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Personal management merit badge answers

We're getting everything ready for you. The page is loading, and you'll be on your way in just a few moments. Thanks for your patience! If you're preparing to earn the Eagle-required Personal Management merit badge, you're in the right place! In this guide, I'll be providing you with all of the answers that you'll need to complete your merit badge worksheet and build a solid understanding of personal finance.You've reached part 2 of my ultimate guide to the Personal Management merit badge! If you're new to ScoutSmarts, you should first check out part 1 for the answers to requirements 1-5 of the Personal Management merit badge.If you've come over from part one, congratulations! You're halfway done with one of the most difficult badges in Scouting. Give yourself a big pat on the back. Let's get back into it! Take the time to closely review and think through requirements 6-10 of the Personal Management merit badge:Explain to your counselor why people might purchase the following types of insurance and how they work:6a) Automobile6b) Health6c) Homeowner's/renter's6d) Whole life and term lifeExplain to your merit badge counselor the following:7a) What a loan is, what interest is, and how the annual percentage rate (APR) measures the true cost of a loan.7b) The different ways to borrow money.7c) 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.7d) Credit reports and how personal responsibility can affect your credit report.7e) Ways to eliminate debt.Demonstrate to your merit badge counselor your understanding of time management by doing the following:8a) 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. 8b) 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 church or club meetings, then plan when you will do all the tasks from your "to do" list between your set activities. 8c) 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. 8d) 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.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. 9a) Define the project. What is your goal? 9b) Develop a timeline for your project that shows the steps you must take from beginning to completion. 9c) Describe your project. 9d) Develop a list of resources. Identify how these resources will help you achieve your goal. 9e) Develop a budget for your project.Do the following: 10a) 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. 10b) 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.Personal Management Requirement 6: InsuranceExplain to your counselor why people might purchase the following types of insurance and how they work:Before we get into the different types of insurance, let's first clarify what insurance actually is. Basically, insurance involves paying a monthly amount (premium) so that if an emergency ever arises, the insurance company will financially compensate you with enough money to handle the situation.Whenever you need to use your insurance, typically you first must pay an amount called a deductible. This can vary based on your insurance plan, but essentially this means that the insurance company does not cover the entire cost of your losses. Instead, your insurance will pay for all costs exceeding the amount of your deductible, up to the total value of your insurance plan.You'll most likely never need to use your insurance. However, if the case arises that you do need financial aid, insurance could mean the difference between manageable healthcare/lawsuit costs and bankruptcy. Insurance is a smart way of managing risk and being prepared for the worst. As a Scout, I'm sure you can understand the value of having insurance.Let's use automobile insurance as an example. Say you're behind the wheel and are hit by another car. Suddenly, you need emergency medical attention. However, you live in the United States where the cost of a hospital bill could be in the tens of thousands of dollars.For the sake of this example, let's say that there's no way you would be able to pay the bill. Lucky for you though, you have insurance. Because you've paid your monthly premiums, you're insured for any sort of automobile accident.Automobile insurance is insurance for all vehicles driven on a road. This includes cars, trucks, buses, and motorcycles. This insurance will cover the costs of both damage and injuries resulting from traffic collisions. It will also cover costs if you are liable for any injuries in any accidents where you may have been at fault.By opting to pay a higher premium, you can also be insured against theft, natural disasters, and other sorts of damage to your vehicle. Back to the earlier case where you are hypothetically hit by another driver. There are two possible situations:The driver who hit you has insurance: If this is the case, the cost of your bills and vehicle repairs will be covered by the other driver's insurance.The driver who hit you doesn't have insurance: if you have collision coverage insurance for your vehicle, your insurance company will cover the cost of your repairs after you pay the deductible. Otherwise, you will need to pay for the costs yourself and pursue reparations from the other driver in court.Note that if you do file an insurance claim from your own company, your premiums will likely rise. This is because you are seen as a more risky driver. Therefore, under most circumstances, you should avoid making a claim unless there are significant costs to repair your vehicle.Health insurance will cover your medical expenses. This can include anything from the cost of surgeries, hospital stays, medicine, or psychiatric treatment. Typically, health insurance is included in most employers' benefits packages. However, if you were to pay for health insurance coverage yourself, it would cost you around $300-$500 per month.Typically, the cost of your health insurance can vary based on a few of your own risk factors including:Smoking/tobacco useAgeLocationOther risk factorsNot only will health insurance provide you with peace of mind, as is the case with any other kind of insurance, you'll also be able to seek treatment early on so that you can avoid your condition worsening.Prevention is always better than treatment, and with health insurance, you'll be able to visit physicians for routine checkups, rather than only in case of an emergency. Additionally, most people in their early 20s and younger can remain on their parent's health insurance plans.Homeowner's or renter's insurance can protect your personal property in the case it is destroyed, damaged, lost, or stolen. Oftentimes, these policies even encompass injuries towards guests stemming from accidents occurring on your property.Renter's insurance is relatively inexpensive, with the average policy costing around $200 per year. Again, this will vary based on your amount of coverage, as well as your location and prior risk history.Note that homeowners and renters insurance will not cover damages caused by floods, war, neglect, or intentional destruction of your own property. However, it is generally a good idea to get homeowner's or renter's insurance.If you are robbed or your property is destroyed, you will need to file a claim with all of the missing items included. You will need to create an itemized list of the items as well as their actual cash value. Actual cash value is also known as replacement cost coverage. This means that the insurance company will pay you the estimated cost to replace your item, rather than the cost you originally purchased it at.These are two different types of life insurance, with 'term' being for a set duration and 'whole life' being for the entirety of one's life. 'Whole life' has the same premium costs throughout one's life, whereas 'term' will typically cost more the older you are.Term insurance: Most often lasting 20 or 30 years, term insurance usually can cost around $200-$600 per year and is based on your age, the amount insured, as well as other risk factors. If you were to die within this time, your family would receive a sum of money between $250,000 and $500,000, depending on the value of your policy.Whole life insurance: This is much more expensive than term insurance, and must be paid each year for the entirety of your life. Average costs range anywhere from $2500-$8000 per year. The premium, however, will remain the same even as you get older. Personal Management Requirement 7: Loans, Debt, and Borrowing MoneyWhen person A gives money to person B with the expectation that they will be paid back, person A is loaning person B money. In most situations though, person A isn't really a person, it's a bank or credit union that is loaning individuals or businesses money.When a bank or credit union loans out money, they will also charge a percentage on top of the full amount being paid back. This extra charge is called an interest rate and is basically the cost of taking out a loan. Given that you'll need to pay an interest rate, the longer you take to pay back a loan, the more money you'll need to pay.Interest rate example: If you borrow $100 and pay it back a year later with an interest rate of 5%, you'll need to pay a total of $105 when you finally pay off the loan. Essentially, this is because the banks could be investing the money, so it costs them more than the total dollar amount ($100) to loan the money to you.Oftentimes, interest rates are not the only fees that you pay on loans. There are often other charges such as closing costs, insurance, and loan fees. Keeping track of these costs would be difficult if not given your loan's annual percentage rate (APR).A loan APR is an easy way to understand the annual cost of a loan. Your APR includes fees and any extra charges included in the total amount you'll need to pay back. Basically, your APR represents the actual percentage, each year, that you'll need to pay, on top of the total amount borrowed.Therefore, you should always check a loan's APR before its interest rate, as some lending institutions have low rates but high fees. By choosing the lowest rates when borrowing large amounts of money, you'll be able to save enormous amounts in the long run. Typical APRs are around 20%, so know that it isn't cheap to borrow money.There are many ways of borrowing money. Here are 4 quick examples:Credit cards: Technically, since most people do not pay their credit card off right away, they're borrowing money. Credit cards carry high fees from one month to the next, so be aware that this method of borrowing money is typically more expensive than others.Payday loans: These are probably the worst types of loans in terms of APR. What's you're doing is basically giving proof of your income so that you can borrow your paycheck before you're paid. These loans are typically short term, being around one month at most.Bank loans: Bank loans are typically inexpensive, but require extensive paperwork to obtain. This is too large a topic to go into, but bank loans should typically be obtained when purchasing property or making other large expenses.Peer-to-peer loans: this means that you're essentially borrowing money from another person. You can obtain a peer-to-peer loan from friends, family, or strangers. While there may not be interest charges included, this is a less secure way of borrowing money and will put a strain on your relationships if you are unable to pay the amount back.Before we dive into the meat of different card types, you'll likely need a briefer. First, watch this quick video (2:40) to get an intro on the differences between credit and debit cards: To add a bit to what you learned in the video:Debit cards: Debit cards are not debt. Instead, debit cards allow you to withdraw money directly from your bank account. Therefore, you don't run the risk of spending more than you have. However, debit cards typically do not have rewards in the same way that credit and charge cards do.Charge cards: Charge cards are like credit cards, except they require 100% payment each billing period. If you do not pay this balance before the end of each month, unlike a credit card, your credit score will be lowered drastically. Because you're expected to pay off a charge card by the end of the billing period, these cards often have more rewards and points available.Credit cards: In the case of credit cards, when you are spending on credit, you're creating debt and the expectation that you'll later pay off the total amount. Your spending on a credit card is called a balance. Credit cards allow you to spend up to a certain amount, which is called your credit limit. If you are unable to pay your balance by the end of the month, you will be charged a higher APY and your credit score will be lowered.Your credit score matters because every financial institution uses it to measure your trustworthiness as a borrower. A higher credit score is better and means lower interest rates and higher amounts of money available for you to borrow, if necessary.You should always be careful when using debt to make purchases. In the case of credit and charge cards, it's easy to spend more money than you have and wind up unable to pay the full amount. In this case, you would need to at least pay the minimum amount on your card.Why is it unwise to only make the minimum payment on a credit card?If you're carrying a high balance and only paying the minimum amount on your credit card, you're asking for trouble. Although by paying the minimum you'll avoid the late fees of not paying your card at all, carrying a balance will still cause you to later owe more money in interest. Additionally, carrying a high balance means your credit score will be lowered because the utilization of your card will be very high.Credit report: A record of your borrowing history from the various banking and borrowing institutions that you've worked with.Credit score: An analysis done on your credit report to arrive at a number between 300-850 that represents your overall credit trustworthiness.By being responsible and paying your bills on time, your credit report and credit score will be improved, allowing you to borrow money at lower interest rates. This could mean the difference between paying thousands of dollars versus tens of thousands when you borrow money to pay down your mortgage.Your credit score is the most important out of these two figures. By spending less than 30% of your credit limit at any given time, never missing a payment, and being responsible with your finances, your credit score will gradually increase, and, in turn, you'll be able to pay less when borrowing more money!There are a few ways to eliminate debt, but the best and most effective method is to pay the debt off. Easier said than done. However, if you make a plan to set aside a portion of each of your future paychecks to begin to pay off what you owe, you'll eventually dig yourself out of debt! The sooner you eliminate your debt, the better. Remember that since interest rates cost you an additional percentage on your total debt, you'll end up paying more money if you're unable to reduce your debt as quickly as possible. Always pay back your high-interest-rate debts first!Filing for Bankruptcy to Eliminate DebtI would not recommend this second method unless you are truly desperate, but another way to eliminate debt would be to file for bankruptcy. Declaring bankruptcy basically means saying that you have no money left to cover your business debts. All of your assets will be taken and sold to cover the costs of your debts, but after everything is gone, you'll be forgiven for the rest of your remaining debt.Declaring bankruptcy is typically seen as dishonest, as those whom you've borrowed from will not be getting their money back. However, if you are millions of dollars in debt (typically from medical costs or poor investments), this may not be so bad of an option.Filing for bankruptcy is also unwise because it drastically lowers your credit score. Your score may never recover, meaning you might have difficulty borrowing money and being approved for credit cards. This could be extremely bad, as you might need to borrow money again in the future.The final way to eliminate debt would be to emigrate. If you flee the country, most creditors will be unable to follow up on you and get back the amount that you owe. However, there are, obviously, enormous drawbacks to this strategy. (This one is more of a joke) ☺ Again, the best way to reduce debt is to simply pay it off. It may seem like hard work, but at the end of the day, you did borrow money from someone else and should pay it back. Make a plan, stick to it, and you'll be out of debt in no time. Remember though, the best way to stay out of debt is to not get into it in the first place!Personal Management Requirement 8: Personal ManagementThis could quite possibly be one of the most important things you'll learn in your lifetime, so pay close attention! Being able to set a schedule and stick to it is the key to getting big challenges done, so do your best to learn and complete this requirement. To kick things off, take some time to watch the helpful video (9:12) on how to plan your week below: This video is a great example of how to begin scheduling your week! I won't go too much into detail on this, as there are a ton of examples on how you can go about creating your own time management schedule online. I will, however, stress the importance of trying to do this on a routine basis.Personally, I need to do this daily between working a full-time job, building a business, and running a household. However, even if you don't have too much on your plate, you should still prioritize the things that you would like to do. If you don't plan out your own life, someone else will plan your life for you!Personal Management Requirement 9: Project PlanningPrepare a written project plan demonstrating the steps below, including the desired outcome. — 9a) Define the project. What is your goal?— 9b) Develop a timeline for your project that shows the steps you must take from beginning to completion.— 9c) Describe your project.— 9d) Develop a list of resources. Identify how these resources will help you achieve your goal.— 9e) Develop a budget for your project.Keep in mind that 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. Afterward, discuss your completed project plan with your merit badge counselor. Using this video as your guideline, I'd suggest using my linked resource to draft out your Eagle Scout project plans! This was the exact process I used when figuring out what would be necessary for my service project. Otherwise, you can use any troop activity and create a plan around that as well.Personal Management Requirement 10: Career PlanningLet's say, for this example, you would like to become a doctor. To become a doctor, you'll need to complete the following steps:Attend university and earn a bachelor's degree (for how to use Scouting in your college app/resume see my article here)Take courses in biology, chemistry, math, physics, and critical reasoningGet a high score on the MCAT to be accepted into a medical schoolComplete medical school and work during a two-year medical residencyLand a job at a hospitalObviously, this is a lot, and probably much more than you'll need to do for the profession you've chosen. However, by examining what current professionals doing in your own chosen field, and then working backward to see what they've done to get there, you'll better understand what you'll need to do to work in their profession!Given our earlier example, if you're wanting to become a doctor you'll need to pay for university and medical school, along with various supplies, housing, and the tools that you'll be using during the 8 to 10 years that you're being educated prior to entering the profession.In the case of becoming a doctor, you'll need to pay well over $200,000 for university and med school costs, as well as for room and board. Obviously, you most likely don't have that kind of money right now. That's why it's so important to begin preparing, planning, and budgeting beforehand.You'll most likely need to take out loans to pay for your education. If you're committed, this might not be so bad of a deal, as the typical doctor's salary exceeds $100,000. This means that you could pay for the cost of your education within 2 to 5 years. However, some professions cost around the same amount of money to enter into, while the average pay rate is considerably less.Life is short, and you shouldn't choose a profession just because it will make you money. However, most problems in life come from stress related to personal finances, so it's important to choose a career that provides you with some security. By making this calculation beforehand, you'll be able to see if a career path is worth pursuing in the long run!(Click here to return to part 1 of my guide to the Personal Management merit badge!)You did it!! Awesome work, you're now one giant step closer to earning your Eagle Scout award. Personal management is one the hardest Eagle-required merit badges, so you definitely deserve some time to celebrate for learning the answers to these difficult requirements!If you have other Eagle-required merit badges to earn, I'd recommend checking out my Difficulty Ranking Guide to Every Eagle-required Badge. There, you'll also find the links to my other merit badge guides, as well as a description and summary of each badge's requirements. I'm certain this resource will be helpful to Scouts on their road to Eagle!I personally love this merit badge (in spite of these 2 articles being almost 10k words long and taking at least 12 hours to write). The reason? Personal Management teaches you some of the most valuable skills you'll need to know in the real world. Be sure to use the financial skills you've learned, and I have no doubt that you'll go far in life!Hopefully, you've learned a ton from my ultimate guide and feel much more confident in managing your own personal finances. If you thought this walkthrough was useful, be sure to bookmark ScoutSmarts because I'm constantly coming out with new articles and merit badge guides for you. Until next time, best of luck on your Scouting journey! Personal management is notorious for being one of the most difficult badges for any Scout to earn. With numerous in-depth knowledge requirements, as well as additional long-term projects, earning this badge won't be a simple feat. Luckily, I've decided to write for you a complete guide on earning your personal management merit badge!In spite of its difficulty, personal management was one of my favorite merit badges as a Scout. After completing the badge, for the first time in my life, I felt prepared to succeed financially in the real world! Take the time to thoroughly understand this badge, and it'll pay you back dividends later in life (you'll get that one later 😀).In addition to completing this merit badge as a Scout, I also earned my university degree in economics. However, I am by no means your financial advisor, this article is for entertainment purposes only, and you shouldn't take my advice at face value (mandatory disclaimer). That said, I do have a solid understanding of the material. Mastery of your finances is key to a fulfilling life, and I want to get you started along on that journey!Before we get started, if you have other Eagle-required merit badges to earn, I'd recommend checking out my Difficulty Ranking Guide to Every Eagle-required Badge. There, you'll also find the links to my other merit badge guides, as well as a description and summary of each badge's requirements. I'm certain this resource will be helpful to Scouts on their road to Eagle!Also, remember that ScoutSmarts should just serve as your starting point for merit badge research. In school, we're taught not to plagiarize, and the same is true for Scouting worksheets. Answer these questions in your own words, do further research, and I promise you'll gain much more from every merit badge you earn!In both parts of my guide to the personal management merit badge, I hope to teach you the skills and knowledge you'll need, not only to earn this difficult badge but also to understand your finances and better master your money. Without further ado, let's briefly look over requirements one through five of the personal management merit badge. This badge will take at least a few months to complete, so understand what you're getting into. Take the time to note knowledge requirements versus projects which you'll need to work on over time. Now let's get into it!Do the following:1a) Choose an item that your family might want to purchase that is considered a major expense.1b) Write a plan that tells how your family would save money for the purchase identified in requirement 1a.1b I) Discuss the plan with your merit badge counselor1b II) Discuss the plan with your family1b III) Discuss how other family needs must be considered in this plan.1c) Develop a written shopping strategy for the purchase identified in requirement 1a.1c I) Determine the quality of the item or service (using consumer publications or rating systems).1c II) 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?Do the following:2a) Prepare a budget reflecting your expected income (allowance, gifts, wages), expenses, and savings for a period of 13 consecutive weeks.2a I) If expenses exceed budget income, determine steps to balance your budget.2a II) If income exceeds budget expenses, state how you would use the excess money (new goal, savings).2a III) 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.2a IV) 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.Discuss with your merit badge counselor FIVE of the following concepts:3a) The emotions you feel when you receive money.3b) Your understanding of how the amount of money you have with you affects your spending habits.3c) Your thoughts when you buy something new and your thoughts about the same item three months later. Explain the concept of buyer's remorse.3d) How hunger affects you when shopping for food items (snacks, groceries).3e) Your experience of an item you have purchased after seeing or hearing advertisements for it. Did the item work as well as advertised?3f) Your understanding of what happens when you put money into a savings account.3g) Charitable giving. Explain its purpose and your thoughts about it.3h) What you can do to better manage your money.Explain the following to your merit badge counselor:4a) The differences between saving and investing, including reasons for using one over the other.4b) The concepts of return on investment and risk and how they are related. 4c) The concepts of simple interest and compound interest. 4d) The concept of diversification in investing. 4e) Why it is important to save and invest for retirement.Explain to your merit badge counselor what the following investments are and how each works:5a) Common stocks5b) Mutual funds5c) Life insurance5d) A certificate of deposit (CD)5e) A savings account5f) A U.S. savings bondExplain to your counselor why people might purchase the following types of insurance and how they work:6a) Automobile6b) Health6c) Homeowner's/renter's6d) Whole life and term lifeExplain to your merit badge counselor the following:7a) What a loan is, what interest is, and how the annual percentage rate (APR) measures the true cost of a loan.7b) The different ways to borrow money.7c) 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.7d) Credit reports and how personal responsibility can affect your credit report.7e) Ways to eliminate debt.Demonstrate to your merit badge counselor your understanding of time management by doing the following:8a) 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.8b) 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 church or club meetings, then plan when you will do all the tasks from your "to do" list between your set activities.8c) 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.8d) 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.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. 9a) Define the project. What is your goal?9b) Develop a timeline for your project that shows the steps you must take from beginning to completion.9c) Describe your project.9d) Develop a list of resources. Identify how these resources will help you achieve your goal.9e) Develop a budget for your project.Do the following: 10a) 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.10b) 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.Understand what you'll need to do to finish the first half of this badge? Basically, requirements 1 and 2 are personal projects that will take some time, while 3-5 are knowledge-based. I'll provide a bit of guidance on the projects, but will mainly be able to help you with the knowledge requirements.Just stick with it, and you'll have earned this super-important badge in no time!Personal Management Requirement 1: Home PurchasesDepending on your level of wealth, you may consider large and small expenses differently than others. Generally, a major expense can be thought of as a cost either greater than 10% of a parent's monthly income, or some sort of debt that would need to be paid back over time.To complete this requirement, you'll need to create a budget for a major expense your family is considering taking on. Here are a few purchases that are considered major expenses for most all families:A second carAir-condition systemsA vacation and flight A new computerCollege tuitionA new washing machine and dryerA newly-released TVTo use as an example for this requirement, let's pretend that your family is considering buying a new TV. First, you will need to estimate the ballpark cost of the TV. Then you'll be setting aside a budget for how much you think you'll need to spend in order to buy the TV that you want.Let's say you want a certain Sony TV that costs $750. To set aside $750 to buy this TV, you could either save $250 every month for three months or $75 every month for 10 months. The question you should be asking yourself is, 'how much money do we have leftover after all of our necessities are paid for?' This is where having a plan will come in handy!A budget is essentially a plan to track how much money your family makes in a month, versus how much money they spend. The goal is to spend less than you make and then set aside the extra money for additional expenses like that TV or to save. Watch the video (2:01) below for a quick walkthrough on budgeting. Alongside a budgeting strategy, you should also develop a shopping strategy. Is that new TV really your best option given the money that you'll be spending? I always try to look for online reviews before buying an expensive product. If you're shopping on Amazon, be sure to check out the star ratings and purchaser feedback to aid in your decision.Not all stores price their items the same. Comparison shopping is when you look for different places to buy so that you can find the right price. This is best done online, or by calling stores. Sometimes, you can even buy something that's cheaper that will be just as good. By considering your alternatives, you'll ensure you get the best value from your purchase.If I were to do this for the TV example, this would be my step-by-step shopping strategy:Determine quality: Go to Amazon and look at the Sony TV's ratings and customer feedback.Consider alternatives: Scroll down to check out the 'Customers who viewed this item also viewed' section to see other top TVs that are similar to the Sony TV.Comparison shop: Take the top three TVs with 4+ star ratings and search for them as an eBay and general Google search to see if there are any lower prices available.Make an informed decision: Given each model's lowest available price, I'd buy the TV that provides the greatest benefits relative to its cost.Asking how much money you have left after paying for necessities is crucial. If you have plenty of money left over after paying your base cost of living, you can put more of it into savings for the TV. If you don't have any money left over, this where budgeting will come in handy. Recognize where you're spending money every month, then see if you can reduce those costs!Personal Management Requirement 2: BudgetingWe touched on budgeting a little earlier. Now, requirement 2 asks you to prepare a budget reflecting your expected income, expenses, and savings over 13 consecutive weeks. This is the longest part of the personal management merit badge and will differ enormously between Scouts.I'd love to include a section on this, but because everyone's situation is different, I probably wouldn't be able to provide information that's especially helpful to you. I'd recommend you speak to your parents and see how they manage your household's budget. Here's a great video (3:23) explaining how you can create your own budget from home: Pro tip: You can use this as an opportunity to ask for an allowance, or even an allowance increase if you're already given one. That's what I did, and it was a huge success!Say that you'd like to start paying for some of your own expenses with money that you've budgeted. Then, ask if you could have a reasonable allowance for all the chores you regularly do. Be persuasive and have a mature conversation.If your parents are anything like mine, they'll jump at the opportunity for you to become more responsible with money!Personal Management Requirement 3: Money HabitsBelow, I've included answers to the 5 underlined requirements in the section below. I think these topics will likely be the most relevant to you right now in your life. If you're interested in any of the other concepts though, I'd highly recommend doing your own research!Money is typically seen as glamorous and exciting. Large amounts of money can make people act irrationally and take on unnecessary risks. When receiving money, you'll likely feel a rush of joy and excitement in anticipation of what that money can buy for you.Personally, I'd recommend you be careful when experiencing these feelings. The way that I like to think of it is that money, itself, won't make you happy. However, money can buy you options and freedom. If you detach yourself from the emotional side of money, you'll be able to control your finances and not let your finances control you.Fact: People spend more if they're using credit cards than if they're using debit cards. People also spend more if they're using debit cards than if they're using cash. If you're trying not to spend money, don't carry credit cards and try to use cash if you absolutely need to buy something.A cool psychological trick I learned is to carry large bills instead of smaller forms of cash. You're less likely to spend a $50 or $100 bill than you are to spend five $10 or $20 bills. However, the best way to not spend money is to not bring it with you in the first place.Oftentimes, when we buy something new we aren't thinking about the future. Usually, you're elated when first opening that new toy or gadget. However, three months down the road, you might not even use it anymore. Buyer's remorse is when you look back and think to yourself that you probably shouldn't have bought what you did.A good way to look at your spending is to ask yourself if the purchase will matter at all in three months' time. If your life will be better in three months, and you'll continue to use whatever you buy, you should get it. If it's some sort of new fad that you probably won't care about later on, maybe you should consider saving your money.While hungry, you're much more likely to overspend. I'm sure you know the feeling of walking into a restaurant on an empty stomach and ordering way too much food because you think you'll need it. We tend to purchase more when we're hungry. In fact, while hungry, it's not only food items that you'll be more likely to impulsively buy.Studies have also shown that people are more likely to hastily buy every kind of item while hungry. Therefore, you should always try to shop on a full stomach, or at least know that your purchasing decisions may not be the most rational when hungry. To better manage your money, you'll first need to form a budget. This means knowing how much you're spending versus how much is coming in as income. Once you have a budget in place, look for purchases you're often spending a lot of money on, that you don't get much benefit from. That would be a great place to start cutting back some unnecessary expenses.Once your expenses are below your income, start saving and investing that extra money. Look for safe investments that can give you a strong rate of return. The money you invest will compound over time, so be sure to constantly be contributing to this account. Putting away a bit of money each month will build up your safety net and provide you with greater peace of mind. Personal Management Requirement 4: Saving, Investing, and InterestBefore I get into answering the requirements, I want to take a second to explain a concept called interest. Interest is a percentage of your initial amount of money that gets added back to the total at the end of each period (predetermined span of time). What this means is that, essentially, you'll gain more money over time.While the rate of interest on a $100 bill that you hide under your mattress is zero, by putting your money into a bank or investing it, you'll gain a greater rate of interest. More interest means more money in the long run!Savings are stored within a bank account and carry an interest rate that is generally close to 1%. This means that if you have $1000 in a bank account with an annual compounding period, at the end of the year you'd have $1010 [$1000 (principal amount) + $10 (principal x .01) = $1010].Investments, on the other hand, are assets that you purchase on the assumption that they'll go up in value. Whether you're buying a percentage of a company (stocks), gold, or a rare coin, if you have the intention of selling for a higher price later, you're investing!While the interest rate on investments can be incredibly high, there is much more risk involved. It is very rare that something can cause you to lose money stored in a savings account, but people frequently lose money while investing in the stock market or in other commodities. However, that does not mean that one is better than the other. You generally have more to gain from investing than you have to lose. However, the key is to keep a balanced portfolio of both savings and investments so that you can reap the rewards of investing without shouldering all of the risks.Generally, a higher return on investment goes hand in hand with a higher risk. If you go to the casino and put $1000 on a hand of poker, your potential reward is very high, but you'll also be risking a greater percentage of your money.On the other hand, if you invest in something that is less risky, such as a little piece of every single stock within the market (an index fund), you may not see a very high return each year (around 3%), however, you'll be less at risk of losing money.Like I said earlier, you'll want to balance higher risks with lower risks, with the ultimate objective being to limit losses and walk away with your goal amount of money. Sometimes, it will pay off to take a higher risk with a smaller amount of money because the upside will be much greater. Other times, it won't. I'd encourage anyone to do their due diligence to figure out an ideal investment strategy that works with their lifestyle.A bit confused? Don't worry — in the beginning, I was too. Building your financial intelligence will take years, so don't worry if this doesn't make too much sense right now.Simple interest: Simple interest is the principal amount multiplied by the rate of interest and the number of periods.What this means practically, is that if you were to take out a $50 loan with the rate of interest being 10% and there being 2 payback periods, the calculation would be as follows: $50x.1×2=$10.You'd pay $5 twice, as interest. Essentially, on that loan, you would be paying $10 as added interest, as well as later paying the original $50 back.Compound interest: Compound interest, on the other hand, is interest paid on top of the interest that you've gained in the past.For example, when investing, if you were to gain 4% interest on $100 in one year, you would have $104. If you were to gain 4% interest again in the second year on that $104, now you would have $108.16. With compound interest, you get interest on your interest!Essentially, with compounding interest, you gained more money in the second year, even with the same rate of interest. That's because interest is compounded on your previous interest, meaning that the $4 you got in your first year resulted in an additional $.16 in your second year.This may not seem like a lot, but over time compound interest can be an enormous tool for growing your wealth. Check out this one-minute video on the benefits of compound interest vs simple interest: As I said earlier, some investments are riskier than others. However, riskier investments often have more potential upside. Diversification means buying a balanced portion of both of these types of investments so that your risk is distributed.To be properly diversified, you'll need to have many different investments in different sectors. The reason for this is so that if one basket of investments does poorly, the gains in other sectors will balance out your losses. Do you know the saying, "don't put all your eggs in one basket"? This holds especially true when investing.The ultimate goal of diversification is to own a great enough assortment of investments that your rate of return is fixed, even with the typical fluctuations that come from investing. Of course, humanity's brightest minds have been working on this problem for the past 100 years, with practically none able to solve it, so good luck.In retirement, your income decreases substantially. Unless you want to survive off of ramen noodles and live in a cardboard box, you'll want to save enough money to maintain your standard of living. Saving and investing over the course of your career is the only way that you'll be able to retire comfortably. Interestingly enough, the value of money in the present is lower than the value of invested future money. By delaying gratification today, you'll see greater rewards when it comes time to retire.This is where compound interest comes into play. If you consistently invest money throughout your life before reaching retirement, the interest that you'll gain from your investments will likely double or even triple the total amount of money you've saved over time.Personal Management Requirement 5: Types of Investments Explain to your merit badge counselor what the following investments are and how each works:Although there is a lot more nuance involved, common stocks essentially represent your ownership in a percentage of a company. While these used to be paper certificates, now almost all trading of common stocks are done digitally through online brokerage accounts.How ito trade stocks: Individuals can buy or sell stocks at a trading price which is shown online. When individuals buy a stock (percentage ownership) of a company, they are hoping that the company grows and that their share gains value. If you think of buying a stock like you're buying a percentage of the company, and the overall company doubles in size, then the share that you've purchased would also double in value!After the stock doubles in value, if you don't think the company will continue to grow, your goal will be to sell the share to someone else. This isn't difficult, as there are countless buyers and sellers in the market. You will be able to sell the share at the trading price which is displayed online and often changing.The trading price of a stock represents the value that you are able to buy or sell at. When selling the stock, the amount of money you receive will be equal to the trading price of the stock, minus taxes.However, not all stocks will go up in value. If the company loses money, and the public believes that it won't do well in the future, the trading price will decrease. If you own stock in a company whose trading price decreases, you have two options — you can either sell or hold the stock.If you sell: You will lose money, as the value you bought the stock for is higher than the value sold for. However, you might be able to avoid losing more money in the long run.If you hold: The stock may go back up in price and you could still potentially gain money. However, the price could also continue to decrease, meaning that when you eventually do sell the stock you might be losing even more money.As you've probably already noticed, investing is tough! However, the upside is much greater than the downside, especially if you have time to let your stocks grow. If you choose to start investing, you should speak with your parents and be sure to have a strategy before spending any money.Firstly, a "portfolio" is essentially a basket of investments like stocks, bonds, and other assets. Any investments within these baskets are called securities. If you invest money into multiple sources, you are owning a portfolio with different securities.A mutual fund is essentially a giant portfolio managed by a professional investor who takes money from many different people and tries to invest in the right balance of securities for their client's needs.Mutual funds charge an annual fee for ownership, as your money will be actively managed by a team of investors. Any increases in the value of a mutual fund portfolio will be given back each year in the form of a distribution, which equals the fund's total gains minus the fees.The benefits of mutual funds lie in their diversification (see requirement 4.4). While you can lose a lot of money if you own a stock and it falls in value, since a mutual fund is a large portfolio, any sudden changes in the price of a stock within the mutual fund won't have too significant an effect on your overall investment.I'm going to be transparent in saying that I don't personally like mutual funds. Studies have shown that index funds (unmanaged baskets of stocks that mirror the performance of markets/industries) have greater returns the mutual funds, without unnecessarily high fees.I'd recommend you do your own due diligence, so if you're interested in looking further into investing in indexes or mutual funds, this NerdWallet article is a good place to start!Like all other topics here, life insurance is a pretty complex subject. To put it simply though, life insurance will provide security to immediate family members who depend on the income of the deceased upon the insured person's death. Having life insurance means that if you one day have a spouse and children, and somehow die unexpectedly, your life insurance will make sure that they're taken care of financially.Life insurance can be considered an investment, as it will allow you to spend most of your money in retirement with peace of mind that you'll be able to pay for your funeral, as well as provide for your dependents even in death.While the idea of needing to use your insurance isn't too fun to think about, it's an important part of future planning. Life insurance can be purchased in 2 ways: term or whole life insurance.Term insurance: Most often lasting 20 or 30 years, term insurance usually can cost around $200-$600 per year and is based on your age, the amount insured, as well as other risk factors. If you were to die within this time, your family would receive a sum of money between $250,000 and $500,000 depending on the policy you've chosen.Whole life insurance: This is much more expensive than term insurance, and must be paid each year for the entirety of your life. Average costs range anywhere from $2500-$8000 per year. The premium (annual amount paid), however, will remain the same even as you get older. CDs are one of the safest investments and involve depositing a lump sum into a bank or credit union that cannot be withdrawn for a long period of time. In exchange, you are guaranteed a high-interest rate that remains fixed for the entire period.When buying a CD, there are two main things you need to keep in mind:Interest rate: Interest rates could vary substantially between different CDs. As you won't be able to move your money for a long time, you should put some time into finding the CD with the highest interest rate.Term: This is the amount of time you're required to keep your money in the CD. Typically, CDs with longer terms tend to have higher interest rates.The typical interest rate on a CD is around 2%, while the term generally lasts from 1 to 5 years. While a CD may be a good investment for saving money to purchase a house or any other long-term expenses, if you might need money in the short term, a CD will likely not be a good investment option for you. Note that if you try to withdraw your money early, you will incur large penalties. Additionally, your rate of return (and risk) are typically higher when investing in stocks.In most banks, you will have the option of depositing money into two accounts: your checking or savings account. However, be warned — some banks limit the number of withdrawals you can make from your savings account to around six times per month.A savings account also has a higher interest rate than a checking account and will differ from bank to bank. However, note that a bank or credit union can change its interest rates at any time without notice.You should always have a savings account, as you will be able to quickly access your money if the need arises. This means that your money is liquid (able to be quickly converted into cash). In requirement 4, because you cannot withdraw money from a CD before the end of the term without penalty, money inv