

**Personal Management Merit Badge:
Worksheet for Requirement #1**

Requirements

1. Do the following:
 - a. Lead a discussion with your family to identify one family financial goal that must be saved for out of family income. Choose a goal that has strong personal interest for both you and your family (a family trip or vacation, a new VCR, or a family car, for instance).
 - b. Discuss the goal in detail (where to go on vacation, for example, or what kind of car to buy), the cost of the goal, and when you want to reach the goal.
 - c. Discuss how your family could accumulate funds to reach this goal, how the goal will affect the rest of the family budget, and how you could help your family achieve the goal.

Family Financial Goal:

Goal Details

Who:

What:

When:

Where:

Why:

How much it will cost?

How will we accumulate the funds?

How will the goal affect the family budget?

How can I help the family achieve the goal?

Date Completed:

Boy Scout's Name:

Name's of Family Members Participating in the Discussion:

**Personal Management Merit Badge:
Worksheet for Requirement #2**

2. Do the following:
 - a. Prepare a personal budget or spending plan for three months, including a "pay yourself first" savings plan. Keep track of everything you buy. Balance all income with expenses and savings at the end of each month.
 - b. Share your three month budget with your merit badge counselor. Explain how you determined discretionary income (income not spent to meet fixed expenses), how much you saved, and what you spent money on. Did you spend more or less than you budgeted?

(distribute Planning Your Budget pamphlets)

What is budgeting?

What are your incomes?

- ? **Allowance**
- ? **Gifts**
- ? **Job**
- ? **Your own business**
- ? **Selling something**

What are your expenses?

- ? **Fixed**
- ? **Variable**

What is Paying Yourself First?

**Personal Management Merit Badge:
Worksheet for Requirement #3**

Lighthouse will be covering 3. a. with the scouts.

3. Do ONE of the following:

- a. Identify a personal financial goal and make a plan to achieve that goal.
 - 1. Write down the goal you want to achieve. (This may be a small, short term goal such as buying clothes, or it may be a major, long-term goal such as saving for college.)
 - 2. Develop a financial plan to accomplish the goal. Determine how much the goal will cost, how much time you have to reach the goal, how you will earn money to pay for the goal, and what adjustments you could make if you cannot reach the goal in the desired time with the income you can earn.
 - 3. Discuss your plan with your counselor.

OR:

- b. Determine a spending/savings plan for living on your own.
 - 1. Choose a realistic job based on your age, skills, education, and experience (working at a fast-food restaurant, movie theater, or college library, for example). Determine how much you would probably make per hour and how many hours you would work each week. Determine your spendable income (after taxes and other deductions are taken out) for a month.
 - 2. Make a list of all basic monthly living expenses: rent, food, transportation, clothing, telephone, etc. Ask family or friends, or call sources to help you determine costs.
 - 3. Compare projected income with projected expenses. Would you have enough income to live on? Would any be left over for fun? For savings?
 - 4. If expenses exceed income, determine what options you would have for bringing the two into balance. Could you reduce or eliminate expenses? Work more hours a week? Get a higher-paying job?
 - 5. Discuss your final plan with your counselor.

Financial Goals Should Be SMART goals

- S** _____ (includes a cost and a date)
- M** _____ (includes small action steps for tracking)
- A** _____ (“do-able” and realistic in given time frame)
- R** _____ (reflects YOUR life and needs, not others)
- T** _____ (can measure progress easily)

My Personal Financial Goal:

Accomplishing the Goal



How much time do you have to reach the goal?

How will you earn the money to pay for the goal?

What adjustments could be made if you cannot reach the goal in the desired time based on how much you earn?

Requirement #4: Comparison Shopping

- 4. Do the following:
 - a. Choose an item you would like to buy. Be specific. (For example, identify the brand name of a pair of shoes you want, or the title of a CD.)
 - b. Comparison shop for the item. Find out where you can buy the item for the best price. Call around; study ads. Look for a sale or a discount coupon.
 - c. Consider alternatives. Could you buy the item used? Should you wait for a sale?
 - d. Discuss your shopping strategy with your counselor.

Item to be purchased: _____

Where can the item be purchased?

_____	Price: _____
_____	Price: _____
_____	Price: _____

Is the item on sale? Yes / No

Is there a coupon? Yes / No

What are some additional considerations you will make before purchasing the item?

**GENERAL
MERCHANDISE
STORES**

5. Do ONE of the following:

- a. Visit a bank. Ask a bank representative to explain checking accounts, savings accounts, loans, and automated teller machines (ATMs). Explain to your counselor the difference between a checking account and a savings account. Discuss with your counselor the minimum requirements to open and maintain the accounts or to take out a loan.

OR:

- b. Visit another type of financial institution, such as a stock brokerage firm or an insurance company. Ask a representative what the firm does and how it works with consumers. Explain to your counselor the differences in services offered by the following types of financial professionals: financial planner, stockbroker, insurance agent, accountant, tax preparer, banker, estate planning attorney.

Financial Planner: Often these individuals are referred to as CFPs, C _____ F _____ P _____. These individuals help consumers set and achieve long-term financial goals. CFP often have the ability to offer advice about:

- ? Investments
- ? Tax Planning
- ? Risk Management
- ? Retirement Planning
- ? Estate Planning

Stockbroker: Someone who is licensed to deal with transactions involving stocks, bonds, mutual funds, other types of investments.

Insurance Agent: Individual who is licensed to sell insurance. Agents may work for a particular insurance company or be an independent agent who works with many insurance providers to provide numerous options for consumers.

Accountant: A person who maintains, audits, and examines the financial records of individuals or businesses. Many times these individuals prepare financial statements and tax reports. A C _____ P _____ A _____ or CPA is a special designation for accountants who have passed a test administered by a state's examining board and met any additional requirements of that board.

Tax Preparer: These individuals help consumers fill out their tax forms and calculate how much the consumer owes the government, both Federal and State, in the form of taxes. Many tax preparers are accountants, but it is not a requirement. Many people work as tax preparers on weekends or after normal work hours during tax season.

Banker: Someone who assists in conducting the business of depositing, loaning, or trafficking money, bills of exchange, etc.

Estate Planning Attorney: An attorney who helps clients prepare a plan for the administration of one's property before or after death, including wills and trusts.

6. Do the following:

- a. Explain the difference between saving for a goal and investing for a goal.
- b. Explain the two basic methods of investing: loaned and owned.
- c. Explain the concepts of simple and compound interest and how compound interest can be used to increase your savings and investments more rapidly.
- d. Explain the concepts of yield, profit, and total return, and how they are used to evaluate investment performance.
- e. Explain the basic features of the following types of investments, including risks and rewards and whether they involve lending or owning: bank savings accounts, certificates of deposit, U.S. Savings Bonds, shares of stock, shares in a mutual fund, real estate.

7. Do the following:

- a. Explain what a loan is, what interest is, and how the "annual percentage rate" measures the true cost of a loan.
- b. Choose something you want to buy or do, but currently cannot afford. Set up an imaginary loan so you can "achieve" that goal. Identify the "principal" amount, interest rate, and repayment schedule. Determine the total cost of the loan (principal plus interest). Determine how it would affect your total cost if you paid back the same amount every two weeks, instead of once a month.
- c. Explain the differences between a charge card, a debit card, and a credit card.
- d. Identify the factors that affect the costs of credit. Tell which factors can be controlled.
- e. Explain credit reports and how personal responsibility can affect your credit record.
- f. Describe ways to reduce or eliminate debt.

8. Do the following:
 - a. Explain the five ways to manage risk.
 - b. Explain the six basic types of insurance and why someday you might need one or more of them.
 - c. Define the two major types of life insurance (term and permanent) and compare their advantages and disadvantages.

Insurance Game: Risk Management

1. Divide into teams if there are too many boys.
2. Give out \$\$\$--
3. Pick a car to drive. (Luxury, Nice, Practical)
4. Pick insurance "coverage". (Comprehensive, Minimal, Let it lapse)
5. Pick "deductibles". (250, 500, 1000)
6. Collect "insurance premiums" for 6 months coverage
7. Pick out scenarios from "Risk of Driving" bowl.
8. Tally the damage. Recollect for 6 months "premiums."
9. Pick out scenarios from "Risk of Driving" bowl.
10. Tally the damages. Tally the \$\$\$ each scout has left.
11. Allow scouts to "purchase" trinkets/goodies based on \$\$\$ they have left.

Type		Cost		Cost
Luxury				
	Comprehensive		250 Deductible	
	Minimal		500 Deductible	
	Let it Lapse		1000 Deductible	
Nice	Comprehensive		250 Deductible	
	Minimal		500 Deductible	
	Let it Lapse		1000 Deductible	
Practical	Comprehensive		250 Deductible	
	Minimal		500 Deductible	
	Let it Lapse		1000 Deductible	

You have not been in an accident.

Two months after paying your insurance you were involved in a serious car accident resulting in \$1,000 worth of damage to your car and \$2,000 worth of damage to another driver's car. The total cost of the wreck was \$3,000. If you have not let your insurance lapse please pay your deductible and have your insurance company pay the rest. If your insurance lapsed pay the \$3,000 yourself.

Four months after paying your insurance premium you hit a telephone pole and cause \$500 worth of damage to your car and \$1,500 to the pole. Please have your insurance company pay

the bill after you pay your deductible. If you don't have insurance pay the damages out of your own pocket.

Two months after paying your insurance premium you are hit by a drunk driver who is uninsured. The drunk driver has no assets and you have no recourse to recover the costs of medical bills totaling \$1,000 and damages to your car of \$1,000. Please have your insurance company pay the bills minus any deductible you will have to pay out of pocket.

Five months after paying your insurance premiums you get a flat tire while driving down the freeway and run into some guy on his Harley. Luckily, the guy was wearing his helmet and walks away without a scratch...but the Harley was severely damaged and will cost \$3,200 to repair. Please pay your deductible and have your insurance company pay the rest.

LUXURY

MSRP starting
at \$54,145*



NICE



ECONOMICAL



YOUR CHOICES

Type of Car	Deductible	Total Cost	Coverage Decision
Luxury (\$650)	\$250 Deductible (\$150)		Pay the premium.
	\$500 Deductible (\$100)		Let it Lapse
	\$1000 Deductible (\$50)		
Nice (\$450)	\$250 Deductible (\$150)		Pay the premium.
	\$500 Deductible (\$100)		Let it Lapse
	\$1000 Deductible (\$50)		
Practical (\$300)	\$250 Deductible (\$150)		Pay the premium.
	\$500 Deductible (\$100)		Let it Lapse
	\$1000 Deductible (\$50)		

Managing Risk: Protecting Yourself Against Losses

What is Risk?

The *possibility* of suffering harm or **LOSS** .

What are some common examples of risks with financial implications?

1. Getting in a car wreck.
2. Getting injured while playing sports.
3. Having your home burglarized.
4. Having a fire burn down a building.
5. Having your stock portfolio become devalued.

What are the 5 ways to manage risk? ARRTS

1. **Aviod it.**
2. **Retain it.**
3. **Reduce it.**
4. **Transfer it.**
5. **Share it.**

Many times we combine several of these methods to compensate for risks.

(buy car insurance—transfer it—but also obey the speed limit and wear a seat belt—reduce it and have high deductibles—accept it, play sports but buy health insurance—transfer it, and also wear the proper gear and do proper stretching—reduce it, buy home insurance—transfer it, but also install fire detectors—reduce it, buy stocks but do it through mutual funds—reduce it, still accept it b/c there are no gurantees with stocks.)

Transferring Risk

Purchasing insurance is a good example of transferring risk. The major types of insurance include:

- ? Automobile
- ? Life
- ? Medical
- ? Disability
- ? Homeowners or Renters (Property Insurance)
- ? Liability

A premium is the fee charged by an insurance company in exchange for insurance coverage.

The extent of protection afforded by an insurance policy is referred to as coverage.

A deductible is part of an insurance policy that exempts the insurer from paying an initial specified amount in the event that the insured sustains a loss. (examples: no deductible, \$250, \$500, \$1000).

The “Large Loss Principle” says it’s not the frequency of a loss that matters, but the amount of potential loss. In other words: buy policies for risks that would result in huge financial drains if they were to occur.

Life Insurance

What is it?

Insurance that guarantees a specific sum of money to a designated beneficiary upon the death of the insured.

Purpose: To provide income to those who depend on you financially in the event that you pass away.

What are the 2 general types?

Term: Life insurance coverage purchased for a specified period of time.

Pros—less expensive than permanent, more affordable for people with limited income

Cons—each time you renew you will probably pay higher premiums because you are older and there is more of a chance you may die, if no claims are made against the policy during the specified time frame, or *term*, you don't receive any benefits after the policy expires (in other words if you don't die you don't get your money back).

Permanent: Life insurance coverage that includes an “investment vehicle”

Pros—premiums may be guaranteed to never go up, you remain insured just as long as you pay the premiums, some types allow you to borrow or take money out of the account, may receive money even though you are still living.

Cons—higher premiums; generally too costly for young families

Managing Risk: Protecting Yourself Against Losses

What is Risk?

The *possibility* of suffering harm or **L**_____ .

What are some common examples of risks with financial implications?

- 1.
- 2.
- 3.
- 4.
- 5.

What are the 5 ways to manage risk? ARRTS

1. **A**_____ **it.**
2. **R**_____ **it.**
3. **R**_____ **it.**
4. **T**_____ **it.**
5. **S**_____ **it.**

Many times we combine several of these methods to compensate for risks.

Transferring Risk

Purchasing insurance is a good example of transferring risk. The major types of insurance include:

- ? A _____
- ? L _____
- ? M _____
- ? D _____
- ? **H** _____ or **R** _____ (Property Insurance)
- ? L _____

A **p**_____ is the fee charged by an insurance company in exchange for insurance coverage.

The extent of protection afforded by an insurance policy is referred to as **c**_____.

A **d**_____ is part of an insurance policy that exempts the insurer from paying an initial specified amount in the event that the insured sustains a loss. (examples: \$250, \$500, \$1000).

The “**L**_____ **L**_____ Principle” says it’s not the frequency of a loss that matters, but the amount of potential loss. In other words: buy policies for risks that would result in huge financial drains if they were to occur.

Life Insurance

What is it?

Insurance that guarantees a specific sum of money to a designated beneficiary upon the death of the insured.

Purpose: To provide income to those who depend on you financially in the event that you pass away.

What are the 2 general types?

T_____ : Life insurance coverage purchased for a specified period of time.

Pros—less expensive than permanent, more affordable for people with limited income

Cons—each time you renew you will probably pay higher premiums because you are older and there is more of a chance you may die, if no claims are made against the policy during the specified time frame, or *term*, you don't receive any benefits after the policy expires (in other words if you don't die you don't get your money back).

P_____ : Life insurance coverage that includes an "investment vehicle"

Pros—premiums may be guaranteed to never go up, you remain insured just as long as you pay the premiums, some types allow you to borrow or take money out of the account, may receive money even though you are still living.

Cons—higher premiums; generally too costly for young families

9. Do the following:
- a. Identify a job or career that interests you and do basic research about it at your library or through other information sources. Make a presentation to your troop or counselor about the job or career. Your report should include:
 - i. An explanation of your interest in the job or career (how you learned of it, what about it that interests you, what its job prospects are, and how you think the job or career will change in the future)
 - ii. Any qualifications required (education, skills, experiences) and how you might become qualified for the job
 - iii. The job's functions and responsibilities (the duties of the job or career)
 - iv. The organizations, trade associations, professional associations, governmental regulations, or licenses involved in the career field
 - b. Do ONE of the following:
 - i. Prepare a personal resume for the job.

OR:

 - ii. Interview someone in the job or career field and prepare a summary of the interview.
 - c. Discuss with your counselor your personal goals and ambitions in life. Relate these to your intellectual, physical, spiritual, and moral development. How has Scouting helped you in accomplishing your goals and ambitions? Share your thoughts with your family.

Question/Probing

What are the types of things you are looking for in a career? Could be right now or in future?

PAY?

Commission?

Hours?

Benefits?

Medical

Self

Family

Dental

401(k)

Matching 3%, 5% etc.

Paid Vacation

2 weeks

Increasing

Family Work Environment?

Example of Bro.—one company flying the whole family out, the other just him

Education Requirments

Opportunity for advancement

This exercise was to get you thinking for a quick game of jeopardy!!

Jeopardy

Two Teams

Earnings Exercise

Example: College Grad: 50,164

High School Grad: 29,162

Difference: 21,002 * 10 years = 210,020

Etc. Etc.

The Point: The average earnings of college graduates

2003 Annual Social and Economic Supplement by U.S. Census Bureau

Level of Education	High School Graduate	Some College, No Degree	Bachelor's Degree	Master's Degree	Professional Degree
Average Annual Income	\$29,185	\$35,370	\$53,103	\$60,726	\$113,242
Total After 30 Years	\$875,550	\$1,061,100	\$1,593,090	\$1,821,780	\$3,397,260

High School vs. Bachelor's Degree(\$717,540)

Bill Gates vs. Any College Grad

Scout Sign in Sheet

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____
13. _____
14. _____
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17. _____
18. _____
19. _____
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28. _____
29. _____
30. _____