

# Personal Management Merit Badge

Troop 188  
February 14, 2006

# Personal Management Agenda

- House keeping items: Feb 14
  - Review Blue Card list: Are you on it?
  - Turn in work on
    - Meeting a financial goal (req 1)
    - Preparing your budget (req 2)
    - Time management (req 3)
  - Remember to put first and last name on your work

# Personal Management Agenda

- Today's Meeting: Feb 14
  - Challenging your the budget (req 2)
  - Investing and savings (req 4)
  - Reading the stock market (req 5)
  - Investments and returns (req 6)
  - Set up the trading game (req 6)

# Personal Management Agenda

- Revised meeting schedule: Feb 21
  - Loans and credit cards (req 7)
  - Present time management (req 8)
  - Challenge your budget (req 2)
  - Project plan (req 9)
  - Career discussions (req 10)
  - Trading game (req 6)

# Developing and Managing Budgets (Req 2)

- Having aced your finance exam you treat yourself to a ski trip on the 6<sup>th</sup> of the month. Your trip cost you \$70 for the lift ticket and \$35 for fuel, and \$40 for food.
- While skiing you slammed a tree and broke your front tooth. You have no dental insurance so you pay the bill of \$1400 for your cap on the 28<sup>th</sup>.
- You realize a vibration in the front left side of your car. The mechanic says the tread is separating from your tires and recommends that all tires be replaced. You replace on the third of the month for \$550 on the 25<sup>th</sup> of the month.
- You buy a birthday card and gift for your mother on the 17<sup>th</sup> of the month. The card is \$4 and the gift is \$16.
- You buy \$ 35 of popcorn to support your local Boy Scout Troop on the 20<sup>th</sup>.
- All your other expenses are the same as last month.
- How much money did you withdrawal from your saving account to pay for the first and second months expenses?

# Financial Institutions (Req 4)

- Types of financial institutions
  - Banks
  - Credit Unions
  - Mortgage and Loan Associations
  - Brokerages

# Financial Institutions (Req 4)

- Services they provide
  - Checking account: pay bills
  - Savings account: low risk, interest bearing account
  - On-line banking services
  - Debit cards: electronic transfer of cash to purchase goods and services
  - Credit cards: limited borrowing, high interest
  - Stocks and bonds: higher risk investment
  - Loans: borrowing money for education, buying cars, house
  - ATM: electronic teller, cash and deposits

# Savings Accounts (Req 4)

- Reasons to save money in a financial institution:
  - setting aside money for a goal,
  - protect our money,
  - Interest is paid to hold our money,
  - your money is insured against loss.
- By saving you can achieve long term goals by making your money work for you.
- Your money works for you by earning interest.

# Savings Accounts (Req 4)

- Interest can be
  - Simple: a sum paid at the end of the year for your deposit
  - Compound: interest is added to your principle at certain times of the year such as daily or quarterly
- Example with \$100 deposit at 5.25% interest
  - Simple interest: the bank pays you \$5.25
  - Compound interest: the bank pays you \$5.39
- Over the long term compound interest earns you more.



Make a plan to save \$ every month in a saving account and watch your savings grow!

# Financial Investing (Req 4)

- Investing your money to get a higher return.
- Higher amount of risk that you will not make any money or may lose money.
  - The higher the risk, the higher the return
- Investments are usually long term.
- With investments you are loaning your money with the hope that you will be repaid.
  - Make knowledgeable investments

# Financial Investing (Req 4)

- Investment Options
  - Money market funds
  - Individual stocks
  - Certificate of deposits
  - Bonds
  - Life insurance
  - Futures: soybean, oil, metals, currency
  - Real estate investment

# Financial Investing (Req 4)

- How do investments pay?
  - Stock: dividends, valuation
  - Bonds: interest, valuation
  - Futures: market valuation
  - Real estate: rental income, property appreciation
- How do you minimize risk?
  - Diversification of your investments: don't put all your money in one place.
  - Hedging to cover market swings

# The Stock Market (Req 5)

- Major stock trading exchanges in the U.S:
  - New York Stock Exchange
  - Nasdaq
- Daily newspaper and internet carries the daily market transactions
- Reported Information
  - 52 week high and low
  - Dividend
  - Yield %
  - PE
  - Volume
  - Close and net change

# The Stock Market (Req 5)

Market close of Friday, February 10, 2006

52 Week									
HI	LO	Stock	Div	YLD %	PE	VOL 100s	CLOSE	NET CHG	
65.96	52.78	ExxonMobil	1.28	2.1	10	225216	59.92	-0.47	
36.75	27.36	McDonalds	0.67	1.8	18	48841	36.3	-0.06	
28.38	23.82	Microsoft	0.36	1.4	22	524030	26.66	0.25	
60.15	51.56	ProctGam	1.12	1.9	22	62277	59.62	0.15	
43.98	34.56	HomeDpt	0.6	1.5	15	69783	39.05	-0.22	

# Trading/Investing Game (Req 6)

- You have \$10,000 to invest for a short period of time. Your goal is to increase your earnings while managing risk.
- You can invest in 10 selections from the Dow 10, large mutual funds and bond funds.
- The funds are in the attached spread sheet
- Make your investment selections today and start trading on Feb 15
- The market will close on Feb 28.
- The winner(s) takes the “prize”.

# Trading Game (Req 6)

	<b>Pick your 10</b>	<b>Cash in Your Selections (\$1,000)</b>
<b>DOW 10</b>		
Boeing		
Caterpillar		
Citigroup		
Cocacola		
Disney		
Dupont		
ExxonMobil		
GenElec		
GenMotor		
McDonalds		
<b>Stock Funds</b>		
American Growth A		
Vanguard 500		
Fidelity Contra		
American Washington		
Dodge & Cox Stock		
<b>Bond Funds</b>		
Pimco Total Rtn Insti		
Vanguard Total Bond		
American Bond fund Amer A		
Vanguard GNMA		