Compensation Plan Analysis / A Critical Examination

To fully understand and analyze any compensation plan, one must first understand the basic foundation to compensation of any type.

In the MLM arena, models are pitched as the “OPPORTUNITY” for the masses, yet research has showed that the odds of playing in Vegas and winning at roulette are much higher. [http://www.pyramidschemealert.org/PSAMain/resources/WheresTheHarm.pdf](http://www.pyramidschemealert.org/PSAMain/resources/WheresTheHarm.pdf)

When choosing to become part of any MLM opportunity, there are several basic elements to consider that may help you determine exactly what your odds of success are. Many of these elements are subjective such as product pricing, ability to sell the product to end user, percentage of payout, allocation of compensation dollars, leadership experience, financial strength of the company, integrity of the company and so forth.

In examining the LIFE compensation plan, this analysis will not delve into any of these “subjective” areas, but will merely focus on the mathematical strength of the plan, and its ability to bring new people into profit from the “NETWORKING” standpoint alone.

Whether or not LIFE has a quality product, at a fair price is merely a matter of opinion. Whether LIFE distributors will be able to “RETAIL” the product to end users, is yet to be determined. You will have to decide for yourself if the LIFE product is a value to you. The purpose and goal of providing this analysis is to merely show the strength and mathematics behind the LIFE compensation plan.
The Life Product is CDs, Books, and Motivational Self Improvement Seminars

<table>
<thead>
<tr>
<th>PV</th>
<th>Bonus %</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,000</td>
<td>50%</td>
</tr>
<tr>
<td>10,000</td>
<td>45%</td>
</tr>
<tr>
<td>6,000</td>
<td>40%</td>
</tr>
<tr>
<td>4,000</td>
<td>35%</td>
</tr>
<tr>
<td>2,500</td>
<td>30%</td>
</tr>
<tr>
<td>1,500</td>
<td>25%</td>
</tr>
<tr>
<td>1,000</td>
<td>20%</td>
</tr>
<tr>
<td>300</td>
<td>10%</td>
</tr>
<tr>
<td>150</td>
<td>5%</td>
</tr>
</tbody>
</table>

* There are also several other purported bonuses, a leadership override bonus and one time cash awards, but for the purpose of this analysis, we will stick to the “residual” part of the income. This is where the new people and majority of the distributors will earn from.*
Breaking Even From The Network
What Does It Take?

The basic subscription package with Life is $50 ($60 with tax and shipping) a month, what will it take for you to residually break even from the Network?

Your Total Team: 
21 X 50 = 1050 PV

Team 1: 10 X 50 = 500 PV

Team 2: 10 X 50 = 500 PV

To break even from the network on a monthly basis you must generate two teams with 10 people on the $50 basic system.

This indicates that the maximum success ratio from the network is 1 in 21 which would equal a maximum residual break even of 4.75% with a mathematical failure of 95.25%. No matter how large your group grows, the percentage of those losing will remain the same.
**The Math?**

Your Total Team:
\[21 \times 50 = 1050\text{ PV (20\%)}\]

Team 1: \[10 \times 50 = 500\text{ PV (10\%)}\]

Team 2: \[10 \times 50 = 500\text{ PV (10\%)}\]

You would earn \[1000\text{ PV} \times 20\% = $210\]

Minus Team 1: \[500\text{ PV} \times 10\% = $50\]

Minus Team 2: \[500\text{ PV} \times 10\% = $50\]

**Net Profit To You = $110**

If you did not reach 1000 PV, you could not break even because the math would look like this:

\[950\text{ PV} \times 10\% = $95.00\]

Minus Team 1: \[450\text{ PV} \times 10\% = $45.00\]

Minus Team 2: \[450\text{ PV} \times 10\% = $45.00\]

**Net Profit To You = $5.00**

*In this scenario, money you would have received had you qualified at 1000 PV will simply roll upline and be paid out there. It is possible in this type of a comp plan to have a large team and make no money.*
Allocation of Compensation Dollars
Show Me The Money

A 50% payout on 15,000 PV would indicate commissions of $7500.00 where does that money go? What percentage of dollars flow to what percentage of distributors? Basic math shows us that equation.

1. To reach 1000 PV in the network, a distributor would need 20 people at the basic package of $50 which would pay $200.

2. That means that $200 of the $7500.00 available is being shared by that group, which equates to 2.68% of the total compensation available.

3. The mathematical failure ratio from the network of 95.25% also gives us the factor to determine allocation of compensation dollars. In this scenario 95.25% of people in the network share in 2.68% of compensation dollars. This would indicate that the other 97.32% of available compensation dollars or $7,300.00 will be shared by less than 4.75% of everyone in the network.
Summary

If you find value in the Life opportunity/products I would recommend engaging with and teaching others about the 3 and its free program. That program makes Life a viable opportunity.

If you plan on earning from the Network, there is a 95% plus chance you will never be able to break even on a monthly basis. And a 95% plus chance that your team cannot earn from the network as well.

So that you understand, 97% of all compensation dollars are being paid to the top 4.75% of the leadership within Life. If you are o.k. with that then go for it, good luck!

To quote Lloyd Christmas from Dumb and Dumber, “So your telling me there’s a chance?”