Personal Management Merit Badge Guide

Requirements
https://filestore.scouting.org/filestore/Merit_Badge_ReqandRes/Personal_Management.pdf
2022 09 27

1. Do the following:
(a) Choose an item that your family might want to purchase that is considered a major expense.
(b) Write a plan that tells how your family would save money for the purchase identified in requirement 1a.
(1) Discuss the plan with your merit badge counselor.
(2) Discuss the plan with your family.
(3) Discuss how other family needs must be considered in this plan.
(c) Develop a written shopping strategy for the purchase identified in requirement 1a.
(1) Determine the quality of the item or service (using consumer publications or ratings systems).
(2) Comparison shop for the item. Find out where you can buy the item for the best price. (Provide prices from at least two different price sources.) Call around; study ads. Look for a sale or discount coupon. Consider alternatives. Can you buy the item used? Should you wait for a sale?

2. Do the following:
(a) Prepare a budget reflecting your expected income (allowance, gifts, wages), expenses, and savings for a period of 13 consecutive weeks.
(b) Compare expected income with expected expenses.
(1) If expenses exceed budget income, determine steps to balance your budget.
(2) If income exceeds budget expenses, state how you would use the excess money (new goal, savings).
(c) Track and record your actual income, expenses, and savings for 13 consecutive weeks (the same 13-week period for which you budgeted). (You may use the forms provided in this pamphlet, devise your own, or use a computer-generated version.) When complete, present the records showing the results to your merit badge counselor.

(d) Compare your budget with your actual income and expenses to understand when your budget worked and when it did not work. With your merit badge counselor, discuss what you might do differently the next time.

3. Discuss with your merit badge counselor FIVE of the following concepts:
(a) The emotions you feel when you receive money.
(b) Your understanding of how the amount of money you have with you affects your spending habits.
(c) Your thoughts when you buy something new and your thoughts about the same item three months later. Explain the concept of buyer’s remorse.
(d) How hunger affects you when shopping for food items (snacks, groceries).
(e) Your experience of an item you have purchased after seeing or hearing advertisements for it. Did the item work as well as advertised?
(f) Your understanding of what happens when you put money into a savings account.
(g) Charitable giving. Explain its purpose and your thoughts about it.
(h) What you can do to better manage your money.

4. Explain the following to your merit badge counselor:
(a) The differences between saving and investing, including reasons for using one over the other.
(b) The concepts of return on investment and risk and how they are related.
(c) The concepts of simple interest and compound interest.
(d) The concept of diversification in investing.
(e) Why it is important to save and invest for retirement.

5. Explain to your merit badge counselor what the following investments are and how each works:
(a) Common stocks
(b) Mutual funds
(c) Life insurance
(d) A certificate of deposit (CD)
(e) A savings account
(f) A U.S. savings bond

6. Explain to your counselor why people might purchase the following types of insurance and how they work:
(a) Automobile
(b) Health
(c) Homeowner’s/renter’s
(d) Whole life and term life

7. Explain to your merit badge counselor the following:
(a) What a loan is, what interest is, and how the annual percentage rate (APR) measures the true cost of a loan.
(b) The different ways to borrow money.

(c) The differences between a charge card, debit card, and credit card. What are the costs and pitfalls of using these financial tools? Explain why it is unwise to make only the minimum payment on your credit card.
(d) Credit reports and how personal responsibility can affect your credit report.
(e) Ways to reduce or eliminate debt.

8. Demonstrate to your merit badge counselor your understanding of time management by doing the following:
(a) Write a “to do” list of tasks or activities, such as homework assignments, chores, and personal projects, that must be done in the coming week. List these in order of importance to you.
(b) Make a seven-day calendar or schedule. Put in your set activities, such as school classes, sports practices or games, jobs or chores, and/or Scout or place of worship or club meetings, then plan when you will do all the tasks from your “to do” list between your set activities.
(c) Follow the one-week schedule you planned. Keep a daily diary or journal during each of the seven days of this week’s activities, writing down when you completed each of the tasks on your “to do” list compared to when you scheduled them.
(d) With your merit badge counselor, review your “to do” list, one-week schedule, and diary/journal to understand when your schedule worked and when it did not work. Discuss what you might do differently the next time.

9. Prepare a written project plan demonstrating the steps below, including the desired outcome. This is a project on paper, not a real-life project. Examples could include planning a camping trip, developing a community service project or a school or religious event, or creating an annual patrol plan with additional activities not already included in the troop annual plan. Discuss your completed project plan with your merit badge counselor.
(a) Define the project. What is your goal?
(b) Develop a timeline for your project that shows the steps you must take from beginning to completion.
(c) Describe your project.
(d) Develop a list of resources. Identify how these resources will help you achieve your goal.
(e) Develop a budget for your project.

10. Do the following:
(a) Choose a career you might want to enter after high school or college graduation. Discuss with your counselor the needed qualifications, education, skills, and experience.
(b) Explain to your counselor what the associated costs might be to pursue this career, such as tuition, school or training supplies, and room and board. Explain how you could prepare for these costs and how you might make up for any shortfall.

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Homework for Personal Management Merit Badge before class:

1. Please read the BSA merit badge book.

2. All Scouts should review this Personal Management Merit Badge presentation:

https://docs.google.com/presentation/d/19XslzbWFsnXqZl9nij4JFTDgtPrdZcFP/edit?usp=share_link&ouid=109493158571682052737&rtpof=true&sd=true

3. Please should read this article about Personal Management Merit Badge: https://scoutingmagazine.org/2017/10/make-personal-management-merit-badge-really-count/

Please read this Personal Management Merit Badge Guide 2023 for information on most merit badge requirements on pages 5 through 24.

2. Scouts must start on developing a personal budget and tracking their budget for 13 weeks. They should work with their parents and their merit badge counselor(s) to plan their budgets.

A Personal Management Merit Badge Budget tracking form in a .docx printable format is posted at https://docs.google.com/document/d/1mFtDu7mYg7etb61rWuj-HR8Ya3EPdylb/edit?usp=sharing&ouid=109493158571682052737&rtpof=true&sd=true

A Personal Management Merit Badge Budget tracking form in an .xlsx spreadsheet format is posted at https://docs.google.com/spreadsheets/d/1r70ZqC6KQqtcucbbu70u_OxSmAMLHblg/edit?usp=sharing&ouid=109493158571682052737&rtpof=true&sd=true

4. All Scouts are encouraged to work independently with their parents and counselor(s) to complete other requirements.

Scouts who register for this course may receive additional homework assignments from the counselor(s).

Personal Management Merit Badge Resources

Requirement # 1. Do the following:
(a) Choose an item that your family might want to purchase that is considered a major expense.

(b) Write a plan that tells how your family would save money for the purchase identified in requirement 1a.
(1) Discuss the plan with your merit badge counselor.
(2) Discuss the plan with your family.
(3) Discuss how other family needs must be considered in this plan.
(c) Develop a written shopping strategy for the purchase identified in requirement 1a.
(1) Determine the quality of the item or service (using consumer publications or ratings systems).
(2) Comparison shop for the item. Find out where you can buy the item for the best price. (Provide prices from at least two different price sources.) Call around; study ads. Look for a sale or discount coupon. Consider alternatives. Can you buy the item used? Should you wait for a sale?

Example for requirement 1(a): Washer and dryer

How much can you afford to pay? How much do you want to pay?
Factors:
Determine features that you want and need, basic vs. mid-range vs. deluxe model
Apartment-size, extra-large for large family
Single machine that washes and dries; laundry center stacked machines in 1 unit; stackable machines; front-loading vs. top-loading washing machine; gas or electric dryer
How many wash cycles (normal, permanent press, heavy duty, delicate)
How many heat cycles (normal, permanent press, delicate)
Installation and delivery costs
Delivery to home, order online with pickup at store, shop at store
Brick-and-mortar store vs online
Brand name
American made

New vs. scratch-and-dent discount vs. used
Determine quality: friends and neighbor, personal experience (“Mom has always used Maytag appliances”, “My neighbor has had good service from LG brand.”),
Consumer Reports, product reviews by purchasers on online sites,
New York Times Wirecutter at https://thewirecutter.com/

Where to get the money to pay
Budget: Savings, weekly or monthly pay, emergency fund, loan from family
Coupons
Charge it to a credit card with monthly payments (with high interest costs)
Set up store credit plan with monthly payments (with interest costs)
Adjust budget to cut down on entertainment or on eating at restaurants or on travel
Work more to earn more money (overtime, second or part-time job)

Shop for a sale
Buy in bulk at Costco, Sam's Club, BJ's (not an option for appliances, an option for food and household supplies like toilet paper or food for Winter Camp)
Shop online and at multiple brick-and-more stores for the best price

Requirement # 2. Do the following:
(a) Prepare a budget reflecting your expected income (allowance, gifts, wages), expenses, and savings for a period of 13 consecutive weeks.
(b) Compare expected income with expected expenses.
(1) If expenses exceed budget income, determine steps to balance your budget.
(2) If income exceeds budget expenses, state how you would use the excess money (new goal, savings).
(c) Track and record your actual income, expenses, and savings for 13 consecutive weeks (the same 13-week period for which you budgeted). (You may use the forms provided in this pamphlet, devise your own, or use a computer-generated version.) When complete, present the records showing the results to your merit badge counselor.
(d) Compare your budget with your actual income and expenses to understand when your budget worked and when it did not work. With your merit badge counselor, discuss what you might do differently the next time.

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A Personal Management Merit Badge Budget tracking form in an .xlsx spreadsheet format is posted at https://docs.google.com/spreadsheets/d/1r70ZqC6KQqtcucbbu70u_OxSmAMLHblg/edit?usp=sharing&ouid=109493158571682052737&rtpof=true&sd=true

What is a budget?

Budget is a process of making sure your limited resources are used for what matters most to you and your personal goals.
A budget is a map to follow.
A budget is easy to understand but is hard to follow because it requires self-discipline.
A budget tracks money coming in and going out, inflow and outflow.
A budget is "in the black" if money coming in (income or receipts (related to "receive") is greater than money going out (expenses).
A budget is "in the red" if money going out (expenses) are greater than money coming in (income). The expression 'in the red' derives from the practice of using red ink to denote debt or losses on financial balance sheets.

Ways to track expenses:
Checks (check record, bank statement), credit card (receipts, monthly bills, online account record), cash (receipts in a file or envelope or box, then recorded on a spreadsheet or chart)
Computer programs like spreadsheets or databases

The 7 Best Expense Tracker Apps to Download in 2022
https://www.thebalancesmb.com/best-expense-tracker-apps-4170050

What are sources of income?
Part-time jobs (cutting grass, raking leaves, home sound system set up, banding trees, Scout sales for credit for summer camping or troop trips, tips for watering lawn while neighbor travels, walking dogs)
Weekly or monthly allowance from family for chores
Birthday or holiday gifts
Rewards for good report cards ($2 per A)
Coins you find
Inheritance
Scholarships
Savings account interest
Investments (selling a piece of property (land or an art work or a collectible for profit)

Savings: piggy bank or cash box or savings account at a bank or credit union or a CD (certificate of deposit) or US government savings bond

Two types of expenses:
Fixed: These expenses do not change each month. Examples would be mortgage payment, car payment, electric bill, natural gas bill, gasoline costs. The amounts can vary but the bills must be paid.
Variable expenses: These expenses can change and may be discretionary. Discretionary means optional or determined by a decision. Examples would be eating at a restaurant, movie tickets, vacation travel, new clothes to stay in style.

Expenses: food (fast food, vending machines), clothes, electronics (hardware, apps, online gaming costs for enhancements, gas (or electricity for car), camping gear, camping trips, school projects, entertainment
What other expenses do you have? What kinds of expenses are these?

Review budget chart

Requirement # 3. Discuss with your merit badge counselor FIVE of the following concepts:
(a) The emotions you feel when you receive money.
“Tell me how you would feel if you suddenly got news that you won the lottery, or inherited a vast sum of money? Elated, right? Relief -- end of my money problems. I'm free! Or so you think.
A sudden large lump sum of money even changes people. Money gives them status and makes them feel powerful. Suddenly an air of arrogance sets in.”
“More money can actually be a bad thing for some people.”
“That initial elation at the sudden abundance of money quickly fades and you go right back to being the way you always were. That's why the saying "money can't buy you happiness" was coined. That initial joy is fleeting.”
https://www.huffpost.com/entry/money-is-not-about-financ_b_7579746

(b) Your understanding of how the amount of money you have with you affects your spending habits.
What does this saying mean: money burning a hole in one's pocket
Money that someone has just acquired and is eager to spend.
https://www.dictionary.com/browse/money-burning-a-hole-in-one-s-pocket

Is this true for you?

We tend to value items more when we pay with cash because we feel more connected to the purchase. A recent study … found that consumers spend less when they pay with cash compared to a credit card.
https://twocents.lifehacker.com/paying-with-cash-really-does-make-you-spend-less-1786507339

The “wealth effect” refers to the premise that consumers tend to spend more when there is a bull market in widely-held assets like real estate or stocks, because rising asset prices make them feel wealthy.”
Economic studies are inconclusive as to the actual effect of rising asset values on consumer spending.
https://www.investopedia.com/articles/investing/012714/study-wealth-effect-and-economy.asp

(c) Your thoughts when you buy something new and your thoughts about the same item three months later. Explain the concept of buyer’s remorse.

Buyer's remorse is the sense of regret after having made a purchase. It is frequently associated with the purchase of an expensive item such as a vehicle or real estate. https://en.wikipedia.org/wiki/Buyer's_remorse
Feelings of being angry, resentful, depressed, doubt of wisdom of purchase, concern over the integrity of the deal (fooled by a sales pitch) can be typical of buyer's remorse.

(d) How hunger affects you when shopping for food items (snacks, groceries).

Grocery shopping while hungry leads people to shop for more processed junk foods, like cereal, candy, chips and soda instead of fruits, vegetables and lean meats. You snack more after shopping but eat a worse diet all week.
https://abcnews.go.com/Health/hungry-shoppers-buy-junk-food-study-finds/story?id=19119044

Hunger makes you want and buy more stuff even it is not food.
https://www.smithsonianmag.com/science-nature/hunger-makes-you-buy-more-stuff-even-if-its-not-food-180954345/

Hungry shopper becomes less concerned about cost, more easily justifies the expense, and less able to think about long term implications of purchase.
https://www.forbes.com/sites/kateashford/2015/02/25/shopping-hungry/#5970127819dd

How does this affect food service at Summer Camp or at Winter Camp?
If Scouts go through a serving line and receive individual portions, they will eat a balanced meal and waste less food than if they serve themselves.
https://www.restaurantbusinessonline.com/advice-guy/how-reduce-food-waste-buffet

(e) Your experience of an item you have purchased after seeing or hearing advertisements for it. Did the item work as well as advertised?

Discuss an item or food that you purchased. What prompted you to make the purchase? Were you pleased right after the purchase was made? How did you feel a few days or weeks later?

Humans are driven by feelings. So if you want the consumer to remember your product or brand, they must be engaged and impassioned by the interaction with your company.
Good marketers utilize this concept all the time, and examples of emotion-based campaigns are everywhere. Think for a moment, what is actually being sold in most marketing campaigns.
Luxury goods target our feelings of self-worth, acceptance, and status in the world. Communication devices excite us by offering a connection to friends, family, and a broader network of people. Athletic brands inspire by offering adventure and glory through the act of competition. And many other products, such as perfume, cologne and lingerie, target emotions related to love, relationships, and sexual desires.

As marketers, we should still focus on the features of the product. But we must also sell the lifestyle and the feeling. The key is to highlight the emotional response a consumer will achieve by using the product.
As the old saying goes - sell the sizzle, not the steak.
And to achieve the highest emotional response, you should target your consumer through many different senses. For example, think about the colors and shapes on your logo, homepage, or product packaging. How do they make consumers feel? Consider the words and messaging carefully. Are they emotive and engaging? What is the experience of your retail location? These face-to-face interactions should give customers a certain feeling about your brand.
https://www.inc.com/logan-chierotti/harvard-professor-says-95-of-purchasing-decisions-are-subconscious.html

(f) Your understanding of what happens when you put money into a savings account.

Savings accounts allow you to keep your money in a safe place while it earns a small amount of interest each month. These accounts usually require either a low minimum balance, like $25, or may require no minimum balance at all.

Besides the fact that you will be less likely to spend it, putting your money in a savings account is safer because it is insured. If your home is robbed or burns down, your money may be lost forever. Banks and credit unions, on the other hand, keep your money in a locked and fireproof safe. Banks insure your money (up to $100,000) through the Federal Deposit Insurance Corporation (FDIC). This means that even if the bank goes out of business (which is very rare!) your money will still be there. (The National Credit Union Administration (NCUA) insures credit union accounts up to $250,000.) The FDIC is an independent agency of the federal government that was created in 1933 because thousands of banks had failed in the 1920s and early 1930s.
When you put your money into a savings account, it earns interest. Interest is money the bank pays you so that they can use your money to fund loans for other people.
The bank loans money [pooled from many depositors] to other people, only they charge a slightly higher interest rate on the loan than what they pay you for your account.
The difference in interest they pay you verses the interest they charge others is part of how they stay in business.
https://money.howstuffworks.com/personal-finance/budgeting/savings-accounts.htm

(g) Charitable giving. Explain its purpose and your thoughts about it.
A charitable donation is a gift made by an individual or an organization to a nonprofit organization, charity, or private foundation. Charitable donations are commonly in the form of cash, but they can also take the form of real estate, motor vehicles, appreciated securities, clothing, and other assets or services.
Charitable donations often represent the primary source of funding for many charitable organizations and nonprofit organizations. In most countries, a charitable donation made by an individual will provide him or her with an income tax deduction.
https://www.investopedia.com/terms/c/charitabledonation.asp

What are examples of non-profit organizations and charities?
Churches
Boy Scouts of America
American Red Cross (assist with disaster recovery)
Salvation Army (feed and house homeless people)
Goodwill (take in household donations of clothes, dishes, furniture, books to sell to make money for job training programs)

What are examples of private foundations?
Bill and Melinda Gates Foundation (supports medical research and care delivery in third world countries)
MacArthur Foundation (supports annual “genius” awards for creative achievement in arts and sciences)
Foundation for the Carolinas (in Charlotte, makes grants to nonprofits, congregations, governmental institutions, educational institutions)
Mecklenburg County Council BSA Endowment

4 Charitable Giving Tips From Warren Buffett
RISE
1. Relevance
What issue do you care about?
Where do you want to make a difference?
Solve a specific problem?
2. Impact
Money to one or multiple recipients?
Offer time and/or skills instead of money?
Local, national, or international?
3. Sustainability
What other sources of revenue do they have?
Beware underpaid leadership who often perform poorly
4. Excellence in management and 0perations
Strong board of directors
Safe, clean, and inviting facilities
Clear mission and communications
Consistent financials and open accountability
https://www.forbes.com/sites/learnvest/2013/09/06/4-charitable-giving-tips-from-warren-buffett/#583a77d11b93

What is a 501(c)(3)?
Section 501(c)(3) is the portion of the US Internal Revenue Code that allows for federal tax exemption of nonprofit organizations, specifically those that are considered public charities, private foundations or private operating foundations.
Entities that can seek 501(c)(3) determination from the IRS include corporations, trusts, community chests, LLCs[1], and unincorporated associations. The overwhelming majority of 501(c)(3) organizations are nonprofit corporations.
https://www.501c3.org/what-is-a-501c3/

(h) What you can do to better manage your money.

Save more and spend less and earn more?
Save less and spend more and earn less?
What do you want to achieve with your money?
Buy food, movie tickets, iPhone, online gaming tools and advantages
Pay for college, an apartment, a car and car insurance and gas (or electricity) and maintenance

How will you accomplish those financial goals?
Ask for allowance
Start at business (cut grass, rake leaves)
Work at AutoBell
Work as a lifeguard

Scout Law point # 9: A Scout is thrifty.
He does not wantonly destroy property. He works faithfully, wastes nothing, and makes the best use of his opportunities. He saves his money so that he may pay his own way, be generous to those in need, and helpful to worthy objects. He may work for pay but must not receive tips for courtesies or good turns.
Boy Scouts Handbook, The First Edition, 1911, pages 15-16
https://www.gutenberg.org/files/29558/29558-h/29558-h.htm

Requirement # 4. Explain the following to your merit badge counselor:
(a) The differences between saving and investing, including reasons for using one over the other.

Saving is setting aside money you don't spend now for emergencies or for a future purchase. It's money you want to be able to access quickly, with little or no risk, and with the least amount of taxes. Financial institutions offer a number of different savings options.
Investing is buying assets such as stocks, bonds, mutual funds or real estate with the expectation that your investment will make money for you. Investments usually are selected to achieve long-term goals. Generally speaking, investments can be categorized as income investments or growth investments.
https://www.smartaboutmoney.org/Courses/Money-Basics/Investing/The-Difference-Between-Saving-and-Investing

(b) The concepts of return on investment and risk and how they are related.

There is a positive correlation between the *amount* of risk and the *potential* for return. Generally, a lower risk investment has a lower potential for profit. A higher risk investment has a higher potential for profit but also a potential for a greater loss.

There is no guarantee that taking greater risk results in a greater return. Rather, taking greater risk may result in the loss of a larger amount of capital.
https://www.investopedia.com/ask/answers/040715/there-positive-correlation-between-risk-and-return.asp
(c) The concepts of simple interest and compound interest.
Interest is the cost of borrowing money, where the borrower pays a fee to the lender for using the latter's money. The interest, typically expressed as a percentage, can be either simple or compounded. Simple interest is based on the principal amount of a loan or deposit, while compound interest is based on the principal amount and the interest that accumulates on it in every period.
Simple Interest=$P \times r \times n$ where:
P=Principal amount
r=Annual interest rate [6% converted to decimal = 0.06]
n=Term of loan, in years
Interest = \$100 x 0.06 x 2 years = \$12
Borrower pays back \$100 principal + \$12 interest = \$112 as lump sum.
https://www.investopedia.com/ask/answers/042315/what-difference-between-compounding-interest-and-simple-interest.asp

The compound interest formula is ((P*(1+i)^n) - P), where P is the principal, i is the annual interest rate, and n is the number of periods.
Compound Interest=$P \times (1+r)^n - P$ where:
P=Principal amount
r=Annual interest rate [6% converted to decimal = 0.06]
n=Number of periods interest is applied
Interest = \$100 x $(1 + 0.06)^2$ - \$100 = \$12.36
Borrower pays back \$100 principal + \$12 interest = \$112.36 as a lump sum.

Compound interest (or compounding interest) is interest calculated on the initial principal, which also includes all of the accumulated interest of previous periods of a deposit or loan. Thought to have originated in 17th century Italy, compound interest can be thought of as “interest on interest,” and will make a sum grow at a faster rate than simple interest, which is calculated only on the principal amount.
https://www.investopedia.com/terms/s/simple_interest.asp
https://www.investopedia.com/terms/c/compoundinterest.asp

If interest is compounded monthly, the borrower pays back \$112.72 as a lump sum.
If interest is compounded daily, the borrower pays back \$112.75 as a lump sum.
http://www.moneychimp.com/calculator/compound_interest_calculator.htm

Rule of 72
to find the number of years required to double your money at a given interest rate, you just divide the interest rate into 72. For example, if you want to know how long it will take to double your money at eight percent interest, divide 8 into 72 and get 9 years. If you want to double your money in six years, just divide 6 into 72 to find that it will require an interest rate of about 12 percent.

http://www.moneychimp.com/features/rule72.htm

(d) The concept of diversification in investing.
Diversification is spreading your risk across different types of investments, the goal being to increase your odds of investment success. It's like saying since no one can know for certain who is going to win this race, let's bet on everyone.
The benefits of diversification include:
Minimizes the risk of loss to your overall portfolio.
Exposes you to more opportunities for return.
Safeguards you against adverse market cycles.
Reduces volatility.
https://money.usnews.com/investing/investing-101/articles/why-diversification-is-important-in-investing

(e) Why it is important to save and invest for retirement.

If and when you retire, you do not have a job that pays you a salary or benefits (health insurance, life insurance, paid vacation, company car). If you are not earning any money, how will you pay your bills for your real estate taxes on your house, car taxes, car repairs and gas, gas bill for home heating, cooking, and hot water, electric bill for lights, medical bills, food from grocery stores and restaurants, travel?
You will need money that you have saved and invested over all of your working years, from teenage to age 60s. If you have not saved and invested, you will not have much money. Social Security payments from the federal government are low and cannot cover all of your expenses or bills.

"... why you should bother saving for your retirement goals when there are so many other good things to spend the money on now. Won't the future sort itself out? In a word, no.

Five reasons why saving early for retirement makes sense:

1. You may live quite a long time in retirement. Longer than you expect, in fact. If you're one of the many people who underestimate how long you'll live in retirement, you may find yourself running out of money.
2. Some people find that their expenses decrease in retirement — their house is paid off and children have moved away. But many others find that their dreams for retirement come with big price tags. Depending on your retirement goals, you may need a minimum of 70 to 80 percent of your pre-retirement income.
3. Social Security may not cover all your retirement expenses. According to the U.S. census bureau, today's retirees get less than half their income from Social Security. The rest will need to come from other sources, like personal savings and pension plans.
4. Inflation may take a bite out of your retirement savings. Remember your dollar may buy a lot less in the future than it does today.

5. You can take advantage of an employer-sponsored savings plan now. Matching contributions and tax incentives make your employer-sponsored plan one of the smartest ways you can save.

Here are some other great reasons to invest in your employer's plan:

1. Your plan offers a variety of investment options managed by experienced professionals.
2. You can save automatically. Simply specify how much, and the amount will be automatically deducted from your paycheck and deposited to your plan account — before you ever see the funds.
3. Your contributions reduce your current taxes. Because your contributions are made with pre-tax money, you reduce your overall taxable income, which adds up to considerable savings.

But don't stop there — put the power of compounding on your side

When you save in a retirement plan, you're putting the power of tax-deferred compounding to work for you. Your money can grow faster because earnings that could have been taxed get reinvested and earn even more. In addition, if your budget permits additional savings, the power of compounding interest can yield considerable savings in after tax choices such as savings accounts."
https://www.voya.com/articles/retirement-goals-why-bother-saving

Requirement # 5. Explain to your merit badge counselor what the following investments are and how each works:
(a) Common stocks

Common stocks are shares of ownership of a corporation. They allow you to own a portion of the company without taking possession. They are the type of stocks that most people are thinking of when they use the term "stock." The other kind is preferred stock.

Like other securities, stocks are traded on a secondary market called the stock market. That makes them liquid as well as easy to price. As a result, they are excellent indicators of the underlying value of the assets. The other common type of security is a bond.

Common stocks allow stockholders to vote on corporate issues, such as the board of directors and accepting takeover bids. Most of the time, stockholders receive one vote per share. Stockholders also receive a copy of the corporation's annual report.

Many corporations also give stockholders dividend payouts. These dividend payouts will change based on how profitable the company is.

Stock Market Basics

Stocks are bought and sold throughout the day on a stock exchange. The two stock exchanges in the United States are the New York Stock Exchange and the NASDAQ. For this reason, the price of a share of a stock goes up and down depending on the demand. Individual stock prices are affected by corporate earnings and public relations announcements. All stocks are affected by the health of the U.S. economy overall.

Therefore, you can make money from stocks in two ways: from dividend payments, or by selling it when the price of the stock goes up. You can also lose your entire investment if the stock price plummets.

https://www.thebalance.com/common-stocks-3305892

(b) Mutual funds

A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments, and other assets. Mutual funds are operated by professional money managers, who allocate the fund's assets and attempt to produce capital gains or income for the fund's investors.
https://www.investopedia.com/terms/m/mutualfund.asp

1. Mutual Funds Offer Diversification
Diversification may be the greatest benefit of mutual funds. The beauty of investing in mutual funds is that you can buy one fund and obtain instant access to hundreds of individual stocks or bonds. Otherwise, in order to diversify your portfolio, you might have to buy individual securities, which exposes you to more potential volatility.

2. Mutual Funds are Professionally Managed
Many investors don't have the resources or the time to buy individual stocks. This is where professional management is valuable. Investing in individual securities, such as stocks, not only takes resources but a considerable amount of time. By contrast, mutual fund managers and analysts wake up each morning dedicating their professional lives to researching and analyzing current and potential holdings for their mutual fund.

3. Mutual Funds Come in Many Varieties
A mutual fund comes in many types and styles. There are stock funds, bond funds, sector funds, target-date mutual funds, money market mutual funds and balanced funds. Mutual funds allow you to invest in the market whether you believe in active portfolio management (actively managed funds) or you prefer to buy a segment of the market with no interference from a manager (passive funds and index mutual funds). The availability of different types of mutual funds allows you to build a diversified portfolio at low cost and without much difficulty.

4. Mutual Funds Are Accessible
Many mutual fund companies allow investors to get started in a mutual fund with as little as $1,000. Schwab's mutual fund family has a minimum of $100 for many of their

mutual funds. And since mutual funds can be easily traded, the combination of low cost and ease of use makes them accessible.

[Transaction costs and yearly maintenance fees can be low, but require careful research.]

5. Systematic Investing and Withdrawals with Mutual Funds
It's simple to take advantage of systematic investing with mutual funds. Many mutual fund companies allow investors to invest as little as $50 per month directly into a mutual fund. Money can be pulled directly from a bank account and invested directly in the mutual fund. On the other hand, money can be regularly withdrawn from a mutual fund and be deposited into a bank account. There are generally no fees for this service.

6. Mutual Funds Offer Automatic Reinvestment
An investor can easily and automatically have capital gains and dividends reinvested into their mutual fund without a sales load or extra fees. Unless you are looking for income (i.e. dividends separated and deposited into cash for income reasons), you'll want to choose the option to reinvest dividends and capital gains. This will take advantage of compounding interest, which essentially means that the interest, dividends, and gains will go to buy more shares of your mutual funds, rather than the cash coming out and being deposited into a separate account.

7. Mutual Funds Offer Transparency
Mutual fund holdings are publicly available (with some delays in reporting), which ensures that investors are getting what they pay for. Investors can also see the underlying securities (stocks, bonds, cash, or a combination of those) that the mutual fund portfolio holds. All of the information you need to know, plus some you don't need for investing, will be found in the mutual fund prospectus, which can easily be found on the mutual fund company's website.

8. Mutual Funds Are Liquid
If you need to withdraw money from your brokerage account, you can get cash from most mutual funds within a few days. If you want to sell your mutual fund, the proceeds from the sale are available as soon as the day after you sell the mutual fund. Some mutual funds have a "settlement" period of up to three days. But this level of liquidity (quick access to your money), is much better than some investment assets, such as real estate.

9. Mutual Funds Have Audited Track Records
A mutual fund company must maintain performance track records for each mutual fund and have them audited for accuracy, which ensures that investors can trust the mutual fund’s stated returns. Mutual fund companies also offer a prospectus for each fund, as well as semi-annual or annual reports. These documents provide a wealth of information about how the fund invests, the amount of assets under management, the internal fund expenses, and more.

10. Building Wealth Mutual Funds
Mutual funds are the best way for most people to build wealth. Not everyone can become a successful business owner or rise to the top ranks of a large corporation. But saving and investing for the long term with mutual funds can be accomplished by almost anyone.

https://www.thebalance.com/top-reasons-to-buy-a-mutual-fund-2466592

(c) Life insurance
Life insurance is designed to protect your family and other people who may depend on you for financial support. Life insurance pays a death benefit to the beneficiary of the life insurance policy.
Life insurance can be used to pay funeral expenses and can provide money to pay for supporting a family with mortgage, college, living expenses. Life insurance is less expensive for young, healthy people and more expensive for older people with health concerns.
https://www.thebalance.com/who-needs-life-insurance-2645793

(d) A certificate of deposit (CD)
A Certificate of Deposit or CD is a type of savings account that has a fixed rate of return and a fixed maturity date. The interest rate is usually higher than a normal savings account or a money market account, which means that a CD can be an excellent way to save for a financial goal a set amount of years in the future, such as sending your child off to college.

CDs are considered to be one of the safest investments on the market since risk is low and you are guaranteed the annual percentage yield (APY) that was available when you opened the CD.

You may consider setting up a CD if you know that you will be using the money in a specific period of time and will not need to access it immediately.
https://www.thebalance.com/certificate-of-deposit-cds-2385654

(e) A savings account
A savings account is a basic type of bank account that allows you to deposit money, keep it safe, and withdraw funds, all while earning interest. Savings accounts offered by most banks, credit unions, and other financial institutions are FDIC insured and typically pay interest on your deposits
[Federal Deposit Insurance Corporation (FDIC) insures savings accounts in banks. National Credit Union Share Insurance Fund (NCUSIF) insures savings accounts in credit unions.]
Cash outside of a bank can get [lost or] stolen or damaged in a fire.
[What does this phrase mean: “Cash money is burning a hole in my pocket”? Cash is tempting you to spend it. An incidental point: The paired words “cash money” is an example of a “pleonasm”.]
[Disadvantages: fees, minimum deposit, low rates of interest

Advantages: safety, discipline]
https://www.thebalance.com/savings-accounts-4073268

(f) A U.S. savings bond

A U.S. savings bond is a government bond that offers a fixed rate of interest over a fixed period of time. Many people find these bonds attractive because they are not subject to state or local income taxes. These bonds cannot easily be transferred and are non-negotiable.
https://www.investopedia.com/terms/u/ussavingsbonds.asp
What Is Non-Negotiable?
Non-negotiable refers to the price of a good or security that is firmly established and cannot be adjusted, or a part of a contract or deal that is considered a requirement by one or both involved parties. Additionally, the term can relate to a good or security whose ownership is not easily transferable from one party to another.
https://www.investopedia.com/terms/n/nonnegotiable.asp
[U.S. savings bonds are zero coupon bonds that pay imputed interest when the bond matures.
…a bond with a face amount of $20,000, that matures in 20 years, with a 5.5% yield, may be purchased for roughly $6,757. At the end of the 20 years, the investor will receive $20,000. The difference between $20,000 and $6,757 (or $13,243) represents imputed interest.
https://www.investopedia.com/terms/z/zero-couponbond.asp

Requirement # 6. Explain to your counselor why people might purchase the following types of insurance and how they work:
(a) Automobile
Some level of automobile insurance is required by law in most places. Even if you are not required to have it, and you are driving an old clunker that has been paid off for years, automobile insurance is something you shouldn't skip. If you are involved in an accident and someone is injured or their property is damaged, you may be subject to a lawsuit that could cost you everything you own. Accidents happen quickly and the results are often tragic. Having no automobile insurance or purchasing only the minimum required coverage saves you only a tiny amount of money, and puts everything else you own at risk.
https://www.investopedia.com/insurance/insurance-policies-everyone-should-have/
Auto insurance premiums vary depending on age, gender, years of driving experience, accident and moving violation history, and other factors.
[A premium is an amount a customer will pay for an insurance policy.]
[A young male driver with little driving experience and with a record of accidents or speeding tickets driving a new sports car will have a high car insurance premium, because a car insurance company will judge him to be a high risk for an accident for which the company must pay a claim.]
https://www.investopedia.com/terms/a/auto-insurance.asp#axzz1ZjEj3wPy
The insurance deductible is the amount of money you will pay in an insurance claim before the insurance coverage kicks in and the company starts paying you.

[If the customer chooses a low deductible, the premium is higher. If the customer chooses a high deductible, the insurance company can set the premium lower and still make money.]
https://www.thebalance.com/insurance-deductible-2645763
A car insurance policy can include coverage for losses associated with
1. Property damage, such as damage to your car or theft of your car
2. Liability for bodily injury, such as costs associated with injuries or death that you or another driver causes while driving your car and
3. Liability for property damage, such as costs to reimburse others for damage that you or another driver operating your car causes to another vehicle or other property
4. Medical payments or personal injury protection to reimburse medical expenses for care for injuries to you or to your passengers and to cover lost wages
5. Uninsured motorist coverage to reimburse you when an accident is caused by a driver who does not have car insurance.
https://www.investopedia.com/terms/a/auto-insurance.asp#axzz1ZjEj3wPy

(b) Health
Health insurance covers expenses of medical care costs of illnesses and injuries. Health insurance is available in several varieties, depending on employment, disability, income level.
Medicare is insurance offered by the federal government. Most enrollees are 65 years old or older. Some people with disabilities are eligible to enroll. The federal government pays most of the costs with revenues from Medicare taxes that employed people pay.
Medicaid is insurance offered by state governments, with 10% of total costs paid by the federal government. People with low income can qualify. Some older people who have no assets (like money or property) and who need nursing home care can qualify.
Private health insurance is offered to employees by companies and by government employers as a benefit of employment to maintain the health of workers and their families and to attract and retain good employees. The employer and employees share the cost of coverage.
Private health insurance is also available to people who do not work for large companies through insurance brokers or through a state or federal ACA Health Insurance Marketplace brought into existence by the Affordable Care Act, signed by President Barack Obama on March 23, 2010, nicknamed Obamacare.
Annual cost of health insurance is determined by
family size (larger family, higher cost)
size of employee pool from a single employer (bigger company, less cost)
annual deductible amount (higher deductible, lower cost)
co-payments for in-network and out-of-network providers (higher copayments, less cost)
co-payments for primary care and specialty services (higher copayments, less cost)
limits on provider network (more limited choices, lower cost)
coverage of pre-existing conditions (more coverage, higher cost)
age of insured members (older, higher cost)
smoking (smoking, higher cost)

medical necessity of services (Cosmetic services are not usually covered by health insurance.) (more restrictive, lower cost)
prescription drugs (more restrictive, lower cost)
insurance company competition (more competition, lower cost)
community costs of healthcare (higher cost of care, higher cost of insurance)
Healthcare costs for a worker, including insurance, deductibles, and prescription drugs, ranged from $4700 in Hawaii to $8300 in New Hampshire.

(c) Homeowner’s/renter’s
Homeowners insurance policies generally cover destruction and damage to a residence's interior and exterior, the loss or theft of possessions, and personal liability for harm to others.
Virtually all mortgage companies require borrowers to have insurance coverage for the full or fair value of a property (usually the purchase price) and won't make a loan or finance a residential real estate transaction without proof of it.
Policy rates are largely determined by the insurer's risk that you'll file a claim; they assess this risk based on past claim history associated with the home, the neighborhood, and the home's condition.
In shopping for a policy, get quotes from at least five companies, and definitely check with any insurer you already work with—current clients often get better deals.
Destruction or mutilation from floods, earthquakes, and poor home maintenance is generally not covered.
Three basic levels of coverage exist: actual cash value, replacement cost, and extended replacement cost/value.
Actual cash value covers the cost of the house plus the value of your belongings after deducting depreciation (i.e., how much the items are currently worth, not how much you paid for them).
Replacement value policies cover the actual cash value of your home and possessions without the deduction for depreciation, so you would be able to repair or rebuild your home up to the original value.
Guaranteed (or extended) replacement cost/value is the most comprehensive coverage and pays for whatever it costs to repair or rebuild your home.
https://www.investopedia.com/insurance/homeowners-insurance-guide/

Renter's insurance is property insurance that provides coverage for a policyholder's belongings, liabilities and possibly living expenses in case of a loss event. Renter's insurance is available to persons renting or subletting a single family home, apartment, duplex, condo, studio, loft or townhome.
Proof of renter's insurance is required by many landlords. Personal belongings within a rented property are typically not covered under the owner's or landlord's property insurance. For example, if a flood or fire destroys all the personal property within a rented apartment, the structure would be covered under the landlord's policy, but the personal property would only be covered through a renter's insurance policy.
https://www.investopedia.com/terms/r/renters-insurance.asp

(d) Whole life and term life

https://www.investopedia.com/terms/l/lifeinsurance.asp

Life insurance is a legally binding contract between an insurer and a policyholder in which the insurer guarantees payment of a death benefit to named beneficiaries when the insured dies.

For the contract to be enforceable, the life insurance application must accurately disclose the insured's past and current health conditions and high-risk activities.
For a life insurance policy to remain in force, the policyholder must pay a single premium up front or pay regular premiums over time.
When the insured dies, the policy's named beneficiaries will receive the policy's face value, or death benefit.
Term life insurance policies expire after a certain number of years. Permanent life insurance policies remain active until the insured dies, stops paying premiums, or surrenders the policy.
A life insurance policy is only as good as the financial strength of the company that issues it. State guaranty funds may pay claims if the issuer can't.

Parents with minor children
Parents with special-needs adult children
Adults who own property together
Elderly parents who want to leave money to adult children who provide their care
Young adults whose parents incurred private student loan debt or cosigned a loan for them
Young adults who want to lock in low rates
Wealthy families who expect to owe estate taxes
Families who can't afford burial and funeral expenses
Businesses with key employees
Married pensioners

Whole life insurance is a type of permanent life insurance that accumulates cash value. The insured can borrow money from the cash value. Policy loans can reduce the policy's death benefit.

Term Life – Term life insurance lasts a certain number of years, then ends. You choose the term when you take out the policy. Common terms are 10, 20, or 30 years.
Level Term – The premiums are the same every year.
Increasing Term – The premiums are lower when you're younger and increase as you get older. This is also called the "yearly renewable term."

Requirement # 7. Explain to your merit badge counselor the following:
(a) What a loan is, what interest is, and how the annual percentage rate (APR) measures the true cost of a loan.
https://www.investopedia.com/terms/l/loan.asp

A loan is money, property, or other material goods given to another party in exchange for future repayment of the loan value or principal amount, along with interest or finance charges. A loan may be for a specific, one-time amount, or it can be available as an open-ended line of credit up to a specified limit.
Loans can be secured by collateral such as a mortgage or car loans or unsecured such as a credit card. Unsecured loans have higher risk for the lender and have higher interest rates.

https://www.investopedia.com/terms/i/interestrate.asp
The interest rate is the amount a lender charges for the use of assets expressed as a percentage of the principal.

(b) The different ways to borrow money.
(c) The differences between a charge card, debit card, and credit card. What are the costs and pitfalls of using these financial tools? Explain why it is unwise to make only the minimum payment on your credit card.
(d) Credit reports and how personal responsibility can affect your credit report.
(e) Ways to reduce or eliminate debt.

Requirement # 8. Demonstrate to your merit badge counselor your understanding of time management by doing the following:
(a) Write a “to do” list of tasks or activities, such as homework assignments, chores, and personal projects, that must be done in the coming week. List these in order of importance to you.
(b) Make a seven-day calendar or schedule. Put in your set activities, such as school classes, sports practices or games, jobs or chores, and/or Scout or place of worship or club meetings, then plan when you will do all the tasks from your “to do” list between your set activities.
(c) Follow the one-week schedule you planned. Keep a daily diary or journal during each of the seven days of this week’s activities, writing down when you completed each of the tasks on your “to do” list compared to when you scheduled them.
(d) With your merit badge counselor, review your “to do” list, one-week schedule, and diary/journal to understand when your schedule worked and when it did not work. Discuss what you might do differently the next time.

https://scoutlife.org/features/174478/too-much-to-do-here-are-4-steps-for-getting-things-done/

Requirement # 9. Prepare a written project plan demonstrating the steps below, including the desired outcome. This is a project on paper, not a real-life project. Examples could include planning a camping trip, developing a community service project or a school or religious event, or creating an annual patrol plan with additional activities not already included in the troop annual plan. Discuss your completed project plan with your merit badge counselor.

(a) Define the project. What is your goal?
(b) Develop a timeline for your project that shows the steps you must take from beginning to completion.
(c) Describe your project.
(d) Develop a list of resources. Identify how these resources will help you achieve your goal.
(e) Develop a budget for your project.

Requirement # 10. Do the following:
(a) Choose a career you might want to enter after high school or college graduation. Discuss with your counselor the needed qualifications, education, skills, and experience.
(b) Explain to your counselor what the associated costs might be to pursue this career, such as tuition, school or training supplies, and room and board. Explain how you could prepare for these costs and how you might make up for any shortfall.

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