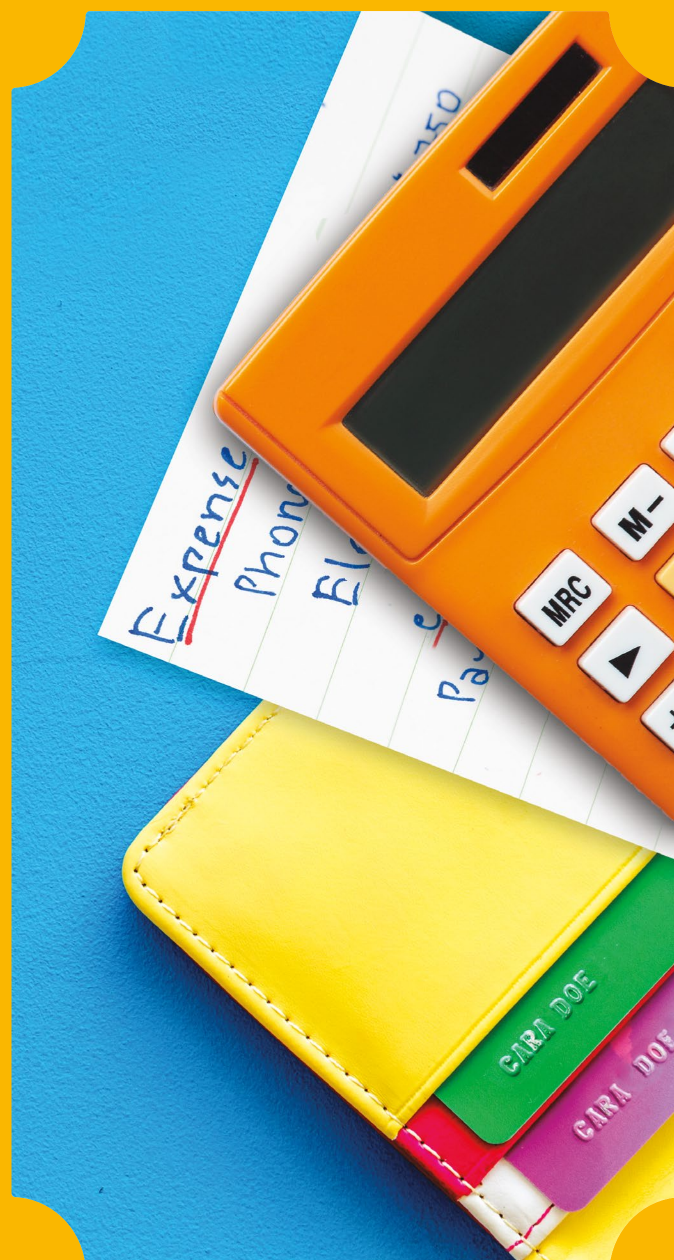
Financial Planner

There's a very good chance you'll borrow money in the future. You may pay off a purchase on a credit card or do something more complex, like take out a small business loan. That's why it's important to know how to build and keep an eye on your credit, make informed decisions about borrowing money, and do your best to pay back what you owe on time.



Steps

1. Explore real-life expenses
2. Learn the ins and outs of credit cards
3. Investigate loans
4. Find out how to establish good credit
5. Make your commitment to financial responsibility

Purpose

When I've earned this badge, I'll know how to pay attention to my credit and plan for a big financial goal.

Words to Know

Annual fee: Charge to cardholder on yearly basis.

APR (annual percentage rate): The amount of interest a cardholder pays in a year in addition to the regular balance. It's important to note that an APR can be fixed or variable.

Budget: A plan for what you need and how much money you'll spend.

Collateral: Something provided to the lender as a payment guarantee in case the borrower defaults on the loan. Some examples of collateral: cash and savings accounts, investments, jewelry or valuable collections, and vehicles.

Credit: Money a creditor is willing to loan a person to purchase goods and services with the agreement that the money will be repaid with interest.

Credit card: A card issued by a bank, other financial institution, or business that allows a consumer to purchase goods and services on credit. Credit cards are a specific kind of loan.

Credit limit: The maximum amount a credit card company allows a cardholder to charge on their credit card.

Debit card: A card used to pay for goods and services directly from a checking account by transferring funds electronically from one's checking account to the store's account to pay for a purchase; also called check cards.

Debt: The amount of money owed to lenders.

Down payment: An initial payment when something is bought on credit.

Equity: The difference between how much a house is worth and how much a person owes on the mortgage.

Expenses: What you spend money on, like food or clothing.

Fixed interest rate: When the interest a person is charged on borrowed money remains consistent.

Foreign transaction fees: Fees charged when making purchases outside the U.S.

Interest: A charge for borrowing money, most often a percentage of the amount owed.

Investment: Putting money in things like stocks, bonds, and real estate—anything that can help money grow.

Late fees: Fees charged when you pay late, even by one day, or if you don't pay the minimum amount due.

Mortgage: A type of loan a borrower can get to buy or refinance a home. The borrower pays the loan back, usually over a long period of time, and the lender charges interest.

Predatory lending: Practices that impose unfair or deceptive loan terms on borrowers.

Refinance: To finance something again, like a home mortgage, usually with a new loan at a lower interest rate.

Savings: Money that is not spent and has been set aside to use later.

Variable interest rate: When the interest a person is charged on borrowed money changes based on outside influences, such as changing market rates.

Step 1: Explore real-life expenses

Expenses are things or services that must be paid for. If a person pays monthly for a phone or streaming membership, that's an expense. Some expenses are essential and help people get by day to day. Some are investments for the future, such as savings for education or a big purchase. Look at what your everyday expenses might be.

Choices—do one:

Track your expenses. Look at the "50-30-20 Spending Plan" box and use it to categorize everything you spend. Right now, some of your expenses may be paid for, such as groceries, health insurance, and school tuition or private lessons, so find out (or estimate) what those costs are and apply them to your expenses. Make a pie chart to show what your expenses look like. What are your percentages? With your troop, do the same type of spending plan for your Girl Scout Cookie™ business budget. Then talk to a finance professional about ways to adjust your spending budget.

Find ways to decrease expenses. Check out the definitions in the "Fixed and Variable Expenses" box to categorize what your household or troop spends. Then explore ways your family or troop can lower expenses. For example, at home, they might be taking shorter showers (lower water bills), putting lights on automatic timers (reduce electric bills), or walking places instead of driving (save on gas). For your troop, it might be borrowing instead of buying camp supplies for a future trip. What adjustments can you make to your household or troop expenses?

Look at expenses for your area. Find a free cost-of-living calculator online. Then search for information about the cost of living for your hometown or city. Explore these categories: apparel, food, housing, medical, recreation, transportation, and other goods and services. Use the Consumer Price Index, a measure of the average change over time in prices, for average prices in your area. Then find out how much it costs to live in one of the most expensive U.S. cities and compare your findings.

Fixed and Variable Expenses

Fixed expenses are always the same, such as a car or loan payment.

Variable expenses are things like fuel, food, and entertainment costs and are harder to plan for because the amount changes.

Unplanned expenses are ones that may not come up every month, like computer repairs or medical emergencies.

50-30-20 Spending Plan

This is a common way to allocate money to help plan a budget. It might not work for everyone, but you can adjust it to meet your circumstances.

50%

Needs or must-have expenses, such as transportation, groceries, basic clothing, and school supplies.

30%

Flexible expenses or wants, such as dining out, entertainment, and membership services.

20%

For financial goals or emergencies, such as saving for education, travel, or computer repair.

Step 2: Learn the ins and outs of credit cards

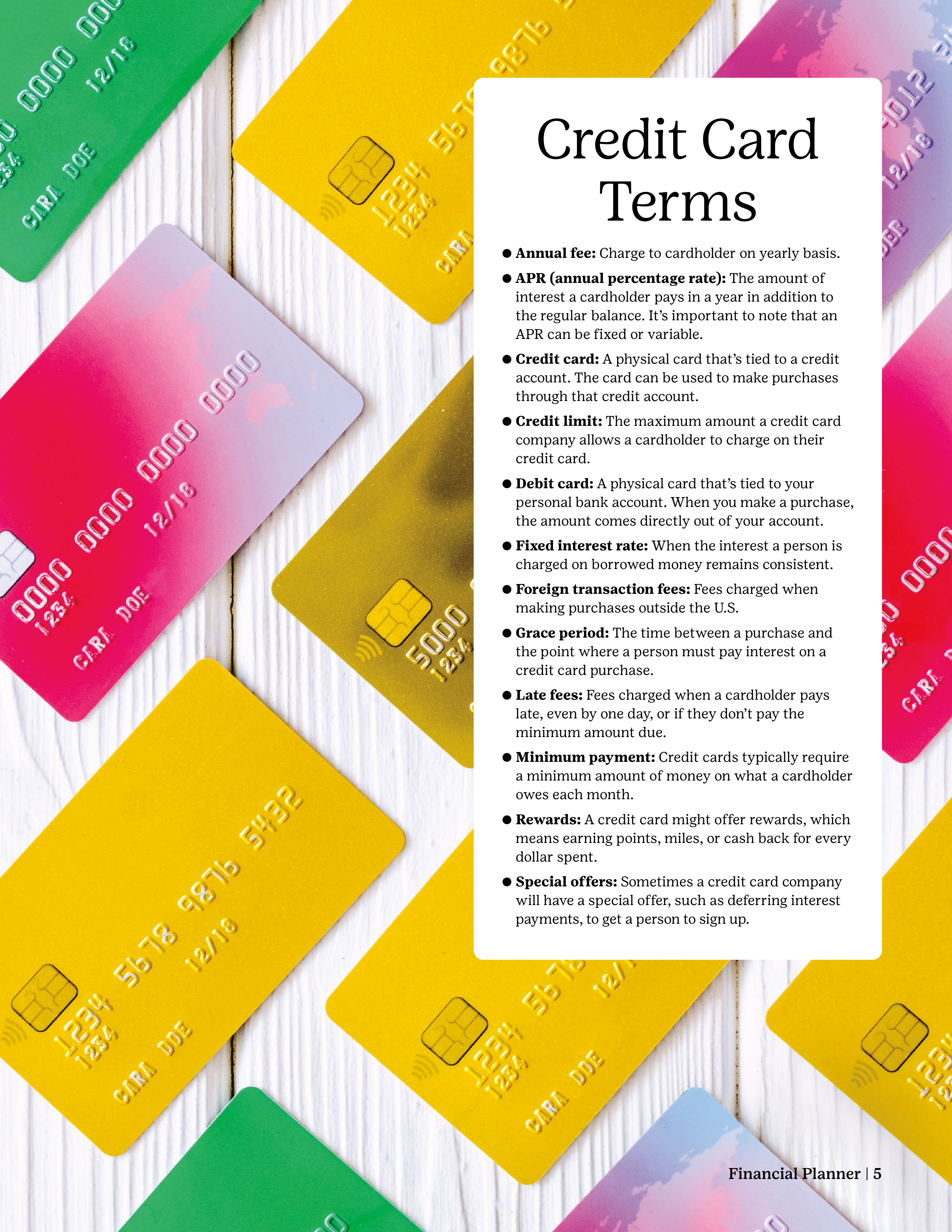
One way for a person to purchase what they need or want is by having a credit card. This gives them a line of credit to use for purchases, which needs to be paid back over time with interest. Find out more.

Choices—do one:

Know the difference between debit and credit cards. Debit and credit cards are both physical cards that are tied to a financial account. You can use each to pay for goods or services. The difference is that a credit card is tied to a revolving line of credit that a financial institution has given you, and a debit card is tied directly to the money you have in your account. What are the pros and cons of using a debit or credit card? Which one offers the most protection?

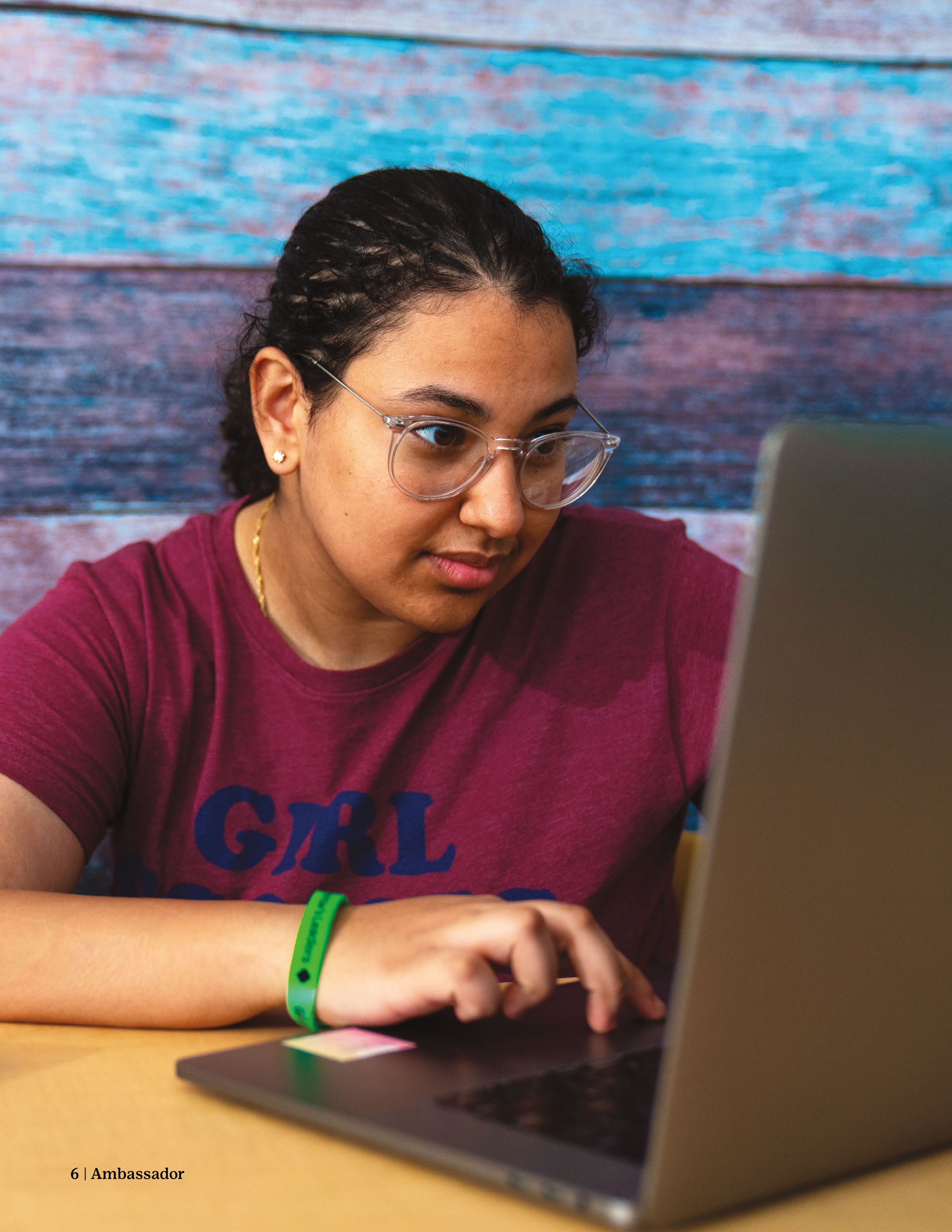
Compare credit cards for newcomers. Compare options for a first credit card, such as one intended for college students, a secured credit card that requires a cash deposit, or a credit card with higher interest rates aimed at people starting to establish credit. What are the pros and cons of each type of credit card? Use "Credit Card Terms" to guide your search. Check out customer reviews for the cards. Look into what it would take to be an authorized user on a parent or guardian's credit card account. Find out about predatory credit card companies with deceptive offers, such as multiple fees and penalties that take advantage of people with low credit scores.

Learn best practices for using a credit card. There are ways you can build credit if you do it right. Talk to a financial advisor to get ideas, such as paying card balances in full and avoiding late fees and over-limit fees (when you exceed your credit limit). A credit limit is the maximum amount a cardholder can charge. After you've gathered information, create a creditworthiness tip sheet to share with your peers.



Credit Card Terms

- **Annual fee:** Charge to cardholder on yearly basis.
- **APR (annual percentage rate):** The amount of interest a cardholder pays in a year in addition to the regular balance. It's important to note that an APR can be fixed or variable.
- **Credit card:** A physical card that's tied to a credit account. The card can be used to make purchases through that credit account.
- **Credit limit:** The maximum amount a credit card company allows a cardholder to charge on their credit card.
- **Debit card:** A physical card that's tied to your personal bank account. When you make a purchase, the amount comes directly out of your account.
- **Fixed interest rate:** When the interest a person is charged on borrowed money remains consistent.
- **Foreign transaction fees:** Fees charged when making purchases outside the U.S.
- **Grace period:** The time between a purchase and the point where a person must pay interest on a credit card purchase.
- **Late fees:** Fees charged when a cardholder pays late, even by one day, or if they don't pay the minimum amount due.
- **Minimum payment:** Credit cards typically require a minimum amount of money on what a cardholder owes each month.
- **Rewards:** A credit card might offer rewards, which means earning points, miles, or cash back for every dollar spent.
- **Special offers:** Sometimes a credit card company will have a special offer, such as deferring interest payments, to get a person to sign up.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Step 3: Investigate loans

A personal loan is a lump sum of money given by a lender that is paid back with interest over a set period. A personal loan is a good option when a person needs a fixed amount of money for something and can make monthly payments over the loan term. Find out more.

Choices—do one:

Go over a loan agreement. Talk to a loan expert about the pros and cons of a loan. Are the interest rates lower or higher than a credit card? What happens when a person defaults on a loan? Find out about collateral loans—lenders sometimes request temporary ownership over an asset a borrower has, such as vehicles, investment accounts, savings accounts, or valuables and collectibles. These serve as a payment guarantee in case the borrower can't pay. Go over a loan agreement, such as a student loan, to find out more about what it means.

Plan for buying a home or condo. Home loans, also called mortgages, are often the biggest loan a person will ever take out. The most common type of home loan takes 30 years to pay off! Ask family members if they know a loan officer you can talk to about mortgage fees, down payment requirements, and how interest rates can change based on the type and length of the loan. Ask the loan officer about their bank's equitable practices and other policies they use to decide who gets a loan and what the terms might be.

Find out about predatory lending. If a company makes a promise about lending money that seems too good to be true, it probably is. Predatory lending means offers to lend money that usually have hidden or unfair terms that hurt borrowers. These could be anything from high interest rates to excessive loan fees. Find out who these unfair loans target and what methods are used to target them. Then check into regulations that protect consumers from predatory lending. Finally, come up with three ways to avoid predatory lending, such as knowing what to look for and how to compare offers.

Step 4: Find out how to establish good credit

From the first time a person gets a loan or credit card, credit report companies start keeping track and the consumer builds a credit score and history. Lenders can then access and review this information before lending money or providing a credit card. Find out what positively and negatively impacts credit.

Choices—do one:

Learn about credit reports and scores. Find out about the companies gathering information and how the information is used for credit reports. How long is it kept for? Look at a sample credit report online. Then explore what a good credit score is. FICO (originally Fair, Isaac and Company) is one of the more widely used data analytics that features a scale of 300 to 850 (higher being the better score). Look into the categories used to calculate a credit score (see "How'd You Get That Credit Score?" on the next page).

Find ways to clean up a credit report. Errors on credit reports can negatively impact a credit score. Cleaning it up means getting rid of inaccurate or outdated information. Go online to find out how to clean up a credit report and dispute inaccurate credit report data. Find a sample dispute letter on the Federal Trade Commissions' website (consumer.FTC.gov). Practice writing one to a company about incorrect or inaccurate information.

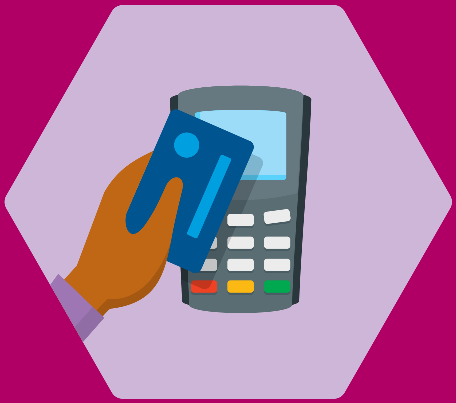
Explore debt consolidation and reduction. The best way to avoid debt is by keeping track of expenses and avoiding overspending. But sometimes debt is unavoidable. How does someone deal with excess debt? Talk to a loan expert at a bank or financial institution about the benefits of managing debt by getting one loan to pay everything off. Find out how saving more each month can help pay off debt. Also ask about renegotiating payment schedules and the pros and cons of filing for bankruptcy—a legal proceeding for people unable to pay their outstanding debt.

How'd You Get That Credit Score?

These are some ways FICO looks at your credit to come up with your score.
The percentage shows how important it is for measuring your credit.

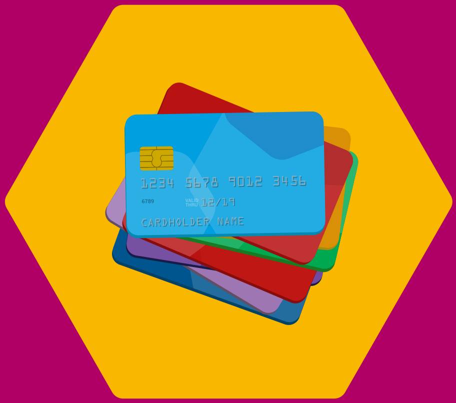
35%

Do you pay your bills on time?



30%

Are you using too much of your available credit?



10%

How often do you apply for a new credit card? (Applying too often can show you're a risk.)

10%

Do you have different types of credit that are all in good standing? (For example, a mix of accounts from credit cards, retail accounts, and a car loan.)

15%

How long have you had your credit accounts and are they in good standing?

Step 5: Make your commitment to financial responsibility

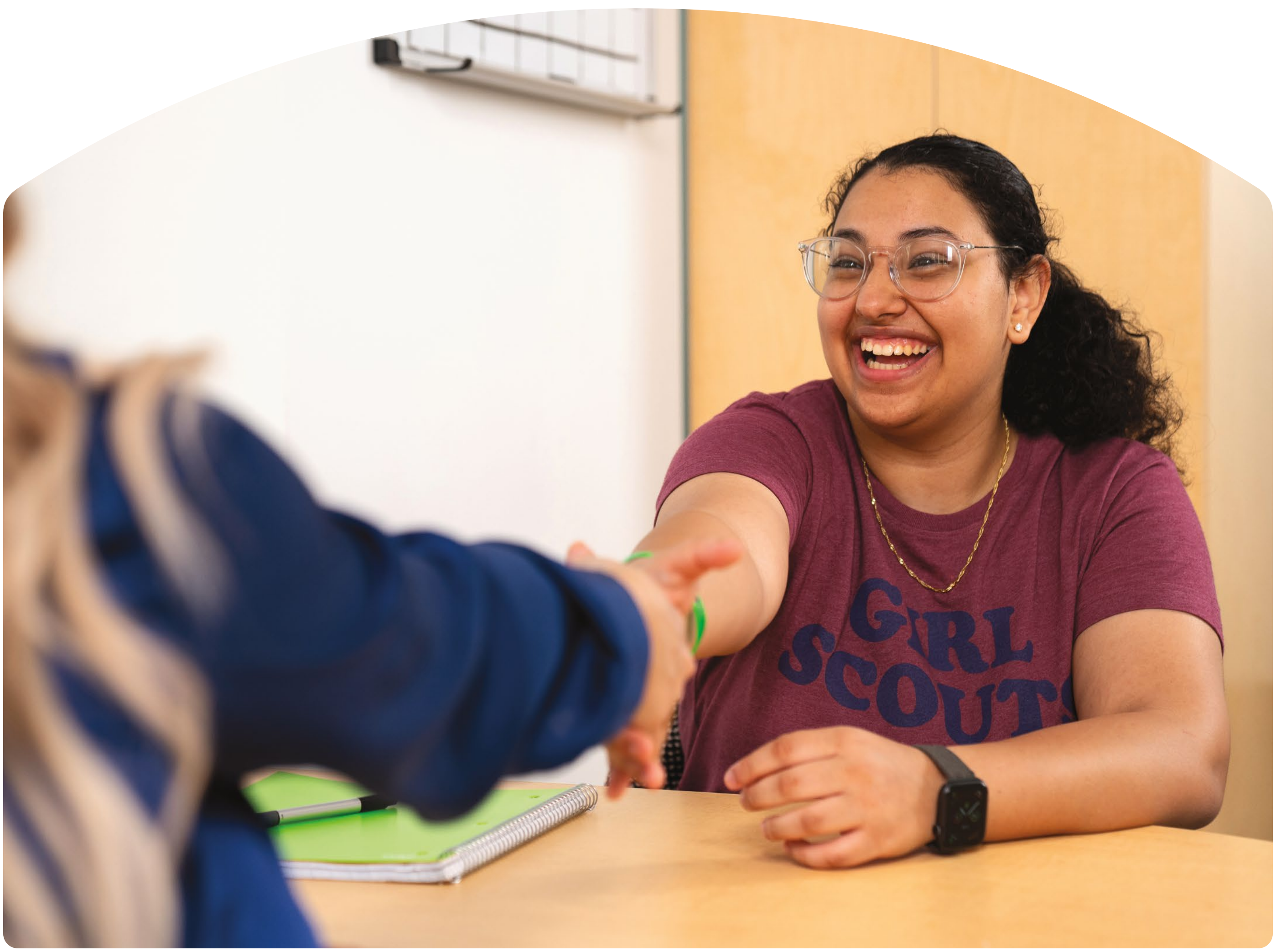
Take what you've learned and create a personal financial statement. This only needs to be a few sentences. What does financial responsibility mean to you? What guidelines can you come up with to inspire good financial habits for the long term? Think about how you'd handle things like borrowing money, having an emergency fund, and staying on course to reach your goals. Start by looking at the "Financial Checklist" on the next page to get inspired. Use this statement as your financial code.

Choices—do one:

Research online. Go online to get budget and credit tips and write a first draft. How do you think financial freedom is tied to debt? Share it with your family and get more ideas about how to be financially responsible.

Talk to an expert. Write a first draft, then ask a financial adviser to review your statement and give feedback and tips to help you follow it. Revise your statement according to the feedback you get.

Make it a troop activity. Team up with your Girl Scout friends and brainstorm a financial statement you hope to follow as a troop. Include everyone's ideas. You can use this statement to guide your group when running your cookie business or dealing with any financial transactions.



Financial Checklist

Consider the following things as you write your financial statement of responsibility:

- [ ] I plan to be financially independent (from my parents or guardians).
- [ ] I think about retirement and know one day I'll have to plan for it.
- [ ] I will always keep a spend-save-share budget.
- [ ] I plan to carefully research options before getting a credit card.
- [ ] I will monitor and know my credit score.
- [ ] I plan to have an emergency fund for unexpected expenses.
- [ ] I intend to pay off my debts on time.
- [ ] I will always consider charitable organizations and how to give back.
- [ ] I will avoid impulse buying.
- [ ] I will save money each week no matter how small the amount.

Add your ideas here:

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Volunteer's Guide to the Financial Planner Badge*

Find tips and ideas to help guide your troop through this badge.

Step 1: Explore real-life expenses • 30–40 minutes

Ask: What are some of your daily expenses?

Share: Expenses are things or services that must be paid for. If a person pays monthly for a phone or streaming membership, that's an expense. Think of expenses as the outflow of any money from a budget. Some are essential and help people get by day to day. Some are investments for the future.

Choices—do one:

- **Track your expenses.** Before the meeting, collect any troop expenses you can, such as receipts or written accounts of money spent on supplies, field trips, or activities. Ambassadors can use the information to categorize troop expenses and come up with a "50-30-20 Spending Plan." Use your network to connect Ambassadors with a finance person who can give them feedback on their plan. Encourage them to adjust according to what they learn.

  Materials: *"50-30-20 Spending Plan," pens, paper, calculator*

- **Find ways to decrease expenses.** Have Ambassadors list all their personal expenses and ask them to categorize them as "Fixed and Variable Expenses." Then have them pair up to brainstorm ways to cut back on expenses.

  Materials: *"Fixed and Variable Expenses," pens, paper, calculator*

- **Look at expenses for your area.** Guide Ambassadors to a free cost-of-living calculator. They can choose teams to research the cost of living for their hometown or city. Ask one team to only look at the cost of living for one of the most expensive cities. Have all teams compare findings with the group.

  Materials: *computers, smartphones, or tablets; pens; paper*

Step 2: Learn the ins and outs of credit cards • 30–40 minutes

Ask: If you need to make a big purchase, what are some ways you might be able to do it?

Share: One way for a person to purchase what they need or want is by having a credit card. This gives a person a line of credit, which needs to be paid back over time with interest. Find out more.

Choices—do one:

- **Know the difference between debit and credit cards.** Have Ambassadors form two teams to research the difference between debit and credit cards. Ask them to share their findings for the pros and cons of each. Which one might offer more protection?

  Materials: *computers, smartphones, or tablets; pens; paper*

- **Compare credit cards for newcomers.** Ambassadors can choose their research teams to find out how to get a first-time credit card. Guide them to use the "Credit Card Terms" and prompts from the activity description in their research. Have them find out the difference between a debit or cash card and a credit card. Ask them to share their findings and discuss possible needs and options for first-time credit cards.

  Materials: *"Credit Card Terms;" computers, smartphones, or tablets; pens; paper*

- **Learn best practices for using a credit card.** Use your network to connect Ambassadors with a financial advisor, either in person or virtually. Let the guest know to talk about getting and keeping good credit and answer the prompts in the activity description. Encourage Ambassadors to take notes. After the guest session, gather the group to create a credit card best practices tip sheet to share with their family and peers.

  Materials: *pens, paper*

Step 3: Investigate loans • 20–30 minutes

Ask: Have you ever borrowed or lent money?

Share: Another way people pay for what they need and want is through a personal loan, which is a lump sum of money given by a lender that is paid back with interest over a period. Find out more.

*Detailed choice activities, meeting tools, and additional resources and materials can be found within the Volunteer Toolkit on my.girlscouts.org.

Choices—do one:

- **Go over a loan agreement.** Use your network to connect Ambassadors with a loan officer at a financial institution. Ask the guest to show the group what a loan document looks like and requires. Suggest that the expert talk to the group about student loans for higher education or any skilled trades training they might be considering.

  Materials: *none*

- **Plan for buying a home or condo.** Use your network to reach out to a home loan or mortgage specialist. Have the guest talk about mortgage fees, down payment requirements, equitable policies, and how interest rates can change based on the loan. Before the guest speaks, have Ambassadors research a property they'd like to buy in their neighborhood and ask the guest what it would take to make it happen.

  Materials: *none*

- **Find out about predatory lending.** Have Ambassadors form research teams to investigate predatory lending. Tell each team to decide on a way to demonstrate to the group what predatory lending might look like. They can create a loan advertisement, act out a scene showing how a lender might entice a consumer, or draw a poster showing the dangers of predatory loans.

  Materials: *computers, smartphones, or tablets; poster or large paper (optional), pens*

Step 4: Find out how to establish good credit • 20–30 minutes

Ask: What does good credit mean to you?

Share: From the first time a person gets a loan or credit card, credit report companies start keeping track and the consumer builds a credit score and history. Lenders can then access and review this information before lending money or providing a credit card. Find out what positively and negatively impacts credit.

Choices—do one:

- **Learn about credit reports and scores.** Use your network to connect Ambassadors to a finance credit expert to talk about credit reports and loans. If available, ask the guest to share and explain a sample credit report. Make sure the group understands how their credit is tracked and how they can keep tabs on it, too.

  Materials: *none*

- **Find ways to clean up a credit report.** As a group, discuss if they've ever had to make a claim or demand about something they purchased, get a refund, or revise information about themselves, such as their name spelling or address. Find out how they did it. What were the results? Then have them break into teams to find out about common credit report errors. Ask each team to draft a dispute letter (see the activity description) and share it.

  Materials: *computers, smartphones, or tablets; pens; paper*

- **Explore debt consolidation and reduction.** Use your network to connect Ambassadors with a loan expert at a bank or financial institution. Ask the expert to cover topics in the activity description and suggest that Ambassadors take notes. After the session, find out what the key takeaways were.

  Materials: *pens, paper*

Step 5: Make your commitment to financial responsibility • 20–30 minutes

Ask: Do you have a code for how you live and what you value?

Share: The same way you have guiding principles for how you live, you can also have them for your finances. Take what you've learned so far and create a statement for how you'll approach your finances. This only needs to be a few sentences. Think about how you'd handle things like borrowing money, having an emergency fund, and staying on course to reach your goals.

Choices—do one:

- **Research online.** Ambassadors can decide to work alone or in pairs to research and come up with their financial statements. Encourage them to share their statements with each other and get feedback.

  Materials: *computers, smartphones, or tablets; pens; paper; "Financial Checklist"*

- **Talk to an expert.** Ambassadors can work alone or in pairs to research and come up with their financial statements. Reach out to your network to connect Ambassadors with a financial advisor to give feedback about their financial statements. Suggest that the troop find out about some common mistakes young people make with finances. Have them revise their statements and get tips about what else they can add to it.

  Materials: *paper, pens, "Financial Checklist"*

- **Make it a troop activity.** As Ambassadors are working on their troop financial statement, encourage them to get feedback from each other. Have them work as a group on a whiteboard or large piece of paper to keep refining their statement. When they finalize it, suggest they write it up and hang it in a place where it can serve as a reminder.

  Materials: *whiteboard or large piece of paper, markers, "Financial Checklist"*

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