


# Personal Management

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- ## Smart Shopping
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- Since we have to shop for almost everything we need, it's a good idea to learn "smart shopping" techniques.
  - A smart shopper can save thousands of dollars a year over an impulse buyer.



## Who is a “Smart Shopper”?

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- Someone who...
  - Researches purchases
  - Plans purchases
  - Compares products
  - Considers alternatives
- You will save a lot of money by being a smart shopper.



## Research

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- Check on features - get what you need and not more.
  - Example: software often has basic, enhanced, and professional versions, each with a larger price tag. Do you need the extra features of the higher priced version?
- Quality
  - Competing brands often have different reliabilities
  - Check consumer publications and websites
    - Consumer Reports (subscription, online, library)
    - CNET
    - Many websites have user ratings (Amazon.com)
  - Ask friends for recommendations
- “Test Drive”
  - Not just for cars – can often borrow or rent something before purchasing



## Planning your Purchase

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- Look for sales – some items go on sale periodically
  - Sales people will often let you know when an item will go on sale if you ask them
  - Sometimes stores will honor sale prices for 30 days after you buy a product
  - Often prices are lower online than at the store
    - Online specials
- Some sales are seasonal
  - Seasonal sales handout



## Compare products and stores

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- Visit different stores or websites
  - Discount stores
  - Read the reviews of the online stores too!
    - Customer service, refund and return policies
- Read advertisements
- Look for coupons or coupon books
- When buying items that come in units, compare unit cost
  - Example – groceries (per pound, per ounce, per liter, etc.)
- Make sure your comparisons are like-in-kind
  - Example – Computer prices may be package deals including monitor, others do not
  - Sometimes similar or same products are sold under different brand names or model numbers
  - Brand name items may have higher price since you're paying for the advertising
  - Name brands are often made in the same factory as generic



## Consider Alternatives

- Rent or borrow instead of buy
  - Examples: video games, DVDs, books (library)
- Wait – many things fall in price after they've been on the market a short while
- Build it yourself – save money through kits
  - Example: Battery charger for iPods
- Buy used items
  - eBay, Amazon.com used items, B&N used books
  - Returned or opened merchandise
  - Outlets (factory seconds with full warranties)
  - Overstocks



## Impulse Buying

- Marketers are experts in separating you from your money
- Impulse buying (something that you didn't plan) is a good way to spend a lot more than you expected.
  - Stores are arranged to promote impulse shopping
  - Grocery stores – milk, bread typically at the back of the store
  - Items placed at eye level will sell more
  - Lots of small, high mark up items at the checkout
  - Sale items at the entrance
  - "Loss Leaders" get you into the store to buy other items at regular prices
  - "Bait and Switch" – steer you to a higher priced alternative
- Need to understand the moods and feelings that can affect buying decisions
  - Don't go grocery shopping when hungry – everything looks good!
  - Make a list (a shopping plan) and stick to it
  - People sometimes buy to make them feel better
  - Envy shopping (keeping up with someone else)
  - Name brand status



## Major Expense Exercise – Requirement 1

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- Do the following:
  - Choose an item that your family might want to purchase that is considered a major expense.
  - Write a plan that tells how your family would save money for the purchase identified in requirement 1a.
    - Discuss the plan with your merit badge counselor
    - Discuss the plan with your family
    - Discuss how other family needs must be considered in this plan.
  - Develop a written shopping strategy for the purchase identified in requirement 1a.
    - Determine the quality of the item or service (using consumer publications or rating systems).
    - 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?
- Worksheet
  - Go through instructions on worksheet
  - Expectations
    - Fully filled out (“written plan”)
    - When discussed with family
    - Include a summary of your comparison shopping (advertisements, web sites visited, etc.)
    - Alternatives considered



## Major Expense Exercise – Requirement 1


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# Budgets

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- ## Preparing a Personal Budget
- Requirement 2a – Prepare a budget reflecting your expected income (allowance, gifts, wages), expenses, and savings. Track your actual income, expenses, and savings for 13 consecutive weeks.



## What is a Budget?

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- A budget is a written account of your expected and actual income and expenses.



## Personal Budgets

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- Remember, the goal is to manage our money – in order to do so means that we have to organize information so we can make informed decisions
- What sort of decisions, you ask?
  - Saving for a specific goal (e.g. buying a new computer game)
  - Saving for a long term goal (e.g. going to college)
  - Investing for the future? (e.g. a house, retirement)
  - Affording current wants (e.g. movie and dinner with your buddies)
- Preparing a budget is the important first step in money management.
- To really understand the “why” of preparing a budget, think in terms of your goals. The simplest form of money management is to look in your wallet – if you have enough money, you can afford something, if you don't, you can't
- Most of us want to plan ahead, so we set goals such as those above
- Once we set the goals, we translate those into action
- A budget allows us to attain the financial goals we set.



## Basics of Budgeting

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- Develop financial goals
- Determine income
- Determine expected expenses, considering our goals
- Put together a plan to match income with expenses.



## Budget Exercise

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- To help you better understand the process there is a Budget Preparation Exercise that will walk you through the entire budget process. This will fulfill merit badge requirement #2



## Budget Exercise

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- Worksheet 1 – Savings Goals
  - If you don't have a plan you will definitely end up somewhere, but most likely not where you want to be. The first step in making a plan is setting your goals. We'll do this using Worksheet 1.
  - Everyone should have some short term and long term goals
    - Examples of goals (savings for: summer camp, gifts, game, x-box, college, car, etc)
  - Fill out the worksheet – you can include non-specific savings
  - Savings note: even if you're not saving for anything specific, it's a good idea to set aside at least 10% of your income for savings. This is reflected in the "rainy day" savings line at the bottom of the worksheet.



## Budget Exercise

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- Worksheet 2 – Expected Income
  - In order to complete Requirement 2, you need to have some type of income.
  - List your anticipated income for the month ahead; again, you'll be filling out three of these during this workshop.
  - Examples: allowance, job, gifts
  - Be sure to list ALL of your projected income for the month ahead



## Budget Exercise

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- Worksheet 3 – Expected Expenses
  - List your expected expenses for the month ahead. You'll be filling out three of these during this workshop, one for each of the next three months.
  - You can lump expenses into categories such as entertainment, snacks, CDs, etc.
  - Try to think of everything that you'll spend money for during the course of the month.



## Budget Exercise

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- Worksheet 4 – Completing Your Monthly Budget
  - Insert the savings goal from Worksheet 1; this is the amount that you will have to save to meet your savings goals, both long and short term.
  - Insert your projected expenses from Worksheet 3
  - Add these together – this is how much you'll have to have as income to meet your goal.
  - At the bottom fill in your expected income
  - The income should match the expenses plus savings goal. So, if your plan does not balance, you will have to adjust your plan. You cannot start the month planning to spend more than you bring in.
  - If expenses exceed income you can increase income or decrease expenses



## Tips for increasing income

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- Bargain with your parents for more allowance.
- Offer to do more chores.
- Get a part time job.
- Work your own business (mowing lawns, running errands for people, teaching, etc).
- Sell things you don't want or need.



## Tips for decreasing expenses

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- For each expense determine whether it's a "need" or a "want"
  - You need food; you may want a soda, but certainly don't need it
  - Examples of things that people think the need, but really don't:
    - cell phones, cable TV, magazine/newspaper subscriptions, high speed internet, snacks and sodas, entertainment electronics, computer games, new CDs & books, expensive clothing, etc.



## Budget Exercise

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- Worksheet 5 – Actual Income and Expenses
  - Now it's time to track your actual income and expenses
  - Start with your current cash – balance
  - From the time you start list every expense or income item
  - Extra pages can be downloaded from the website



## Budget Exercise

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- Worksheet 6 – Putting It All Together for the Month
  - At the end of the month, you reconcile your budget and fill out Worksheet 6
  - You can adjust your plan as the month goes on for unexpected changes, but make every effort to stick to the plan for expected income and expense.



## Review of the Process

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- At the beginning of the month you create your budget – this is how much you expect to spend, how much you expect to make, and how much you expect to save.
- During the month you record your income and expenses.
- At the end of the month you compare your plan to your actual data. If you're spending more than you make, you'll normally have to adjust your budget for the next month.
- Use the information you've gathered to put together your budget for the next month.
- When we go over your paperwork I'll expect to see, for each month: your savings goals, an expected income sheet, an expected expenses sheet, a sheet of actual income and expenses, and a comparison of expected to actual. If you go through the Budget Preparation Exercise handouts you'll be doing each of these properly.



## Summary

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- Tonight we covered budgeting and smart shopping
  - While I'll cover most of the material in the workshop you should always read the book and do the exercises
  - Very important to keep up
- For next week
  - Fill out budget worksheets for review next week (not a good idea to start recording your daily expenses until I look at it to make sure you're doing it correctly)
  - Begin work on major expense worksheet
  - Readings (9 - 25)
  - Suggest that you start on "savings versus investing" (p 31 – 39)