GUIDE

The Amway test for an Item 19: what sits between the number and the owner.

The FTC's Amway complaint sets the recruiting pitch against what people were left with after paying in. An Item 19 gross sales figure can be true and still skip that subtraction, and a buyer can run it themselves.

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On September 17, 2026, the Federal Trade Commission and the state of Washington announced a proposed order under which Amway and two affiliates, World Wide Group and Leadership Team Development, will pay $225 million. The allegation this essay draws on is not about whether anyone in the Amway system took in money. It is a subtraction. Recruits were allegedly told they were likely to make more than $40,000 a year, while, the complaint alleges, most who joined those two groups after 2020 spent more on Amway products and training than they received from Amway. A franchise buyer reading Item 19 should run the same subtraction, because the figure in the disclosure can be entirely true and still stop before it.

What did the FTC allege Amway recruits were told about income?

The FTC and the state of Washington allege that Amway recruits were told they would likely earn substantial income exceeding $40,000 a year, or enough to replace a full-time job or retire early. The allegations name Amway, World Wide Group (WWG) and Leadership Team Development (LTD), and the recruits were called Independent Business Owners, or IBOs. The regulators did not answer that pitch with a revenue figure. According to the FTC's release, most IBOs who joined WWG or LTD after 2020 spent more money on Amway products and training than they received from Amway. The measure in that allegation is net: money received from Amway, minus money spent on Amway products and training.

The Amway remedies point the same way. The complaint alleges that WWG and LTD sold training marketed as essential and told IBOs to buy a set amount of product each month whether or not they could resell it. The proposed order requires IBOs to resell at least 70% of what they buy from Amway each month and bars approved providers from charging new IBOs for training or services in their first year. Each of those terms targets a cost that sat between the pitch and the participant. These are allegations resolved by a proposed stipulated order, which gains the force of law when the district court judge signs it.

Can an Item 19 gross sales figure be accurate and still say nothing about what an owner keeps?

An Item 19 gross sales figure can be accurate, drawn from a clearly described group of outlets, and properly qualified, and still say nothing about owner take-home, because gross sales are counted before any cost comes out. The FTC says this in its own buyer guide: some franchisors provide figures for franchisee gross sales, and those figures do not really tell a buyer about actual costs or profits. The guide adds that an outlet with high gross sales on paper might be losing money because of high overhead, rent and other expenses, and that franchisors often do not have data about franchisee net profits.

The franchise version of the Amway gap therefore needs no false statement at all. A franchisor can report average gross sales for a defined subset of outlets, state the dates, the outlet counts and the admonition that results may differ, and meet what the rule asks. A buyer can still hear that figure as something close to a salary. The gap is not in the accuracy of the figure. It is in the distance between the line the figure sits on and the line the owner lives on.

What does the FTC Franchise Rule require an Item 19 to disclose?

The FTC Franchise Rule, at 16 CFR 436.5(s), requires a franchisor that makes a financial performance representation to have a reasonable basis and written substantiation for it and to state it in Item 19. For a figure about past performance of existing outlets, the rule lists material bases the franchisor must disclose: whether the figure covers all outlets or a subset sharing certain characteristics, the dates, the total number of outlets and the number with the described characteristics, how many outlets' data were used, the number and percent that attained or surpassed the stated results, and characteristics of those outlets that may differ materially from the one being offered. Every Item 19 representation also carries a clear and conspicuous admonition that a new franchisee's results may differ, and a statement that substantiation is available on reasonable request.

Those Item 19 requirements test whether the sample is honest and representative. Read as written, the list for historic figures is about which outlets and which period, not about carrying a gross figure down to net. The rule's text for forecasts, by contrast, names material assumptions that include cost of goods sold and operating expenses. A buyer should confirm the legal reading with their own franchise attorney, but the practical point holds either way: a compliant Item 19 is not, by being compliant, a statement that required costs were subtracted.

Which required franchise costs sit between the Item 19 figure and the owner?

The required franchise costs between an Item 19 figure and the owner are usually disclosed elsewhere in the same Franchise Disclosure Document, which is why a buyer has to read across Items rather than within one. Item 6 must list, in table form, all other fees the franchisee must pay to the franchisor or its affiliates, or that they impose or collect for a third party. Item 8 covers goods and services the franchisee is required to buy or lease. The FTC buyer guide notes that royalties are often a percentage of weekly or monthly gross income, owed even if the business is losing money, and that a franchisee may also have to contribute to an advertising fund.

One way to run the Amway subtraction on an Item 19 is on paper, without doing arithmetic. Write the Item 19 figure at the top, verbatim, with its qualifications. Beneath it, list every payment the system requires that scales with or is triggered by that figure: the royalty on gross, the ad fund contribution, technology or other recurring fees from Item 6, required purchases from designated suppliers from Item 8. Under a line, list what the document cannot tell you: rent, wages, local taxes, debt service. Do not compute a net from averages, and do not accept one computed for you. The exercise is to see how many lines exist and which of them the Item 19 already subtracts. Some Item 19s do report costs or margins for a subset of outlets; when one does, note exactly which costs are included and which are left out.

Which outlets does an Item 19 figure describe?

The franchisor chooses which outlets go into an Item 19 figure, and the Franchise Rule makes that choice visible. When a representation covers only a subset of outlets, 16 CFR 436.5(s)(3) requires disclosure of the characteristics of the included outlets. The same paragraph requires the number and percent of included outlets that actually attained or surpassed the stated results.

Set the number of outlets in the Item 19 notes against the outlet counts in Item 20, under 436.5(t), and the result is a fraction: how much of the system the figure describes. That fraction is the franchise counterpart of the FTC's allegation about most recruits in two Amway groups rather than the most successful ones. An average from a franchisor's longest-open, highest-volume locations answers a narrower question than an average from every outlet open a full year. Both can be accurate. Only one resembles the group a new owner opening a new outlet will be compared against.

Is it unfair to judge a franchise Item 19 by an MLM enforcement case?

The strongest objection to applying the Amway test to franchises goes like this. The Amway case concerns alleged false claims; a compliant Item 19 is true, substantiated and regulated. The costs a buyer needs are disclosed in Items 6 and 8 of the same document, so nothing is hidden. Asking Item 19 to report net would push franchisors into guessing at rent and labor they do not control, and the FTC itself says many franchisors lack net profit data. On this view the comparison smears an honest disclosure by association.

Most of that objection is correct, and this essay does not claim the conduct is the same. The claim is narrower: the test transfers. The Amway net measure, as the FTC describes it, counted spending inside the system, on Amway products and training. The franchise counterparts are costs a franchisor does know, because it sets them: the royalty rate, the ad fund rate, the required purchases. Applying the test fairly means not asking Item 19 to guess at local rent. It means asking which system-required costs sit between the reported figure and the owner, and whether the disclosure subtracts them. That the answer is spread across three Items is not a defect in the law. It is work the reader has to do, and a sales conversation that repeats only the top line is relying on it not being done.

One limit belongs on the record. This essay rests on the rule text, the FTC's guidance and one enforcement case. It does not rest on a survey of how many current Item 19s report gross sales alone, and it makes no claim about that share.

What is the one question to ask a franchise attorney about an Item 19 figure?

The one question for a franchise attorney about an Item 19 figure is which required costs, paid to the franchisor, its affiliates or its suppliers, sit between that figure and what the owner keeps, and which of them the Item 19 already subtracts. That attorney question does not ask whether the Item 19 figure is true, since a substantiated figure may well be. It asks what the figure leaves out, and it can be answered from the document the buyer already holds.

The same Item 19 question travels to current franchisees, whom the FTC buyer guide calls possibly the most reliable way to verify a franchisor's claims. Ask them, in plain terms, how their required payments to the system compared with the top line they were shown. Take the local costs the document cannot cover to an independent accountant. None of this is legal, tax or financial advice, and none of it says whether any franchise is good or bad. It is a way to read a true number for what it measures.

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The Amway complaint is a reminder of how regulators scored one promise about money: not by the size of what was said, but by what the complaint says remained after participants paid for products and training. An Item 19 gross sales figure can meet every requirement of the Franchise Rule and still never perform that subtraction. The buyer can perform it, with Items 6 and 8 open beside Item 19, an attorney to confirm the reading, and franchisees who have lived the numbers. The figure does not need to be false to mislead a reader who stops at the top line. It only needs to be read alone.

Further reading

1. Federal Trade Commission, press release announcing the $225 million proposed order with Amway, WWG and LTD and the net-loss allegation ftc.gov/news-events/news/press-releases/2026/09/ftc-takes-historic-action-against-multilevel-marketing-operator-amway-unfair-deceptive-business
2. Cornell Law School Legal Information Institute, text of 16 CFR 436.5, the Franchise Rule disclosure items including Item 19, Item 6 and Item 8 law.cornell.edu/cfr/text/16/436.5
3. Federal Trade Commission, A Consumer's Guide to Buying a Franchise, on gross sales versus profits, royalties and ad funds ftc.gov/business-guidance/resources/consumers-guide-buying-franchise



themostprofitablefranchise.com

The brochure sells the dream; the FDD holds the truth. A free, plain-English guide to reading a Franchise Disclosure Document: cost, lawsuits, and owner turnover.