

# How to Develop a Compensation Plan

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Understanding how to write a complete compensation plan is important for your network marketing company. Step-by-step guides found online are often incomplete and don't provide you with the detailed information that you need. Understanding the various compensation

plans can be confusing and information online can be misleading or completely incorrect from a legal standpoint. Developing a compensation plan, or rewards plan or pay plan, which is right for your situation isn't as easy as doing a Google search. The structure of your compensation plan is unique to *your* company and *your* business plan. Creating a compensation plan that fits your MLM company is complex and generally requires reviewing by a compensation plan consultant and a credible network marketing attorney.

This article will provide you some details of how you can get free and trusted information on how to develop your *legal* compensation plan. It will provide you with the information you need to easily research active compensation plans being used in the industry right now to compare with your rough draft. It will also provide you with links to online information written by experienced MLM industry experts.

1) The first step to writing your compensation plan is to understand the various plans that are common in the network marketing industry. The webpage, [How to Analyze Compensation Plans](#) (MLM Compensation Plans – What you should know), provides visitors with an easy to understand explanation of typical compensation plans. Learn about unilevel, stairstep breakaway, matrix, and binary compensation plans. Visit the blog posts of direct selling Attorney and trusted industry expert, Jeff Babener, to learn how to develop a compensation plan that is [guaranteed to be legal](#). And, watch relevant and [educational videos](#) that explain the role of the [compensation plan](#). Do you have questions about the legalities of different compensation plans? Watch this video to hear MLM Attorney, Jeff Babener explain the [legal regulation](#) of differing compensation plans.

2) The second step to online research of compensation plans is to look at other successful network marketing company's compensation plans. Surely you don't want to look up every single direct selling company, research each company's trustworthiness, then visit each website to see if they've even posted a compensation plan viewable to the public. The good news is that MLMLegal.com has already done the research for you!

Our [MLM Company Profiles page](#) has up-to-date information on over 700 network marketing, direct selling, MLM, and party plan companies, including their compensation plans (if the company has made them available online). Many of the companies profiled are members of the Direct Selling Association (DSA) and have sworn to abide by the association's Code of Ethics. Check the DSA's website to be sure. Our years of research can help you gather relevant information about any network marketing company with the ease of a click of a button. This page will help give MLM entrepreneurs and business owners examples of how the compensation plans of other MLM companies are created, how they've been written, and what models are proven successful. Be sure to read the Editors Note on this page for a thorough explanation.

3) The third step, and frankly the most important step to help you understand if your compensation plan is legal, is to contact a compensation plan consultant and MLM attorney to read and review your rough draft (or final draft!). The current and easiest way to do this is to visit the page of our [Innovation Campaign](#). The February 2014 *Innovation Campaign* enables network marketing company owners the ability to receive two free tickets to our next [Starting and Running the Successful MLM Company Conference](#) in Las Vegas (a \$345.00 value!). All you have to do is fill out a brief survey at our sister website: [www.mlmattorney.com](http://www.mlmattorney.com), and we will contact you right away to confirm your free tickets to the event. Attending this event will give you direct access to several MLM industry experts, including compensation plan consultants and MLM legal expert, Jeff Babener. Visit our [Innovation Campaign](#) page for complete information about the conference, including the topics that will be covered, the speaker list, videos, and much more. For additional questions, call 800-231-2162.

Writing a legal compensation plan can be a complicated process without industry experts guiding you, but we believe this article will help you in the development process. For more information on how to build compensation plans, visit [www.mlmlegal.com](http://www.mlmlegal.com) and [www.mlmattorney.com](http://www.mlmattorney.com).

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Our next [Starting and Running the Successful MLM Company Conference](#) takes place February 27th & 28th, 2014 in Las Vegas. Call 503-226-6600 or 800-231-2162 to register.

This article is also available online at: <http://mlmattorney.com/blog/2014/01/23/how-to-develop-a-compensation-plan/>

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**Jeffrey Babener**  
On Assignment

On any given day you can catch [Jeffrey Babener](#) lecturing on Network Marketing at the University of Texas or the University of Illinois, addressing thousands of distributors in Los Angeles, Bangkok, Tokyo and Russia, or writing a new book on Network Marketing, an article for Entrepreneur Magazine or a chapter for a University textbook. Over two decades he has served as marketing and legal advisor to some of the world's largest direct selling companies, the likes of Avon, Nikken, Melaleuca, Discovery Toys, NuSkin, and he has provided counsel to the most successful telecom network marketing companies...Excel, ACN, World Connect, ITI, AOL Select and Network 2000. An active spokesperson for the industry, he has assisted in new legislation and served on the Lawyer's Council, Government Relations Committee and

Internet Task Force of the Direct Selling Association (DSA) as well as serving as General Counsel for the Multilevel Marketing International Association. He is an MLM attorney supplier member of the DSA and has served as legal counsel and MLM consultant on MLM law issues for many DSA companies.

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