

# Protect Yourself from Pyramid Schemes

## What are they?

Pyramid schemes are illegal money making operations. Profits gained from pyramid schemes are based on the necessity of recruiting new members to contribute to the person at the top of the pyramid. The new members who contribute hope that one day they will be at the top of the pyramid to receive their profits.

## Why is it illegal?

Pyramid schemes are illegal because there is a mathematical certainty that the last people to enter the scheme will lose money. This means that there will always be victims. Unlike gambling, there is little or no opportunity for the state to regulate the procedures by which pyramid schemes operate. The circumstances under which pyramid schemes operate also create opportunities for deception and fraud.

Establishing, Operating, Advertising or Promoting a Pyramid Scheme is a FELONY under Kansas Law. K.S.A. 21-3762 Limiting the number of persons who may participate in a scheme or any additional conditions affecting a person's eligibility to receive compensation does not change the identity of the scheme.

## How to tell if it is illegal:

Pyramid Schemes are broken into two categories: product based schemes and non-product based schemes.

A non-product Pyramid Scheme is when participants contribute only money to a person identified at the top of the pyramid. These schemes require new people to join the scheme in order for a profit to be made, consequently creating guaranteed victims.

Product-based pyramid schemes are where participating persons not only contribute money to a person identified at the top of the pyramid but also are encouraged to sell a product associated with the person at the top of the scheme. These product based pyramid schemes are often disguised as "business opportunities."

## Provided by:



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