



## Tip Sheet One: **How to Calculate Residual Income**

**The most important asset that we Network Marketers have is each other. We need each other to build the Teams necessary to generate the revenue from which our income is paid.**

Assuming that the product costs are \$100 per month, every distributor in your growing downline pays \$100 to receive their beneficial product.

In this example, we'll assume that the commission breaks down is as follows:

- *Level 1: 5% or \$5*
- *Level 2: 25% or \$25*
- *Level 3: 10% or \$10*
- *Level 4: 3% or \$3*
- *Level 5: 6% or \$6*
- *Level 6: 9% or \$9*
- *Level 7: 12% or \$12*

Now let's assume that you sponsor three people personally, and then showed those people how to do the same. Let's assume that each of the three people you enrolled also enrolled three people of their own, who in turn enrolled three people, all the way through your 7 levels.

If this happens then you can see the amount of revenue and income generated would be as follows (assuming you meet any other commission criteria):

- *-You- (figures exclude your contribution)*
- *Level 1: 3 people, \$5 each = \$15 = cumulative income \$15 (revenue \$300)*
- *Level 2: 9 people, \$25 each = \$225 = cumulative income \$240 (revenue \$1,200)*
- *Level 3: 27 people, \$10 each = \$270 = cumulative income \$510 (revenue \$3,900)*
- *Level 4: 81 people, \$3 each = \$243 = cumulative income \$753 (revenue \$12,000)*
- *Level 5: 243 people, \$6 each = \$1,458 = cumulative income \$2,211 (revenue \$36,300)*
- *Level 6: 729 people, \$9 each = \$6,561 = cumulative income \$8772 (revenue \$109,200)*
- *Level 7: 2,187 people, \$12 each = \$26,244 = cumulative income \$35016 (revenue \$1200)*
- *Total in organization: 3,279, Total monthly income = \$35,016, (revenue \$327,900)*

OK then.



You want to earn \$500 a month, so based on this Compensation Plan... you would need to have a downline of 39 people who each spend \$100 on product EVERY MONTH.

Your Group would generate \$3,900 revenue and you would be paid a commission of \$510 or 12.8%.

Now you want to earn \$2,000 a month, so based on this Compensation Plan... you would need to have a downline of 606 people who each spend \$100 on product EVERY MONTH. Your Group would generate \$60,600 revenue and you would be paid a commission of \$2,211 or 3.6%.

Lastly, you want to earn the big money... \$35,000 a month, so again based on this Compensation Plan... you would need to have a downline of 3,279 people who each spend \$100 on product EVERY MONTH. Your Group would generate \$327,900 revenue and you would be paid a commission of \$35,016 or 10.6%.

### **The BIG Questions**

The key questions you need to ask yourself now are:

- Which product could satisfy each of my Downline over the long term e.g. cost, benefits, performance?
- How soon would it take me to build this Organisation?
- What's in it for my downline apart from the product e.g. how soon could they earn a similar amount?
- What would it take for all of these 3,279 people to see value in joining?
- How can I quickly develop such a Team?
- What would 3,279 people need to think like to join my Downline?

Now clearly, if you want to earn \$2,000 a month, it wouldn't be unreasonable to expect the 606 people in your downline to benefit in the same way, would it? In which case, you would need to consider how to develop a Team of 606 people x 606 people, which = 367,236 people in total.

Mmm?

Food for thought?



## About the Author



Bob Thompson is the Founder of the MLM Friends Platinum Club - an amazing new Private Members Club for network Marketers, one that provides a collaborative environment to select and promote MLM, Network Marketing and Matrix type business opportunities with like-minded home based entrepreneurs.

His Network Marketing experience spans over 17 years; and he's been an Online Instructor for a US Marketing Company too.

But that's not all; Bob is also a senior Procurement Executive with a lot of experience transforming Corporate Procurement across EMEA; he has also developed from scratch a Procurement Consultancy which successfully sold into the UK Public Sector. Bob has used a combination of Technology, Processes, Resources and leading edge thinking to create Procurement integration and improvement within the Corporate Environment providing significant multi-million \$ commercial value.

It's from this unique background, that Bob has identified a 'no-nonsense' way to help Network Marketers throughout the World find, invest and collaborate in the best Home Business Opportunities for faster and bigger residual income checks.

Bob understands that MLM today is not just about marketing and advertising. Indeed, he goes on to say that "poor choices when investing in new online MLM opportunities is more likely to kill your business before you've even started marketing it."

His new Private MLM Club, the MLM Friends Platinum Club is jam packed with web tools and advice to get Network Marketers everywhere collaborating together in the best opportunities so that everyone earns more.

Bob is a Full Corporate Member of the Chartered Institute of Purchasing and Supply and Institute of Logistics.

### Links:

MLM Friends Platinum Club: <http://www.mlm-friends.com>