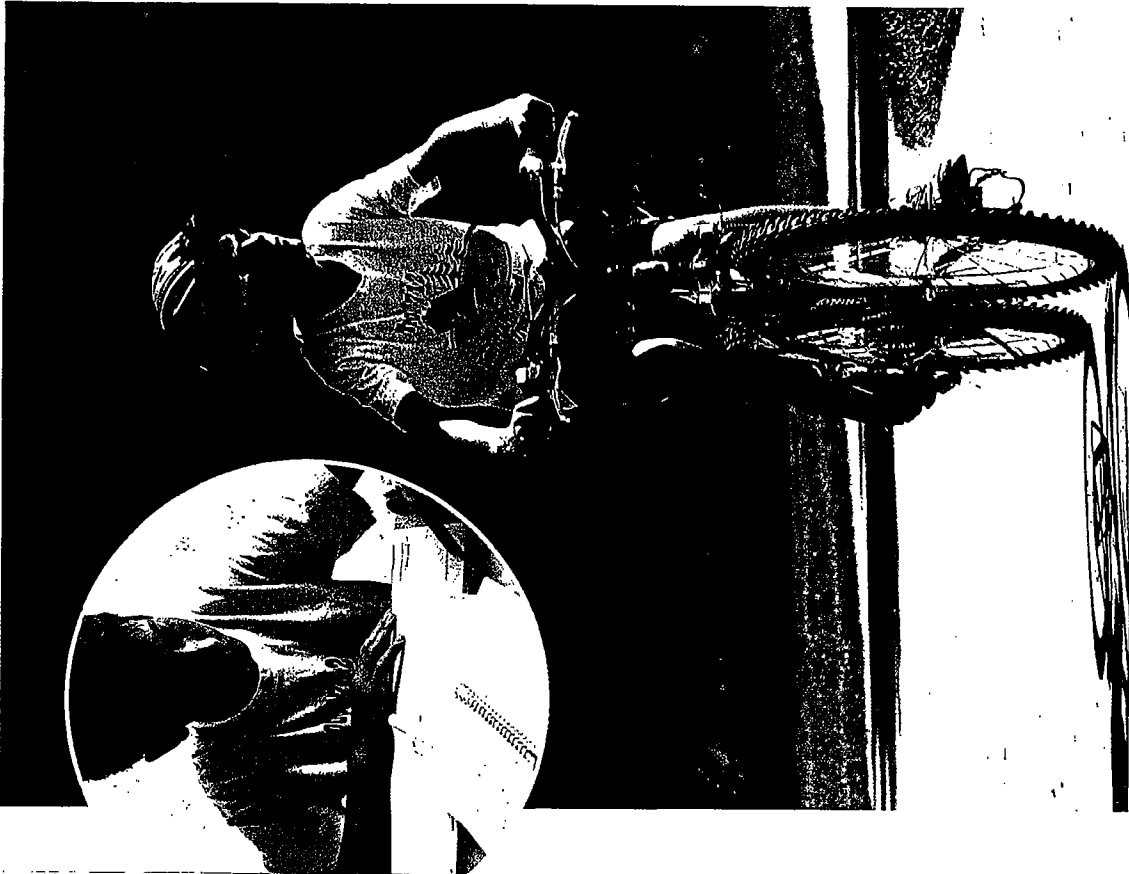


# Requirements

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. Track your actual income, expenses, and savings for 13 consecutive weeks. (You may use the forms provided in this pamphlet, devise your own, or use a computer-generated version.) When complete, present the results to your merit badge counselor.
- b. Compare expected income with expected expenses.
    - (1) If expenses exceed income, determine steps to balance your budget.
    - (2) If income exceeds expenses, state how you would use the excess money (new goal, savings).
  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.
    - c. The concepts of simple interest and compound interest and how these affected the results of your investment exercise.

5. Select five publicly traded stocks from the business section of the newspaper. Explain to your merit badge counselor the importance of the following information for each stock:
    - a. Current price
    - b. How much the price changed from the previous day
    - c. The 52-week high and the 52-week low prices
  6. Pretend you have \$1,000 to save, invest, and help prepare yourself for the future. Explain to your merit badge counselor the advantages or disadvantages of saving or investing in each of the following:
    - a. Common stocks
    - b. Mutual funds
    - c. Life insurance
    - d. A certificate of deposit (CD)
    - e. A savings account or U.S. savings bond
  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. Review your "to do" list, one-week schedule, and diary/journal to understand when your schedule worked and when it did not work. With your merit badge counselor, discuss and understand what you learned from this requirement and 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. If necessary, 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.
    - b. Research the limitations of your anticipated career and discuss with your merit badge counselor what you have learned about qualifications such as education, skills, and experience.



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## Managing Yourself, Managing Your Money

As you grow older, you will face an increasing number of decisions that will affect your future. Although you will continue to gain advice and direction from your parents or guardians and teachers, eventually you must be the one to take responsibility for yourself and your actions. Personal management is about taking control of your life.

### Learning to Manage Yourself

To understand what personal management is about, think of all the things your parents and other adults do for you as well as what they do for themselves. Do the adults in your life buy and prepare your food, provide a place for you to live, buy your clothes, take you places you want and need to go, and help pay for many of the other things you do, need, and want? What if it were up to you to do all of these things? If it were, you would need to manage your money and time to get things done.

Making more decisions on your own can be both scary and exciting because it means that you will become responsible for both your mistakes and successes.



Currently, much of your life probably is managed for you. Your parents or guardians guide you by suggesting what to do and the best way to do it, your teachers determine what you learn in school, and, if you play a sport, your coaches instruct you. Providing guidance is their way of teaching you the skills and knowledge you will need to take care of yourself as you grow older.

Managing your life is similar to planning a journey. It is often best to have a road map before you begin and to plot a course that will help you avoid and minimize bumps and detours along the way. Earning the Personal Management merit badge will help you learn to manage critical parts of your life, including your money, your time, and your future. To do this, you will need to develop self-discipline and persistence.

Mapping a plan for your life will involve setting short-range and long-range goals and investigating different ways to reach those goals. Education, training, and experience all help make your goals become a reality. To achieve your goals, you will choose the best path and make a commitment to it, while remaining flexible enough to deal with changes and new opportunities.

You probably will not be on your own until you move away from home, but now is a good time to begin preparing for that day.

### Learning to Manage Your Money

No matter how much money you earn after you leave home, one of the most important things you will need to learn is how to manage your money. This involves planning for career changes and retirement over your lifetime, considering how finances affect your family and relationships, and making choices about how to earn and spend money.

It is not as common as it once was for people to work for one employer throughout their careers and then receive a pension from that employer to cover living expenses during retirement. Instead, you likely will work for several employers throughout your lifetime, and your long-term financial security will depend on how well you manage your money during your working years.

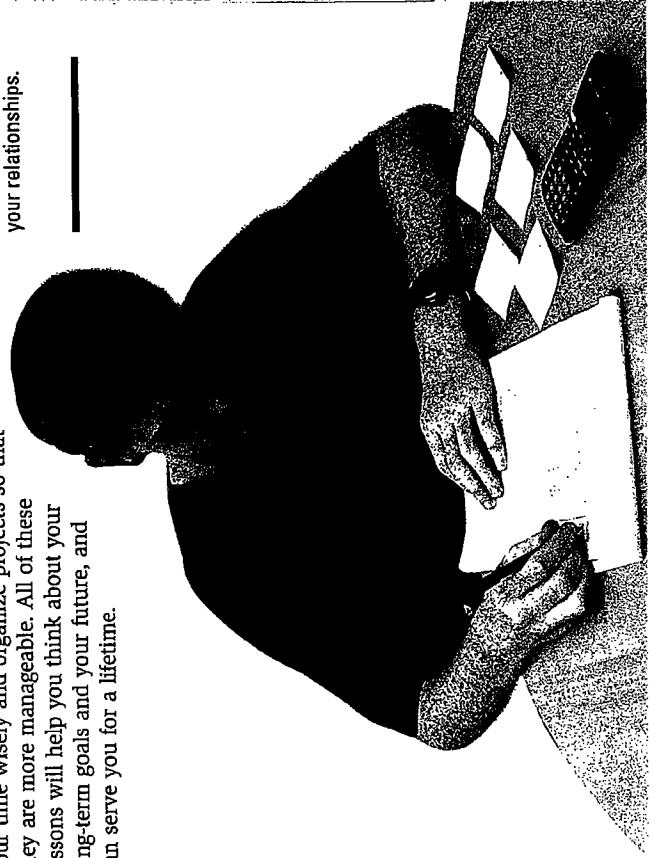
People today face many choices about how to earn, save, and spend money. Because few of us have an unlimited amount of money, among the keys of wisely and effectively managing money is learning to do without (at least temporarily) something we want. However, advertising messages urge us to buy products we often do not need. Effectively managing your money will require you to resist these messages.

Yet, many of your decisions will involve spending money. Money management skills must be learned, and it is never too soon to start. Poor money management habits can cause family stress and lead to debt and a poor credit history, which can make it difficult to get home loans, car loans, and other financial assistance.

You will find that when you want to buy something, you will need to reduce expenses in other areas. For example, to save for a new backpack, you might need to take your lunch to school rather than buying food at the cafeteria, or do low-cost activities such as renting movies and going for walks and hikes.

While completing the Personal Management merit badge, what you learn about earning, saving, investing, borrowing, and spending money wisely can help eliminate conflicts and improve your quality of life. You also will learn how to use your time wisely and organize projects so that they are more manageable. All of these lessons will help you think about your long-term goals and your future, and can serve you for a lifetime.

Money is not, and should not be, everything in life, of course. More important things exist, such as your religion, family, friends, helping others, and achieving personal growth. But, money is a major part of life and can affect you, your family's well-being, and your relationships.



## Being a Smart Shopper

Before they buy, smart shoppers use a wide variety of resources to help them find out more about the product they want to purchase. Here are some tips on researching products, reading advertisements, watching for sales, comparison shopping, and considering alternatives to help you become a smart shopper.

### Research the Item You Want

First, consider the product's features. The more features it has the more the product will cost, so determine whether you need all of them. If not, you might be able to find a more affordable product that has only the features you need.

Next, consider the quality of the product. It might be worth paying more for a quality product if it will last longer and perform better. However, a lower-priced product might offer high quality, too. That is why it is important to read consumer guides and to check consumer Web sites for comments about the product. If the quality is poor and the product breaks or falls apart in a short time, whatever price you paid will have been too much.

**Consumer buying guides** can be a handy tool for researching a product you are planning to purchase. These guides may provide anything from general details and helpful purchasing tips to more specific information that will help you narrow your selection. For instance, an evaluation of televisions might show a comparison of prices, screen size, audio features (such as surround sound), convenience features (such as wireless remote), and the types of connections that come with the TV—all in one place.

Before you buy the product, talk to family members, friends, or others who might have used it. Did they like it? Was it worth the price? Try the product, if possible, before buying. Rent a video game, for example, or borrow it from a friend to determine whether you want to own it. Or, ask a salesperson to demonstrate the product. When you are ready to buy a car, for example, test drive it and compare it to other cars.

### Look for Sales

Wait until the item you want to buy goes on sale. If a store is not conducting a sale, the salesperson might tell you if the item will go on sale soon. Sometimes stores will reimburse the difference if the item you bought goes on sale within 30 days after you bought it.

Common types of sales include seasonal sales, when stores phase out summer items to stock fall and winter merchandise, and vice versa; inventory sales, which occur just before stores take inventory (count merchandise); promotional sales designed to introduce new products or spur buying interest when sales are slow; and situational sales, which often are advertised as going-out-of-business sales or moving sales.

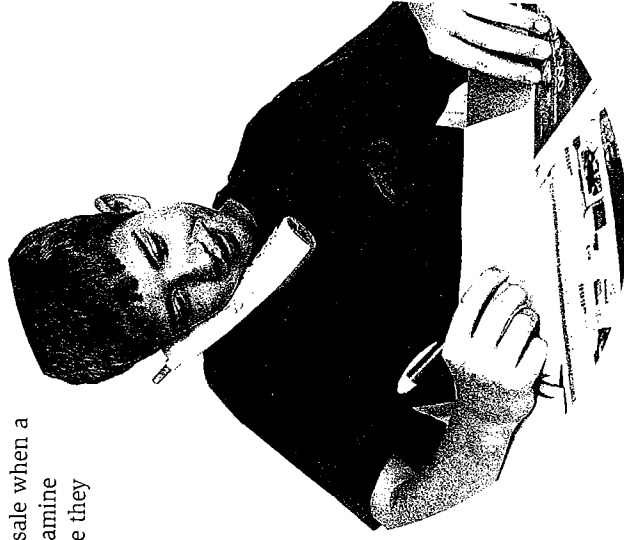
Try to shop at the beginning of a sale when a wide selection is still available, and examine sale items before you buy to make sure they are not damaged or flawed.

### Comparison Shop

Call or visit at least three stores to compare prices and gather additional information about the item. Another store, catalog, or Internet retailer might sell the item for less than another retailer's advertised sale price.

Look for discount coupons in newspapers, coupon books, or in the mail. Some items might come with a mail-in rebate that offers money back.

The Internet can be a valuable resource for researching a product in which you are interested. When you "surf" the Web, be sure you have your parent's permission first.



If you are buying an item that comes in units, such as ounces or pounds, check the item's *cost per unit*. The cost-per-unit figure allows you to compare the real price difference between similar or same items of different quantities. Grocery stores list the cost per unit on an item's price tag. A lower-priced item in a smaller container might actually cost more per unit than a similar item in a larger container.

While shopping, ask about guarantees and service policies. A store might have a great price on a product, but it might not have a service center to support the repair of the product.



If there is a problem with the product, return it to the store promptly. Be sure to keep your receipt. Most stores want to ensure customer satisfaction and will offer to replace the product or repair it. Ask to speak to the manager if the problem is not addressed to your satisfaction.

## Advertisements

Advertising informs you of available products, their features and benefits, where they can be bought and at what price. But advertising can be misleading. If a product is supposed to be "new and improved," for example, make sure you find out what has been improved. The improvement could be so slight that it might be better to buy the older model at a cheaper price. Also, consider whether the product really delivers the benefits that advertisements claim it does. Just because a great athlete wears a certain brand of shoes does not mean that your athletic skills will improve if you wear the same brand.

Be especially wary of "bait-and-switch" advertising. This advertising technique promotes a very low price on a particular item (bait), but when you try to buy it, the salesperson tries to sell you something "better" at a higher price (switch). If a sale sounds too good to be true, it probably is.

## Consider Alternatives

What if you do not have enough money to buy the item, or you decide not to spend as much money as the item costs? Remember that while you cannot always buy what you want, you do have other choices. Sometimes you must compromise. Part of being a good money manager means knowing when to say no to yourself.

Do not be in a hurry to buy the newest product or the latest thing, such as a just-released video game. The prices of many products will drop after they have been on the market for a while. Also, as in the case of many electronics (stereos, TVs, digital media players, computers, software), the next version probably will be more fine-tuned.

Consider buying less-expensive items that have only the features you need or want. The price probably will be cheaper. If it is an item you can build, maybe you can save money by buying the parts and assembling it yourself.

Consider buying used or generic (not a name brand) items if the quality is similar. Demos, opened-box items, and/or slightly flawed products often are available at lower cost. When you are old enough to drive and start looking for a car, remember that the value of a new car will *depreciate* (drop in value) significantly once the car is sold. A good, used car can be much less expensive. Check classified ads in the newspaper for used items.

### Impulse Buying

Moods or physical feelings can affect your buying decisions and lead to impulse buying. So, be aware of what might be behind your sudden urge to buy something.

For instance, shopping at the mall when you are hungry could lead you to buy several snacks or even larger meals at the food court. The money you spend on snacks could be used to buy an item you really want instead. The same rule applies when shopping for groceries: Do not go when you are hungry or you might buy more food than needed.

Likewise, if you are feeling sad or angry, it might seem that buying something will help you feel better. However, you might spend money that you did not plan to spend. To help yourself feel better, it might be better to go jogging, ride your bike or skateboard, go to the library (and *borrow* the DVD you would have bought), or go fishing. The main thing is to plan something that does not require you to spend money.

Many people buy items out of envy. In other words, just because your friend bought an expensive bike with the newest components does not mean that you must have one, too. Buy items that fit your budget and timeline; do not buy something just so you can have the same thing someone else has.

Similarly, do not let your money "burn a hole in your pocket." If you have been saving for something for a long time, it might be tempting to spend the money. Be aware of that impulse and stick to your plan. Also, when you are out and about, just because you have money "in your pocket" doesn't mean you need to spend it. Use your money wisely.

**Avoid impulse buying.** Always take time to consider whether you really need or want the item.

**By following smart shopping guidelines,** you will be less likely to buy something on the spur of the moment and less likely to regret your purchase later (buyer's remorse).

Remember that all kinds of feelings can lead to impulse buying. It might feel good at the moment to make the purchase, but later you might regret having spent your money on something you did not need or really want and that delayed or prevented you from reaching a savings goal.

The good feeling you get when you spend money is a short-term emotion; spending money won't solve why you are feeling sad or angry.



### Meeting a Family Financial Goal

To fulfill requirement 1, you will choose an item that your family might like to purchase that is considered a major expense. Before you choose the item, discuss with all members of your family your plan to purchase something that benefits the whole family and show how your family can save for the item while still meeting other family needs.

As an example, let's say your family has decided to buy a big-screen TV. No matter what your family selects, many of the same shopping techniques used to buy the television will apply to your family's decision. Remember, you and your family should already have determined that your needs have been met.



Your family must take care of needs such as food, housing, insurance, car payments, school expenses, utilities, and clothes before making a major purchase. Once these needs are met, you can set the goal of saving for an item that your family has agreed to purchase.

Many factors must be considered before making a big purchase. If your family has decided to buy a big-screen TV, for example, you may have to answer questions such as:

- How large is the room where you will put the TV, and what screen size is recommended for a room of that dimension?
- What manufacturers produce the most reliable big-screen TVs?
- Does a big-screen TV require the purchase of any additional special equipment and services in order to function properly, optimally, and efficiently?

To determine the answers, read articles about big-screen televisions in magazines, consumer guides, and on the Internet. Talk to salespeople in consumer electronics stores, and, if you can, also talk to technicians who work on big-screen TVs. Do not rely on only one source of information, and remember that salespeople might highlight slow-selling or featured items rather than the best product for your family. Always read the warranty and/or guarantee. For instance, check how long the manufacturer guarantees the picture tube and other components. Learn what customers must do to make sure the warranty and/or guarantee stays valid.

While shopping for a big-screen TV, you might consider adding a sound system. Will your family be content with the output from the television's speakers? Or does your family want to invest in a surround-sound system, which can be quite expensive? The surround-sound system could include a receiver (to connect to the TV and speakers) and up to six or seven speakers. Each of these items also should be researched.

While you research, make sure to check out the prices. Look at ads and compare prices at different stores. Visit, call, or browse the store's Web site (with your parent's permission), if it has one. If your family makes its purchase from a catalog or via the Internet, consider other factors. Remember to include any shipping charges in the overall cost of the purchase, and arrangements will need to be made to properly install the equipment. Should there be any problems with the product or setup, the customer service may be more indirect than if you had purchased the item locally.

As you can see, making a well-informed decision on a major purchase takes a lot of planning. Inexpensive items require a similar amount of planning, too. Careful planning makes buying decisions easier and ensures that you will be happy with your purchase.

## Cash or Credit?

In general, avoid buying ordinary items, such as meals, clothes, and school supplies, on credit. Instead, limit credit purchases to special expenses, such as a house, a car, or college tuition.

What if a retailer offers a very low interest rate? Should you charge it rather than pay cash, or start saving for it? If the rate is lower than what you are earning on savings or investments, it might make sense to take advantage of the offer. But beware: Some low rates actually are "teaser" rates—a low interest rate for a short time (often three to six months) and then a much higher interest rate until the loan has been repaid. Make sure to exercise caution and read the fine print before you make a decision.

It is best to save your money to buy something you want rather than charging the cost to your credit card. Resist impulse buying—the item you want will still be available once you have saved your money. In addition, there are several advantages to waiting. You will not have to worry about paying high interest charges.

You will learn how to budget your money. The price of the item might go down during the time it takes to save the money. You will have more time to find the right item at the right price. Credit cards can be convenient, however.

Sometimes it makes sense to use a credit card to buy everyday items instead of carrying around a lot of cash, and it often is easier to return an item if it was purchased with a credit card. Also, credit cards are helpful in emergencies.

When you do use a credit card, make sure to pay off the balance each month. If you do not, high interest rates will be charged to your account, which will dramatically increase the cost of the items you purchased.

It might be possible to buy a good used item. Check the classifieds in your local newspaper for listings.

## Preparing a Personal Budget

The purpose of managing your money is to improve your ability to reach financial goals. One of the best ways to learn how much you spend and earn over a period of time is to keep a *budget*, or a written account of your expected and actual income and expenses. A budget organizes your finances to show how much income you plan to receive and how much you actually receive, how you plan to spend it, and how you actually spend it. By doing this, you will see where the money you earn goes and how much, if any, remains after your expenses. Sometimes a budget will reveal that little expenses (such as buying a soft drink each day after school) actually take a big chunk of your income.

Set up a budget worksheet to record all of your expenses and income for 13 consecutive weeks. The worksheet should include fixed expenses and flexible expenses. Fixed expenses, if you were older, could include house, car, and insurance payments; utilities; and registration fees. Currently, your fixed expenses might include Scouting expenses. Flexible expenses change each month. These include food, gifts, entertainment, clothing, donations to your place of worship, and personal care expenses.

One of the more important fixed expenses should be a payment to yourself for savings and/or investments. Of course, if you have money in savings, you can "borrow" from yourself—but make it a priority to repay the money taken from your savings. Make this your first payment and treat it as a regular monthly expense. This is a better method than trying to save from money leftover after expenses. When you start a career, often this payment can be automatically deducted from your paychecks and deposited in a savings or investment account.

By donating gifts to a charity, you can be among the millions who help fund a cause, such as cancer research and arthritis research, or services for the homeless. Without this money, many charities would not be able to fund research and improve lives.

it's practical to set up categories in your budget that allow you to combine several expenses. For example, "Entertainment" could include movies, video games, and concert tickets. If, however, the expenses in a subcategory are large, you might add a separate category for one of the items—video games, for example.

When you are living on your own, it's important to show where all of your money goes. This will give a better idea of where you spend your money and where you can reduce spending, if necessary. A budget that shows your basic living expenses could look something like this.

Basic Living Expenses	
Expense	Amount
Savings	\$ _____
Rent	_____
Groceries	_____
Eating out	_____
Utilities	_____
Telephone	_____
Personal grooming	_____
Car/transportation (gas, license, parking, bus fare, insurance, maintenance)	_____
Clothing/laundry	_____
Insurance	_____
Medical care	_____
Charities	_____
Entertainment (cable TV, movies, dating)	_____
CDs, DVDs, video games, etc.	_____
Recreation	_____
Sports/hobbies	_____
Vacations	_____
Books, magazines	_____
Gifts	_____
Miscellaneous (items not covered by other categories)	_____
Total monthly expenses	\$ _____

How much should you set aside to pay yourself?  
That figure will be determined by your income and financial goals.  
In general, try to save at least 10 percent of your 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	
Allowance	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$200
Job	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$650
Gifts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$140
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$55
Totals	\$70	\$70	\$80	\$70	\$70	\$70	\$70	\$70	\$80	\$80	\$1105	\$1105	
<b>Expenses</b>													
Savings	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$325
Charity	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$91
Scout expenses	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$52
Snacks	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$130
Gifts	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$175
Entertainment	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$145
Miscellaneous	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$175
Totals	\$78	\$78	\$78	\$78	\$78	\$78	\$78	\$78	\$88	\$88	\$1093	\$1093	

	Week 1		Week 2		Week 3		Week 4		Week 5		Week 6		Week 7		Total
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	
Allowance	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$200
Job	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$650
Gifts	\$20	\$20	\$0	\$0	\$0	\$0	\$10	\$10	\$100	\$0	\$0	\$0	\$0	\$0	\$170
Other	\$0	\$0	\$0	\$0	\$5	\$5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$70
Totals	\$90	\$90	\$70	\$75	\$75	\$90	\$80	\$170	\$93	\$93	\$71	\$71	\$71	\$71	
<b>Expenses</b>															
Savings	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$325
Hobbies	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$91
Scout expenses	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$52
Snacks	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$130
Gifts	\$80	\$80	\$0	\$0	\$0	\$0	\$10	\$10	\$15	\$15	\$0	\$0	\$0	\$0	\$175
Entertainment	\$15	\$15	\$10	\$10	\$10	\$10	\$10	\$20	\$20	\$20	\$10	\$10	\$10	\$10	\$145
Miscellaneous	\$20	\$20	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$175
Totals	\$161	\$161	\$68	\$68	\$68	\$88	\$78	\$93	\$93	\$93	\$71	\$71	\$71	\$71	
<b>Income</b>															
Allowance	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$200
Job	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$650
Gifts	\$20	\$20	\$0	\$0	\$0	\$0	\$10	\$10	\$100	\$0	\$0	\$0	\$0	\$0	\$170
Other	\$0	\$0	\$0	\$0	\$5	\$5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$70
Totals	\$90	\$90	\$70	\$75	\$75	\$90	\$80	\$170	\$93	\$93	\$71	\$71	\$71	\$71	

## How to Save Money

To save, you must first earn or receive income. Then, you can set a savings goal, such as a new bike, a computer, college tuition, or a birthday present for a friend or family member, and determine how much you need to set aside daily or weekly to reach that goal.

You might wonder what income sources you have available. The following are some income sources you might be able to include in your budget.

- Perhaps you receive a weekly or monthly **allowance** in return for doing certain chores around the house.
- Ask if you can increase your allowance by doing **extra chores**.

- Perhaps you could **work part-time** at a grocery store,

fast-food restaurant, movie theater, or golf course.

- You could **start a business** mowing lawns, caring for neighbors' pets, repairing bikes, running errands for elderly neighbors, or providing computer instruction.
- You probably can **sell items you no longer use** (with your parent's permission) that are still in good shape, such as an old bike, old computer games, old music CDs or tapes, collector cards, or athletic equipment.

- Save **gifts** of money that you receive for birthdays, Christmas, bar mitzvah, or other special occasions.

If you have a job or receive an allowance, you probably can predict what your income will be while you save for your goal. It might be more difficult to estimate your expenses, however. Because your budget clearly shows the choices you can make to reach financial goals, it can help you plan how to spend your money wisely. Any money left over at the end of a month can be added to savings or kept to spend the next month.

To increase the amount you save, think of expenses you can give up and other cost-saving measures. Another option is to change your goal. Perhaps you need more time to reach your goal or need to find a less-expensive option. For example, if you were saving for a new bike, maybe you could save for a less expensive one.

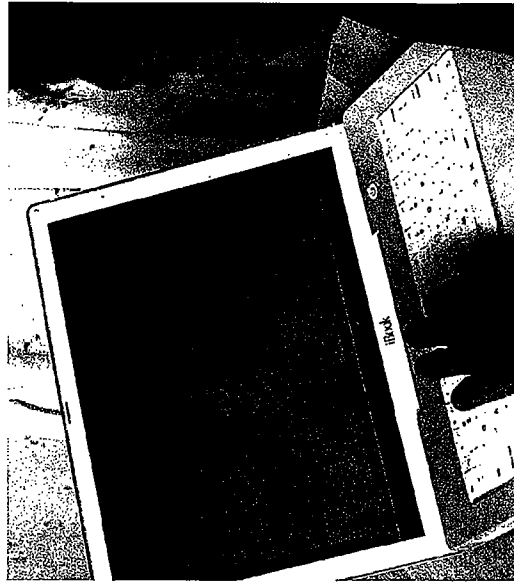
To determine how much to allocate for spending in each category, calculate your monthly income. Pay yourself first and deduct fixed expenses, then determine your flexible, or *discretionary*, expenses.

Good record keeping is necessary to help you maintain a budget. Set aside time each week to work on your budget, and try to make the budget simple to keep it manageable. Keep receipts when possible. Record in a notebook, budget workbook, or on your computer the date, any income you received, and all expenses you paid. Include everything, even postage stamps you used. At the end of each week, put the income and expenses under the correct categories in your budget. At the end of each month, balance all income and expenses.

As you will discover, budgets often need adjusting. Maybe you do not have enough income to cover your expenses. In that case, you must consider changes to your budget, including ways to earn more money. You might have to reduce or eliminate other expenses for a while, such as movies or video games.

If you spend more in one category than you budgeted, you might be able to adjust by spending less in another category.

For example, if you spent more on entertainment than the amount you budgeted, try spending less on snacks or eating out. However, if you spend more than your total income for a month, you will have to borrow money and then pay it back the next month.



If you want to track your income and expenses electronically, there are many software programs available on the market—or you could design your own.

The amount of earnings left after an employer has deducted federal and state income taxes, Social Security, and other items such as health insurance and stock purchases, is your *take-home pay*.

## Using Bank Accounts

Bank accounts keep money safe while also giving people easy access to their money. While banks offer different kinds of accounts, such as checkings, savings, and loan accounts, most people first open a savings account in which to store money for financial goals or an emergency.



Keeping money in a savings account is wiser than keeping cash in a dresser drawer at home. First, the federal government insures the money kept in bank accounts against loss or theft. A fire, or other natural disaster, could destroy your money if it is kept at home. Second, savings accounts earn interest. The bank pays interest on the money in your savings account because, in actuality, when you put money into a savings account you are loaning the money to the bank so it can give loans to other customers. Though the interest rate usually is low, it is more than your money will earn at home.



When you are ready to open a savings or checking account, go with your parents to a local bank, where a representative will help you get started.

