



Personal Management Merit Badge

Your Name _____

Objective

This merit badge will teach the benefits of time, money, and project management in an exciting and hands-on environment.

Prerequisites

The class is available to scouts who have obtained the rank of Star and Life or are at least 14 years old.

Course Structure

Class 1:

- _____ Prepare to make a major family purchase (Req #1)
- _____ Discuss the importance of a personal budget (Req #2)
- _____ Start a time management calendar (Req #8)

Class 2:

- _____ All about money (Req #3)
- _____ Saving and investment concepts (Req #4)

Class 3:

- _____ Borrowing money (and paying it back) (Req #7)
- _____ Insurance (Req #6)
- _____ Stocks, bonds, mutual funds, and other investment vehicles (Req #5)

Class 4:

- _____ Start a project plan (Req #9)
- _____ Your new career (Req #10)
- _____ Wrap-up discussion

Counselor

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Personal Management Merit Badge

Class Number 1

Over the next few weeks, complete the following three requirements on your own. You may use the forms that follow or use your own format. Results will be discussed with your counselor prior to the completion of the badge.

Requirement #1 (Informed Shopper)

- 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 major purchase
 - 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 major purchase
 - 1) Determine the quality of the item or service (using consumer publications or rating 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?

Requirement #2 (Personal Budget)

- 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 income, determine the steps to balance your budget.
 - 2) If income exceeds 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.

Requirement #8 (Time Management)

- 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.



Personal Management Merit Badge

Class Number 1

Personal Management Informed Shopper Worksheet

What item did your family choose as its major purchase? _____

How would your family save money for the major purchase?

Are there any other family needs that must be met before making the major purchase?

Develop a written shopping strategy for the major purchase.

Determine the quality of the item (using consumer publications or rating systems).

Where can you find this item for the best price?

Place: _____ Price: _____

Provide prices from at least two different price sources:

Place: _____ Price: _____

Place: _____ Price: _____

Call around and study ads. What did you find?

Look for a sale or discount coupon. Did you find any?

Consider alternatives. Are there any?

Can you buy the item used? Would you?

Should you wait for a sale? Why?



Personal Management Merit Badge

Class Number 1

Personal Management Budget Worksheet

Income

	Week 1		Week 2		Week 3		Week 4		Week 5		Week 6		Week 7	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Allowance														
Job														
Gifts														
Totals:														

Expenses

	Week 1		Week 2		Week 3		Week 4		Week 5		Week 6		Week 7	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Savings														
Hobbies														
Scouts														
Snacks														
Gifts														
Entertainment														
Misc														
Totals:														

Income

	Week 8		Week 9		Week 10		Week 11		Week 12		Week 13		Total	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Allowance														
Job														
Gifts														
Totals:														

Expenses

	Week 8		Week 9		Week 10		Week 11		Week 12		Week 13		Total	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Savings														
Hobbies														
Scouts														
Snacks														
Gifts														
Entertainment														
Misc														
Totals:														



Personal Management Merit Badge

Class Number 1

Personal Management Time Management Worksheet

Add to this calendar your set activities, such as school classes, sports practices or games, jobs or chores, Scout meetings, and church meetings, then plan when you will do all the tasks from your “to do” list between your set activities.

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
7:00 AM							
8:00 AM							
9:00 AM							
10:00 AM							
11:00 AM							
12:00 PM							
1:00 PM							
2:00 PM							
3:00 PM							
4:00 PM							
5:00 PM							
6:00 PM							
7:00 PM		Scouts					
8:00 PM							
9:00 PM							



Personal Management Merit Badge

Class Number 1

Reference the sample budget below to illustrate the importance of keeping track of income and expenses.

<u>Income:</u>	<u>HS Grad</u>	<u>BS Degree</u>	<u>PhD</u>	<u>Other</u>
Salary	\$1,700	\$2,700	\$4,000	\$_____
 <u>Expenses:</u>				
Savings (10%)	\$170	\$270	\$400	\$_____
Taxes				
Federal (11%)	\$187	\$297	\$440	\$_____
State (0%)	\$0	\$0	\$0	\$_____
Medicare (2%)	\$34	\$54	\$80	\$_____
Social Sec. (8%)	\$136	\$216	\$320	\$_____
Real Estate	\$184	\$184	\$184	\$_____
Auto				
Loan	\$0	\$0	\$0	\$_____
Fuel	\$60	\$60	\$60	\$_____
Insurance	\$135	\$135	\$135	\$_____
Groceries	\$180	\$180	\$180	\$_____
Utilities				
Electric	\$45	\$45	\$45	\$_____
Gas	\$40	\$40	\$40	\$_____
Telephone	\$55	\$55	\$55	\$_____
Water	\$30	\$30	\$30	\$_____
Insurance				
Homeowners	\$75	\$75	\$75	\$_____
Flood	\$20	\$20	\$20	\$_____
Health	\$200	\$200	\$200	\$_____
Dental	\$15	\$15	\$15	\$_____
Mortgage				
Principal	\$30	\$30	\$30	\$_____
Interest	\$870	\$870	\$870	\$_____
 Total Expenses:	 \$2,466	 \$2,776	 \$3,179	 \$_____
Difference:	-\$766	-\$76	\$821	\$_____
 Total Expenses:	 \$2,746	 \$3,076	 \$3,479	 \$_____
(w/ \$280 auto loan)				
Difference:	-\$1,046	-\$356	\$541	\$_____

Not listed: charity, clothing, dining out, entertainment, gifts, hobbies, subscriptions, vacation, etc.



Personal Management Merit Badge

Class Number 2

Requirement #3 (Money)

Discuss with your merit badge counselor the following concepts:

- The emotions you feel when you receive money.
- Your understanding of how the amount of money you have with you affects your spending habits.
- Your thoughts when you buy something new and your thoughts about the same item three months later.
- How hunger affects you when shopping for food items (snacks, groceries).
- Your experience of an item you have purchased after seeing or hearing advertisements for it.
- Your understanding of what happens when you put money into a savings account.
- Charitable giving.
- What you can do to better manage your money.

Requirement #4 (Saving and Investing)

- The differences between saving and investing, including reasons for using one over the other.
- The concepts of return on investment and risk and how they are related. (See example)
- The concepts of simple interest and compound interest. (See example)
- The concept of diversification in investing.
- Why it is important to save and invest for retirement.

EXAMPLE: Return on Investment (ROI)

$$ROI = \frac{\text{Investment at withdrawal} - \text{Initial Investment}}{\text{Initial Investment}}$$

Imagine you had a summer job mowing lawns. You made \$800 and invested that money in a mutual fund for 6 months. At the end of 6 months, you cashed in your mutual fund and received \$820.

Compute your ROI.

$$ROI = \frac{\$820 - \$800}{\$800} = 0.025 = 2.5\%$$

You would like to earn your master's degree but think, at \$15,000, it is not worth the effort. Nonetheless, you compute the ROI on your investment after 5 years. You currently make \$4,700 per month with your bachelor's degree and will earn approximately \$5,600 per month with your master's degree.

$$ROI = \frac{(\$900 * 60) - \$15,000}{\$15,000} = 2.6 = 260\%$$



Personal Management Merit Badge

Class Number 3/4

EXAMPLE: Simple Interest

$$\text{Simple Interest} = \text{Initial Investment} * \text{Time} * \text{Interest Rate}$$

Your sibling wants you to invest in his new business. You loan him \$5,000. He agrees to pay you 4% interest (simple) per year for ten years. At the end of ten years when his business is successful, he will return your \$5,000 plus interest. How much interest will you make?

$$\text{Simple Interest} = \$5,000 * 10 * 0.04 = \$2,000$$

EXAMPLE: Compound Interest

$$\text{Compound Interest} = \text{Initial Investment} * ((1 + \text{Interest Rate})^{\text{Time}} - 1)$$

Instead of investing in your sibling's new business, you have the opportunity to put your money into a certificate of deposit that pays 4% interest per year. Since the interest in a certificate of deposit is compounded, what will your interest be after ten years?

$$\text{Compound Interest} = \$5,000 * ((1 + 0.04)^{10} - 1) = \$2,401$$

	Simple Interest		Compound Interest	
	Initial Investment	Interest	Initial Investment	Interest
Year 1	\$5,000	\$200	\$5,000	\$200
Year 2	\$5,000	\$200	\$5,200	\$208
Year 3	\$5,000	\$200	\$5,408	\$216
Year 4	\$5,000	\$200	\$5,624	\$225
Year 5	\$5,000	\$200	\$5,849	\$234
Year 6	\$5,000	\$200	\$6,083	\$243
Year 7	\$5,000	\$200	\$6,327	\$253
Year 8	\$5,000	\$200	\$6,580	\$263
Year 9	\$5,000	\$200	\$6,843	\$274
Year 10	\$5,000	\$200	\$7,117	\$285
Total		\$2,000		\$2,401



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Class Number 3

Requirement #7 (Borrowing Money)

Explain to your merit badge counselor the following:

- What a loan is, what interest is, and how the annual percentage rate (APR) measures the true cost of a loan. (See example)
- The different ways to borrow money.
- 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. (See example)
- Credit reports and how personal responsibility can affect your credit report.
- Ways to reduce or eliminate debt.

EXAMPLES: Borrowing Money

You buy a car for \$14,000. The interest rate is 3% yearly for 60 months. How much do you end up paying for the car?

$$\text{Cost of Car} = \frac{\text{Monthly Interest Rate} * \text{Loan Amount} * \text{Number of Payments}}{1 - (1 + \text{Monthly Interest Rate})^{-\text{Time}}}$$
$$\text{Cost of Car} = \frac{(0.03/12) * \$14,000 * 60}{1 - (1 + (0.03/12))^{-60}} = \$15,094$$

You Paid \$1,094 in interest!

You are ready to buy your first home. After a lengthy search for just the right size home in the perfect neighborhood, you call the bank to secure a loan. Since your credit score is very good, the bank agrees to loan you \$260,000 for 30 years at 4.5%. What is the true value of the home after 30 years?

$$\begin{aligned}\text{Monthly Payment} &= \$1,317 \\ \text{Total Interest Paid} &= \$214,257\end{aligned}$$

True Value of the Home = \$474,257

You buy all new appliances for \$3,000 after starting your first job and moving into your first apartment. Since you haven't received your first paycheck, nor do you have any money in your savings account, you decide to put them on your credit card (APR 18%). At month's end your entire paycheck is spent on necessities and you can only pay the minimum credit card payment of \$50. How long will it take you to pay off your credit card? How much will it cost you?

$$\begin{aligned}\text{Appliances} &= \$3,000 \\ \text{Credit Card Interest} &= \$4,733\end{aligned}$$

Total Cost of Appliances = \$7,733

At \$50 per month, it will take you 12.9 years to pay off your debt!



Personal Management Merit Badge

Class Number 3/4

Requirement #6 (Insurance)

Explain to your counselor why people might purchase the following types of insurance and how they work:

- Automobile
- Health
- Homeowner's/renter's
- Whole life and term life

Requirement #5 (Investment Options)

Explain to your merit badge counselor what the following investments are and how each works:

- Common stocks
- Mutual funds
- Life insurance
- A certificate of deposit (CD)
- A savings account
- A U.S. savings bond

EXAMPLES: Investment Options

	Return	Risk	Advantage	Disadvantage
Piggy Bank	None	None	No Risk	No Growth
Savings Account	Low	None*	Steady Return	Low Growth
Money Market	Low	None*	Steady Return	Restrictions on Withdrawal
Life Insurance	Low	None*	Death Benefits	Withdrawal Fees
Bonds	Low	Low	Steady Return	Long Time to Maturity
Certificate of Deposit	Low/Medium	Low	Steady Return	Restrictions on Withdrawal
Mutual Funds	Medium/High	Medium	Less Volatility	Medium Risk
Common Stocks	High	High	High Return	High Risk

Requirement #9 (Project Plan)

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.

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

Requirement #10 (Your Career)

- 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.
- 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.