

Small business schemes: look before you leap

Earn big money in your spare time! Just a few hours a week can net you a fortune with our revolutionary franchising concept in solar energy. No experience necessary. Minimum \$3,000 investment required. Will train.

People always want or need more money. Rising prices, unemployment, inflation—these conditions certainly add to that need but no matter what the economic situation, the everyday consumer never seems to have enough.

And that's why, in most daily newspapers, you can find columns of advertisements, like the one above, imploring readers to take advantage—now—of some fantastic, new, "guaranteed" business opportunity.

Most are spare or part-time opportunities with the promise of huge rewards for very little actual work. The investor needs no special talent or ability—just money. The ads always sound good—usually too good.

Business opportunity schemes

Not all business opportunities, of course, are "schemes". Many are well thought out enterprises with every chance of success.

For many, however, the only real opportunity offered is the chance to lose your money. The schemes can involve virtually any type of financial dealing—vending machines, product dispensing distributorships, part-time commission sales or multi-level pyramid sales organizations. Almost anything can be franchised. All it takes is a fast-talking promoter.

Look out!
Remember, to make money in your spare time you have to have two elements: your time and talent, and a product or service which people will buy.

There are no short cuts. No matter what the ads say, the only way to earn money is to work for it. Watch out for advertisements, telephone pitches or face-to-face contacts which:

o promise large rewards for very little work.

o require a sizeable up-front investment (\$1,000 or more) for training or merchandise.

o extol the remarkable and unique virtues of some product or service that is already available through other outlets.

o promise unlimited future training.

o lead the prospective investor to believe he or she has been "selected" and that the opportunity is open for a limited time only.

Questions to ask

Before you invest your money in a business opportunity ask the right questions and demand satisfactory answers. Here's what to look for:

o How long has the company been in business? If it is just starting up or doesn't have a proven track record, you're taking a big chance with your money.

o Is it a new franchise using old ideas already exhausted by others, or is it a brand new product or service?

o Is it based out-of-province or in another country? If it's in a different jurisdiction it will be difficult, if not impossible to recover any of your investment.

o If the operation claims affiliation, sponsorship or association with a larger or well known company, check it out. Don't take the promoter's word on anything.

o Look for solid references and check these out. Again, if there are claims of affiliation

with such organizations as the Better Business Bureau or Chamber of Commerce, well-known individuals or banks, check it out.

o Ask to see the company's financial records. A negative response may be an indication that they've got something to hide. If they do open the books, check their validity with an accountant (your own, not theirs).

o Ask how the company makes its money. If it's a franchise you're about to invest in, make sure the company is making money because its franchisees are doing well, not because they are constantly selling new franchises. (See pamphlet, "Franchising Facts", available by writing to Consumer Information Centre, Ministry of Consumer and Commercial Relations, 555 Yonge St., Toronto).

o What is the demand for the product or service being promoted? Would you buy or use it yourself? If not, probably no one else will either. Verify any claimed market surveys.

o Are others making a success of the business? Investigate on your own and get your own names of others involved.

o If the promoter offers an exclusive territory, determine just how exclusive it is. Is it marketable? Is there competition from others selling a similar product or service? Is the area defined by geography or by population?

o What kind of marketing support is promised? Are advertising plans adequate? Who pays for advertising?

o What about distribution? Can you rely on a steady supply of goods to sell? Does the company manufacture the product or just distribute it. If it is a distributorship, there is the danger of being cut off or undersold.

o Is there a buy-back agreement for goods? How certain are you that the company will still be there when you want to return the goods? Can you sell out if the business proves unprofitable?

o Is there a minimum of stock that must be purchased at intervals?

o Is servicing or repair of the product provided? At what cost?

o Exactly what kind of training is promised and provided? Ask for a detailed description in writing.

A reputable operation will have answers to any of these questions. Be wary of any hesitation, evasion or fast talk.

Work-at-home schemes

The ad reads: Earn \$200 a week stuffing envelopes! Just \$5 will set you up with your own work-at-home business.

How can you lose? It's a great way to earn extra money and if you really work hard, why you could probably earn as much as \$300 a week!

You can lose all right, because what you get for your \$5 investment is usually nothing more than a leaflet telling you how to post a notice in your local supermarket or laundromat. Or it might describe how to write to companies informing them you're willing to stuff their envelopes for a fee. You're paying \$5 for useless information and the advertiser is getting rich.

Any large firm already has an adequate envelope stuffing system, or uses the services of another company which specializes in stuffing and distribution. You can't compete and you've thrown away \$5.

Other schemes include purchasing raw materials or certain basic manufacturing equipment to enable you to work at home on a piece-work basis. The company promises to buy back all "acceptable" finished products. And that's the catch. No matter how good your product is, it won't be acceptable.

The company never intended to buy back anything in the first place. They made their money by selling the initial material or equipment.

Watch out!

That's the real message. Check and double-check every facet of any business you're considering putting money into. Be on the look-out for a business that requires an investment, usually payable in advance; exaggerated promises of assistance in the way of marketing aid, training and advertising; the fact that you've been "selected" or that the offer is good for a limited time only; and probably the most obvious clue—the promise of large profits for very little work.

Anything can be promoted—all it needs is a fast-talking salesman to sell it. And it's the promoter who's making the easy money, not the investor. The person putting up the money still has to make the business work.

And, before you invest, hire a lawyer and an accountant and make sure any contract signed will stand up in court—chances of getting back your investment are low, especially if the company you invested in is based in another jurisdiction.

Before you invest, remember the old adage: believe nothing you hear and about half of what you see.

Regional Offices:

Advice on this and other assistance may be obtained from the ministry of consumer and commercial relations. Contact the ministry's consumer services bureau nearest you.

The law and you...

(Continued from page 6)

compile statistics called "mortality tables" to figure out the precise level of premium to give you a life-time of life insurance protection. Thus by taking out life insurance while you are young you will save money in the long run.

12. There is only one thing worse than being in a car accident and that is being in an accident where the other driver is at fault but has no insurance. What does Ontario law say is required of a driver in terms of insurance?

Ontario has a compulsory insurance law which requires all drivers to be insured under a motor vehicle liability policy. If you do not have this standard form of insurance you must at least have paid that \$60 fee into the Motor Vehicles Accident Claims fund. But note: This is not an insurance policy. It will only cover any damage you are responsible for up to \$50,000. Anything above that must be paid by you. As well, you must pay back to the fund any monies they put out on your behalf. Your licence can be suspended until you make arrangements to pay back all judgements and costs. So while a person may think they can not afford the insurance to drive they may find that they are saddled with a court judgement which they may spend the rest of their life paying back.

Close liaison . . .

(Continued from page 6)

ards of conduct and ethics."

First board
The first board was formed in 1903 in Winnipeg, followed 15 years later by the first in Ontario (Windsor). By 1921 boards had been established in major centres across Canada and by 1922 the OREA was founded, he said.

The early role of the boards was to provide formalized education and gradually the law of the jungle was forced out of business, he said.

OREA established standards and lobbied for a licence law, the first of which passed in 1930.

He said the Ontario board was recognized as one of the ten best in North America where there are 60 licencing agencies.

Rent Control
After his address, Johnson told reporters that the government's announced intention of extending rent controls to 1980 is a "mistake."

Under the proposed legislation, a six percent ceiling would be set on rent increases.

Tenants do need to be protected and there are programs for them, Johnson said, "...but not in a free market."

He said rent controls are needed when the vacancy rate is "in excess of three percent." He noted that in Brampton, the vacancy rate is estimated to be below one percent.

"It has been clearly established that a three percent vacancy rate would allow the market to function," he said.

Rent controls causes "distortion in the market and encourages people in sub-

sized buildings to stay in them longer." Such people don't become house buyers and help create a glut on the housing market.

Only Hamilton, Ottawa and Toronto and possibly an isolated area would require rent control, he said.

Condominiums

Commenting on proposed legislation for condominiums, Johnson told reporters there is nothing about the legislation that he doesn't like. "I'm very pleased with the (proposed) act in its present form."

The proposed legislation protects condominium owners in that it allows speedier processing of their complaints, he said.

FOREST FACTS

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