out for many entrepreneurs, read the book by Michael Gerber called the E-MYTH. What you will find out is traditional businesses do not have the ability to generate enough income or have a system whereby you can let the operation run, without you. Most owner-operated franchises today provide about a $45,000 to $60,000 annual income for the owner, once the initial investment is paid off—if the owner doesn’t rely too heavily on support management staff. You can earn more if you can afford one of the bigger and better ones. McDonald’s franchises, for instance, are virtually fail-safe—though that’s the exception, not the rule. But you’ll pay a steep price for your profits. A McDonald’s franchise costs more than $1 million to get off the ground—if you can get one!
According to Jane Bryant Quinn, business writer for Newsweek, one-third of all franchises lose their shirts, one-third just break even, and one-third make a profit. In other words, 66 out of every 100 franchises are losers. Its better odds than the lottery, but with the price of the franchise ticket averaging $85,000, it should be.

Experienced, professional franchisees today will tell you that unless you’re going to own a string of five or more successful stores—for get it. You might as well save yourself the headaches and heartaches and stick with your JOB. That is if you still have one.

When I compare my network marketing income to the businesses I’ve owned and operated during the past 20 years, the network marketing business is the hands-down winner. I’ve owned restaurants, clothing stores, a chocolate factory, apartment buildings, commercial buildings, seminar companies, newsletter businesses, direct-mail multimedia, and software businesses. I’ve invested in Broadway plays. I’ve even owned a piece of a professional basketball team—the Utah Jazz. Network marketing beats them all. My overhead is minuscule compared to my former company that had 250 employees. Just the thought of going back to managing employees makes me cringe. I no longer need to pay salaries, benefits, social security taxes, workers’ compensation, health care, or retirement plans. To an ex-employer like myself, it seems like a miracle.

But, you say, “I don’t want to end up with a garage full of unwanted products.” Neither would I. And frankly, this used to be a prob-
lem with some Wave One and Wave Two companies that used high-pressure tactics to induce new distributors to buy thousands of dollars worth of product to get started.

That’s what makes Wave Three network marketing companies different. Gone are the days when distributors needed to stockpile products in their garages, deliver products door-to-door, fill out endless paperwork, and package and ship products nationwide. All of this drudgery is handled by the company. All you need to do is find customers, fill out some online enrollment forms, answer questions, and do some training. Then you’re in business.

But, you say, “It seems like everybody is into this. Won’t I run out of people?” Don’t be silly. There are 300 million people in North America alone, of which less than 10 percent have ever been involved in network marketing. Plus hundreds of millions, even billions, of people in other countries. Although network marketing was invented in America, it’s even bigger and more popular in Japan and is booming in the Far East.

In fact, that’s the exciting thing about network marketing. You will be personally involved in the recruiting, sponsoring, and training of distributors in your organization, but then it starts to take on a life of its own. These first few people recruit others, who then recruit others—until it spreads to other parts of the country and even to other countries. If you persist, your organization soon consists of hundreds, even thousands of people all over the world who are buying products; people whom you have never met, whom you never will meet, but people who nonetheless are helping you build a nice residual income of hundreds or even thousands of dollars a month. This is what I call leverage. It’s truly amazing.
What do I have to do to really make this work?

First let me tell you what you won’t have to do.

You won’t be delivering many products to anyone. If you were looking forward to delivering products to your neighbors door-to-door, you’ll be very disappointed. Wave Three network marketing companies don’t work that way. Instead, you’ll just tell a few people about how much the products have improved your life and after some simple paperwork, they’ll order the products directly from the company, toll-free. The company even handles the delivery for you.

You won’t be doing a lot of face-to-face selling. If you love to sell, if you like to handle tough objections, if you live for the thrill of the close, then I’m sorry but I have some bad news. You’ll probably do very well in one of those ancient network marketing companies where you have to find 50 or 100 customers to make any decent money. But in many of the new Wave Three companies, you need only a few new customers a month to start on your road to success. There are 5 billion people on this planet. Do you think you could find one person a month who is interested in adding extra streams of income to their life?

Here is how it will probably work at first. You’ll share an audiocassette or CD with someone you meet. The person will listen to it and say, “I’m interested. Tell me more.” You’ll set an appointment for your prospect to have lunch with you and your sponsor. The three of you show up at the appointed time. Your prospect listens while your sponsor does the talking. You just observe. (This is your on-the-job training.) Your prospect signs up and starts ordering the product and doing what you do. You get a check.
Does this sound too hard? This is the exact model Collette used to sponsor my wife. She showed us a video. My wife said, “Tell me more.” Collette said, “Let’s have lunch.” And my wife said, “If that grumpy husband of mine isn’t interested, we’ll go ahead without him.” And that’s what they did.

Using this model, Collette makes more money during her lunch hour than most people earn in a month. And she continues to be paid over and over again for that same effort. Wouldn’t that be nice to get paid over and over again for time you spent at lunch six months ago?

What if you don’t have time for lunch? Simple. Do it over the phone. It’s actually faster and cheaper. Be sure to involve your sponsor in the phone call (a three-way call, to include you, your sponsor, and the prospect). Your sponsor does the presentation while you “observe” (on-the-job training). The prospect joins your team, orders some products, and you start to earn a small stream of income.

Does this sound too hard to you? You listen. Your sponsor talks. People order products. You get checks.

*It’s That Simple! Working Crazy or Smart?*

When I explain how simple this can be, some people look at me as though I’m crazy. So I give them the financial-freedom test:

Q. “Do you have multiple streams of income flowing into your life?”
(They usually answer no.)
Q. “Do you get paid multiple times for every hour you work?” (Answer: Again no.)
Q. “Are your hourly earnings potentially unlimited?” (Still no.) “Do your income streams flow 24 hours a day with or without you?” (Answer: No.)
Q. “Do you own or control these streams of income?” (Answer: No.)
Q. “Will your income streams continue to flow after you die?” (Answer: No.)
Q. “Can you give yourself a raise any time you want?” (Answer: No.)
Q. “Do you have access to some of the huge tax savings reserved for business owners?” (Answer: No.)
Q. “If your main income stream dries up, could you survive for a year without income?” (Answer: No.)

Then I say, “Because of network marketing, I can answer yes to each of the preceding questions.” I wonder which of us is the crazy one?

*This is my definition of crazy:* Crazy, n. Work for peanuts at various jobs you hate for 50 years. Then die poor.

*This is my definition of smart:* Smart, n. Work hard for a much shorter period of time. Retire with multiple streams of residual income.

We’ve been earning regular, residual streams of income from network marketing for years now. This is smart. This is intelligent. This works! As you can tell, I’m not a skeptic anymore. Sometimes I get so excited I can’t sleep at night. Not because of the money I make, but because of the good that is done, the lives that are influenced, the personal growth that I see. This is fun. Yes, fun!
But it’s not without its sadness, too. Here’s the hardest part for me. I see people struggling financially in their lives. I see people in poor health. I see people whose lives are not working. I say to them, “I’ve got an answer for you that works!” But because they know someone who tried and failed, their minds snap shut. I can’t blame them. That’s exactly what I did. Still, I wish I had the power to persuade them to take a closer look. They might just like what they find.

Sometimes You Need Someone to Show You the Way

Most people live their lives unaware of the incredible opportunities that exist all around them. I’m reminded of the story of a woman in the early days of this century. She saved for many years to come to America, and she finally had enough money to afford passage on a large ocean liner. Because money was so tight, she stayed in her cabin most of the time, rationing the food she’d brought on board with her. With one day left on her journey, she decided to splurge on a meal. She showed up for the final banquet buffet, and, bracing herself for the bad news, she timidly asked the maitre d’ how much a meal like this would cost. “But madam, didn’t you know? All of the meals are included with your ticket. You can eat as much as you like—for free.”

Life is like that. You don’t want to get to the end of your life and realize that you could have had anything you wanted if someone had just shown you the way. With the same effort you’re now expending, you can be enjoying the banquet of prosperity that life has to offer.

Well, enough motivation. Let’s get started.
First the bad news. It’s been reported that as many as 90 percent of the people who get involved in network marketing fail at it. Here’s why:

The vast majority of people who get started are not committed. Because they had little to risk in starting (a $50 distributor kit and a few hundred dollars worth of products), they also have little to risk in quitting. (They eat up their personal inventory and they’re out of business.) At the first sign of resistance, they quit. Easy in, easy out.

Because of the ease of entry, the industry tends to attract a get-rich-quick crowd. They play the network marketing game like they play the lottery. Buy a cheap ticket and, if it doesn’t work out, no big deal. Some people bounce from company to company like multi-level marketing junkies.

In my experience, once you weed out the flakes, the people who stick with network marketing as a serious business endeavor are among the most dedicated, hardworking, wonderful people I’ve ever associated with. In fact, those people I’ve met have convinced me that network marketing is truly an enlightened way to wealth.

The Enlightened Way to Wealth

Today’s business news is filled with stories of corruption and greed. Corporate CEOs and senior managers who amassed millions in personal wealth at the price of stockholders, customers, lenders, and most tragically, their personal integrity. With all that we’ve read about, it is easy to scorn the wealthy and conclude that everyone is corrupted by wealth.
But, I assure you that there are many millionaires who use their wealth in noble and uplifting ways. In fact, when Mark Victor Hansen and I joined forces on our latest bestselling book, *The One Minute Millionaire*, we added the subtitle “The Enlightened Way to Wealth” to make crystal clear that wealth and virtue could and should be found in a single human being.

In that book we define the enlightened millionaire as one who “pursues a principled approach to wealth.”

**First, do no harm.** Borrowing from the Hippocratic oath that many doctors take as they graduate from medical school, the enlightened millionaire commits to avoid any wealth-building activities that harm or impoverish other people. Create only abundance, never scarcity. This means creating wealth in an ethical, honest, and win/win manner.

**Second, do much good.** The enlightened millionaire enjoys creating wealth that improves the lives of many people. The goal is to enrich oneself while enriching others.

**Third, operate out of stewardship.** Enlightened millionaires are stewards over their financial blessings—enjoying the privileges of financial success while creating an ongoing legacy to bless others. Many enlightened millionaires feel a personal “calling” to provide support to one or more specific causes (such as Jerry Lewis and muscular dystrophy). The goal is not to amass personal wealth for its own sake, but to bless the lives of many people. The first proof of your commitment to make money to bless other people is to give at least the first 10 percent away.

Remember Collette, my ex-secretary who introduced my wife and me
to USANA? Today Collette is the number one income earner in the company. Here is Collette’s story in her own words, and I quote:

“Before I was introduced to USANA my two youngest daughters, Sharlie and Lexi, were experiencing critically poor health. Both were born with the chronic degenerative disease, cystic fibrosis. Lexi underwent a pioneering procedure, a double lung transplant, in August of 1993, just weeks after her thirteenth birthday. The transplant went beautifully, but just nine days after the transplant Lexi’s body rejected the new lungs. In an attempt to save Lexi’s life, she was put into a medically induced coma and remained on life support in intensive care for nearly three months. Lexi was down to 50 pounds—her body devastated by the ordeal she had been through. Sharlie’s lung function tests had reached the point that our doctors were discussing the possibility of putting her on the transplant list as well. I was desperate. Having seen what poor health can do to a body, especially someone you love, I became interested in searching for ways to maintain optimal health for my family and me.

Lexi passed away on March 5, 1995 due to late rejection of her transplanted lungs. Our family faced a very serious financial situation after Lexi’s ordeal. I didn’t know what I was going to do to cover Lexi’s physical therapy expenses and to help support our large family. I needed to make a lot of money, I needed to make it quickly and it was essential that I worked from my home so I could be with my children.

I originally got involved in USANA because of the products, but now I can honestly say that the financial opportunity has made the difference between financial devastation and incredible
prosperity in our family. I have now been working USANA as a business for eight years. My current monthly income is considerably larger than what my annual salary used to be working as a full-time administrative assistant.

What started out as “mom’s USANA business” has evolved into a family enterprise. My children are now grown with children of their own and they’ve traveled the world with me sharing this message of improved health and financial independence.”

Perhaps the best part of the story is what Collette does with those earnings. Collette believes in the law of the “tithe.” She contributes a full 10% of all her earnings to her church. And that’s not all. In honor of her daughter Lexi, Collette has committed that she will be a leading contributor in the fight against cystic fibrosis until a cure is found—and she has kept that commitment for more than seven years now.

What other industry is filled with leaders with such compassion? What other industry has as a requirement of success—the success of those “beneath you” in the organization? Network marketing is truly the “Enlightened Way to Wealth,” where those who succeed do so by giving all they can to those they work with. In other words, the road to the top requires giving more not getting more.

No matter what your motive for earning residual income in network marketing, there is a fundamental principle that everyone must learn. This principle is the key to success: **you don’t succeed in this business until you help others succeed.** Think about it, in most organizations you don’t progress unless others fail to progress. In contrast, I have every reason in the world to make sure that everyone I work with earns
an income. We grow together, not apart. That’s why I call network marketing the truly enlightened way to wealth.

Begin with No “End” in Mind

For me, it’s not about the money. It’s all about lifestyle. For example, my commute time from my bed in the morning to my office is 26 seconds (I know because I just timed it). This saves me an hour a day in commute time. That’s an extra hour I can spend with my family. That’s something you can’t put a price tag on.

Just a reminder about the kind of income we’re going to be earning: If all you want is to earn some extra money, you could always go into the working world and get a part-time job ($10 an hour and 20 hours a week gives you a quick $200). From that, of course, you have to deduct the hard costs: taxes, gas, insurance, and childcare if necessary. Then you add the emotional cost of this part-time work—dressing up, getting stuck in commuter traffic, dealing with a grouchy boss and office politics, sacrificing your freedom. When you add it all up and subtract the negatives, there’s not much left over. And all you have to look forward to is another week just like the last one—week after miserable week as far into the future as you can see.

The kind of income I want to show you how to earn is a recurring stream of income, one that can possibly continue to flow for years to come. Most people who toil in the working world have difficulty imagining this kind of income flowing into their lives. But those of us in the networking world see it happening every single day. And the best part of this world is the lifestyle.
When you’re the boss, you get to choose the dress code. For me, it’s my exercise outfit. And I rarely shave before noon. When I’m on the phone (where I do most of my business) people can’t tell what I look like. And I like it that way. There are no office politics in my home office. And here’s the exciting part: In contrast to the working world, there is no limit to the amount you can earn in the networking world. Low downside, huge upside potential. That’s a good combination.

So, as you become the president of your own networking company don’t act like a visitor—it’s your company—be the boss. If you want a lifetime of recurring income you need to invest more than a week of your life. Let me explain.

As you get started, you will become aware of the many success stories being created every day. There are incredible stories of improved health. And amazing stories of people earning an extra $100 a week to $10,000 a week and more. You might be tempted to want this same kind of success to happen to you immediately. But if you were to talk with each of these success stories you will find the clue to their success lies in consistent, persistent, patient effort expended over a longer period of time. What appears to be “overnight success” was the fruit of long-term diligence. But what’s exciting about network marketing is that consistent effort can pay off in a very big way.

The definition of a winner is a person who will not quit. And network marketing success comes only to winners. Why? Because the odds of finding two good customers in any list of 100 average people are very low. But the beginner doesn’t know this. Armed with unrealistic expectations, novices call everyone they know, and after only a few calls, it appears as if nobody is interested. Because these people are supposed to be their friends, beginners take these rejections per-
personally. It’s painful. And that’s why they quit. It sounded so easy when they signed up. But in reality, finding those first two good customers was much harder than they expected.

But here’s the good news. Although a beginner feels defeated, a 5 percent response rate is fantastic! It’s the stuff fortunes are made of. Mail-order marketers are ecstatic with a 1 or 2 percent response rate!

Collette, my ex-secretary, invited dozens of people to her first meeting. Four people showed up and two people left early. But the two who remained were excited and signed up. From the genesis of those first two people, Collette is financially free for life because she has learned this important secret:

If you can find just one or two customers in every 100 contacts, you can build a fortune.

**Getting Started**

Are you ready to turn on a residual stream of income in your life? If so, let me give you six critical steps to network marketing success.

*Step 1: Set aside at least 5 to 10 hours a week.*

That’s about an hour a day. For most people, that’s difficult, because our lives are already full. You’d be surprised how, just by reshuffling some of your time and refocusing your priorities, you can grow a wonderful stream of extra income. Are you willing to do that?
Step 2: Think small.

You heard me right. Most opportunities boast of how you can earn huge amounts of money—$100,000 a year for life—in three weeks! It’s just not realistic. So, let’s chunk down. Let’s build a foundation first. The bigger the foundation, the bigger your business can be. Shoot for a few hundred dollars a month. When the checks have started to flow and you have proven to yourself that this is realistic for you—given your personality, your time, and your circumstances—then you can decide whether you want to go for the big bucks.

Step 3: Be teachable and follow a system.

As you select a company with a compensation plan you can understand and explain you’ll also select a sponsor. Selecting the right sponsor is critical, because he or she will be your mentor and will help provide the training and support you will need in the first few weeks of your business. Make sure you choose an individual you like and respect. Since your sponsor and your company will have a “system” for success, I won’t spend time teaching you a success system—but you need one and you’ll have much more success if you’re teachable and follow the system used by your sponsor. Let me repeat that—you need a system and you’ll find more success in following the system your sponsor teaches rather than inventing one on your own.

Step 4: Build your own dream team.

Always be on the lookout for the best people and then ask them to join your team. To have a successful dream team, you’ll need at least one or more people with whom you have a common purpose. You need partners to think through situations and circumstances. Both
your hearts and your heads have to be in harmony with one another.

Don’t wait to begin building your organization, and don’t make the choice to not sponsor someone because you don’t believe he or she will be a member of your dream team. While everyone you sponsor deserves your time and attention, not everyone you sponsor will be part of the close group of people with whom you share your goals and aspirations with. Those who join your dream team will help you identify bad habits that are hindering your success and you can help each other improve. Your team members will see more in you than you see in yourself. They will be there to cheer you when you become weary and to celebrate your success.

**Step 5: Don’t forget to follow up.**

This is the most important step. It is the razor’s edge between success and failure. You can’t expect to just mail out or hand out some tapes and then have people start throwing money at you. We all are busy. Most of us need multiple exposures to a new idea for it to sink in. Here’s how to follow up.

As soon as you’ve dropped the information in the mail to your people, call them all on the phone the same day, tell them you’ve sent them a package of information and ask them to be looking for it. This will ensure that when they get it, they won’t throw it away. Ask if it would be okay for you to call them after they’ve reviewed it to get their reaction. If you can’t reach a live voice, just leave a message on their answering machine.

Here’s the question to ask when you make the follow-up call. “Well, what did you think?” And just let them talk. Don’t be defensive, just
listen. Listen as if you were an employer trying to hire a new employee. See if you can select the best person for the job. If you wouldn’t hire the person for a real job, maybe you wouldn’t want to work with them in your new business. I want you to cycle through your prospects until you get a no, a maybe, or a yes—from every single one of them. This may take several calls. Marketing executives have long quoted the statistic that 80 percent of sales take place after the fifth contact. Why is this? Because nobody follows up! Those who persist get the gold.

Once again, it all boils down to finding two people and helping them find two people. Do you think you could do this? Let me show you how to dramatically improve your odds of finding those two people fast.

Table 2.

### Profits in Persistence

- 48% quit after only 1 contact
- 25% stop after just 2 contacts
- 12% actually make 3 contacts
- Only 10% make more than 3 contacts
- Yet, 80% of sales happen after the 5th contact
If you want to make serious money, you must get serious about follow up.

**Step 6: Increase the probability that one person in twenty-one will say yes.**

Do a three-way call. I highly recommend that you ask your sponsor, the person who enrolled you in your company, to be with you during the initial call—not only for moral support but to add credibility to the process. (In networking, we call this a three-way call.) Also include your sponsor in the follow-up call. Believe me, it will dramatically improve your success rate. Something magical happens when the two of you work together.

If you can, meet with prospects face-to-face, perhaps over lunch. If you can, get them to a local meeting where they can rub shoulders with the kind of people your company attracts.

Use high-tech recruiting systems. You can also build credibility by directing interested prospects to any of your company Web sites, hotlines, weekly or daily conference calls, and so on.
It Can Work for You!

Let’s assume you find just two people after a full month of work—we’ll call them Bob and Sue. You teach those two and they follow your example. In your second month, there would be six people on your team in addition to yourself. Every time anyone on your team buys one of the company products, you earn a small referral fee. As the weeks roll forward, you continue to work with Bob and Sue below you, four people below them, and eight people below them (2+4+8=14).

In this third month, if everything goes according to plan, everyone on your team is consuming products and your checks are getting larger and larger—large enough to catch your attention. Bob and Sue’s checks could be growing as well. And many of the people below them are starting to earn their very first checks. Your top people are starting to see that if they just follow the plan, consume these wonderful products on a daily basis, and find a few others who consume these products, then everyone can earn income.

By this time, you’ll most likely have a product success story to tell. When you meet people you know, you’ll be able to say with conviction that your part-time, home-based business is starting to work. Your enthusiasm will be contagious.

In the ideal situation, after six months your team could consist of over 100 people, of whom you have personally sponsored only a handful. The other people on the team have brought in the rest. Now you’re starting to see the power of leverage. Then the magic begins as people below you start bringing in customers from other parts of the
country and, eventually, from other parts of the world. Your influence is spreading all over the planet, and small streams of income are flowing from the four corners of the earth. And you didn’t even have to leave home!

It’s All Up to You!

Can it work? Yes! Will network marketing produce an extra stream of income in your life? That’s up to you. What quality of lifestyle do you want, and what price are you willing to pay to get it? It takes a special kind of person, a person with vision, to step back from the pressures of life and say, “I don’t want to live like this anymore,” and then to do something about it. Even though you may be earning good money, it can’t be all that good if it’s attached to a bad lifestyle.

Your decision as to how you’ll respond to this opportunity will probably fall into one of three categories:

1. I’m ready to get started.
2. I’m interested, and I would like more information.
3. Thanks, but no thanks. I’d like to try your products.

So it’s your choice. Call the person who sent you this special report and tell them if you are a 1, 2, or 3.

Whatever your choice, we leave you with the words of Dr. Myron Wentz, the founder of USANA:

“Love life, and live it to its fullest, in happiness and health.”