

## Ambassador *On My Own*

## Financial Literacy 1

Knowing how to create and stick to a budget is a skill that will help you throughout every stage of your life, from graduating high school all the way through your retirement years. (Even if your parents plan to pay for your future education, you'll still need to budget how much you spend on clothes, meals, and entertainment!) Far too many people don't start thinking about creating a budget until they find themselves deep in debt. By earning this badge, you'll know how to avoid financial pitfalls while, also, helping you be independent and live your dreams.

### *Steps*

1. Plan for where you'll live
2. Plan for your daily needs
3. Plan for having fun
4. Plan for the unexpected
5. Plan for sharing with others

### *Purpose*

When I've earned this badge, I'll understand the importance of creating a budget - a skill that will help me wherever life leads.

*"I think the girl who is able to earn her own living and pay her own way should be as happy as anybody on earth."*  
-Susan B. Anthony, civil rights leader

Every step has three choices. Do ONE choice to complete each step. Inspired? Do more.

## Step 1 Plan for where you'll live

When living on your own, your biggest expense will likely be your housing. Living in a dorm, renting an apartment, and buying a house all have their own financial rules and regulations. Choose a scenario that's in your near future (like dorm living or renting an apartment) or further down the road (buying your dream home) to learn more about the overall process and be better prepared to live on your own.

### CHOOSE ONE:

Take a tour. Take an "open house" tour of an apartment or home that's for rent or sale. Be completely upfront with the person hosting the tour - remember that their job relies on making sales, so you don't want to get in their way. If the real estate agent has time, however, ask them to explain the rent/purchase process and how the "asking price" of the place you are touring compares to other apartments/homes in the neighborhood.

OR

Interview a new tenant homeowner. Find a young woman who has recently moved into a dorm or rent an apartment. Then, interview her to find out all the steps she had to take before moving in. Did she have any financial surprises? What were the costs associated with moving for which she would tell you to be ready (first and last months' rent, rental insurance, moving truck rental, utility hookup fees, etc.)? Be sure to ask her what helped her make her final decision and if there was anything she would have done differently.

OR

Be chart smart. Create a map of the area you'd like to live, whether it's the freshman dorms at your college of choice or a neighborhood you've always loved. Then, do research on at least a half dozen available rooms or homes to find out how living expenses differ and what kind of compromises you might have to make. For example, when renting in a college town, you'll likely have to pay more to be close to campus, but living farther away could mean a bigger place. Create a chart comparing the various costs and trade-offs you've discovered, and pick a winner!

## Key Real Estate Terms

**Down payment:** When you buy a home, the financial institution lending you money for the purchase (or mortgage) will typically require a percentage of the purchase price to be paid in cash as a down payment. This amount is often at least 20% of the purchase price.

**First and last months' rent:** If you're renting, your landlord/lady will require you to pay the rental fee for both the first month and the last month of a lease up front. Being paid for the last month's rent at the beginning of the lease is insurance for the landlord/lady in case the renter fails to pay regularly or moves before the lease expires.

**Security deposit:** Many landlords/ladies require renters to pay a certain amount of money up front in case the renter damages the apartment or fails to pay rent regularly. If the renter meets all obligations (paying rent on time, keeping the apartment in good shape) the money paid for a security deposit is returned at the end of the lease. In some cases, the last month's rent (see above) is used as a security deposit.

**Mortgage fee:** When a bank or other financial institution lends someone money to purchase a house or condo, a monthly fee, or mortgage fee, is required to pay back both the principal (amount borrowed) and interest on the loan.

**HOME MUST-HAVES** Few people are lucky enough to get everything they want in a home. Instead, you have to make trade-offs by focusing on what is most important to you.

Choose four - and only four! - from this group to find out what's key to your home happiness.

Home gym	Hardwood floors	Large, modern kitchen
Dishwasher	Pet friendly	Lots of closet space
Elevator	Near a park	Walking distance to shopping
New building	Security system	Secure, covered parking
Swimming pool	Bathtub & shower	Big backyard or patio
Extra bedroom	Washer & dryer	Central air-conditioning
Charming old building	Nearby restaurants & movie theaters	

## Step 2 Plan for your daily needs

When living independently, you're responsible for buying everything from groceries to gas for your car. Plus, there are plenty of other expenses of which you might not have thought, from the electric bill to cable TV and health insurance. In this step, you'll take a closer look at how quickly costs can add up by tracking a month's worth of spending.

### CHOOSE ONE:

Focus on your finances. Keep track of every personal item you use in a month. Include everything from toiletries and clothes to things like your phone or Internet service. Once your list is complete, review it with a friend or family member and ask them to add items you might have missed. Then, total the cost of everything so you can get a rough idea of your monthly spending habits.

OR

Shop talk. Volunteer to do your family's shopping for one month, keeping track of everything that you spend. At the end of the month, categorize the items you purchased (food, toiletries, clothing, etc.) and review the list with your entire family to see if there are places where money might be saved.

FOR MORE FUN: Do your family's shopping for another month. This time, however, see how much money can be saved by clipping coupons, using store circulars to find weekly bargains, and comparing prices at different stores.

OR

Audit request. An audit is a review of someone's financial documents. Ask a friend or family member living on their own if you can audit them by asking them to save a month's worth of receipts and bills. Organize all their spending by category (food, fun, rent, etc.) and review the totals together. If your friend doesn't already keep a budget, the results might make them want to start.

## Step 3 Plan for having fun

A budget isn't just about making sure you have enough money to pay your bills. Every good budget should, also, make room for entertainment, hobbies, and having fun with friends.

trips   movies   eating out   concerts

CHOOSE ONE:

Hooray for hobbies. Do you have a hobby without which you just can't live? Whether it's collecting concert posters or mastering photography, you'll need to build the costs of your hobby into your budget. Review how much money you've spent on your hobby over the past year. Then, divide that total by 12 to figure out how much you need to put aside per month. You might even consider setting up a separate savings account for this money.

OR

"By hook or by crook, I hope that you will possess yourselves of money enough to travel and to idle, to contemplate the future or the past of the world, to dream over books and loiter at street corners and let the line of thought dip deep into the stream."

-Virginia Woolf,  
English author

Treat yourself. Find out how much of your budget needs to be dedicated to treating yourself. If you're the type of person who is happy to spend nights at home with a library book, then, you might only need to use 5% of your budget. But, if you love going to movies and meeting friends for dinner often, you might need closer to 15%. Make a list of all the things you like to do for fun, research the cost of each, add up them, and divide by 12 to know how much you need to save each month. (Remember to include all costs. For example, a night at the movies includes not just the ticket, but, also, transportation to the theater and snacks from the concession stand.)

OR

Class act. Gym membership. Cooking classes. A tennis league. Most people have classes or activities that need to be included in their budget. One key to maximizing your purchase power, however, is searching out the best deal. Pick something like a gym membership and research all the available options in your area, keeping in mind extra costs like membership fees or locker rentals. Rank your options in order from best to worst, and see what a difference research can make on your budget's bottom line.

## Step 4 Plan for the unexpected

Your car breaks down. Your laptop is stolen. You get sick and have extra doctor's bills to pay. The only thing you can expect in life is that the unexpected will happen – so, set aside some money for when it does. One golden rule given by financial advisers is that every working adult should have at least six months of their typical living expenses saved and set aside for the unexpected.

CHOOSE ONE:

Interview your network. You'll often find that the people around you have the best advice. Talk to your network of family and friends and ask them about different financial emergencies they've faced and how they've dealt with them. For example, maybe someone had a car accident. Even if they have insurance, they may have been surprised by a large deductible or loss of wages from missing work. Make a list of five unexpected situations that you learned about and research how much it would cost to deal with each one.

OR

Interview a financial guru. Part of a financial adviser's job is to prepare their client for the unexpected. Set up an interview with a financial adviser and ask them how they advise clients to save for emergencies. What are the typical issues they have seen while working with clients? How much money should someone have in the bank if they lose their job? What are their tips for building a "rainy day" fund?

OR

Interview an insurance agent. Life insurance, car insurance, and homeowners insurance are all there in case of the unexpected. Set up an appointment with one of your family's insurance agents to learn more about the important world of insurance. Find out how much the different kinds of insurance cost. Compare the cost with the likelihood that something will happen – and with the actual cost of replacing or repairing the items insured.

"Wealth consists not in having great possessions, but in having few wants." -Epictetus,  
Greek philosopher

# Every working adult should have at least six months of their living expenses saved!

## Step 5 Plan for sharing with others

Everyone's heard the saying that it's better to give than to receive. But, in order to give – be it a friend's birthday gift or a charitable donation – you have to make room in your budget. Figure out how much you want to set aside for goodwill to others.

CHOOSE ONE:

Plan for presents. With gifts, it truly is the thought that counts. But, if you don't think about gifts in your budget, you might not have any funds available if you want to give them. Make a list of everyone for whom you'd like to give presents (parents, siblings, friends) throughout an entire year, along with how much you'd like to spend on each gift. Total the numbers and divide by 12 to see how much you need to budget each month for presents. You may find that your wish list for giving is greater than what you can afford, but it's better to know ahead of time so you can adjust your spending.

OR

Budget for your time. Do you want to be a Girl Scout volunteer? Or, do you have plans to volunteer for your favorite environmental or social-justice cause? If so, investigate two ways that you might be able to help as a young adult by talking to people who have already volunteered. Find out if there are any costs involved. If so, how would you work those into your budget? And, be sure to find out how much time would be required of you. You'll have to make room for that time in your busy life as well!

OR

Charity starts . . . with a budget. Do you have a desire to make the world a better place through philanthropy? Perhaps you have a favorite charity or your place of worship has projects you'd like to support? Even if you don't have any money to donate at this time, your budget can help. Think about it this way. Donating a single dollar might not create much change. But, what if you used your budget to figure out how to save a single dollar each and every day? After a year, you'd have an impressive donation indeed.

“We need much less than we think we need.”

-Maya Angelou, author and poet

## Add the Badge to Your Journey

Leaders have to know how to take care of themselves in order to help others! The skills you gain in this badge will keep you prepared to give service and take action throughout your life.

Now that I've earned this badge, I can give service by:

- Helping friends build their own personal budgets
- Creating a blog where girls my own age can share ideas about saving money and budgeting for things like college and living on their own
- Volunteering at my school or community center to help others create budgets for daily living

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*I'm inspired to:*