



Savvy Saver

Money doesn't define who you are or guarantee happiness, but it can help you reach your goals. Find out how to be savvy with money by planning for your expenses, reducing financial risk, and being disciplined about saving for your goals. Then use what you discover to help plan for a big expense you might have in your future.

Steps

1. Learn the ins and outs of income
2. Make a list of budgeting tips
3. Find out how to plan for a big expense
4. Compare ways to borrow money
5. Create a budget for a big expense

Purpose

When I've earned this badge, I'll have the financial skills and know-how to prepare to make a big purchase.



Step 1: Learn the ins and outs of income

It may be surprising to find out that the amount a person earns at a job is different from the amount of money they take home. That’s because everyone who earns money pays income tax that is deducted from their pay. Check out the “Progressive Tax System” box. Then do one of these choices to find out more about income.

Choices—do one:

Interpret a paycheck. When you get your first paycheck, you might be surprised by the deductions. Go online to find a sample pay stub or analyze yours if you’re working. What’s the length of pay period for the paycheck? What is the gross pay for this period? The net (take home) pay? (See the “Gross & Net” box to find out the difference.) List all the deductions: Payroll Tax, Social Security Tax, Medicare Tax, Federal Income Tax Withholding, and State Tax Withholding. What are each of these taxes supporting, and who benefits? Now imagine you have a job that pays \$15 an hour and you work 20 hours a week. Use an online paycheck calculator to find out how much your gross and net salary would be after you factor in the taxes.

Gross & Net

Gross income is the salary before taxes and benefits, such as health care and Social Security, are taken from wages. (Social Security is a government-run program to support people who have reached retirement age; workers typically pay in through their paychecks and receive money back when they retire.)

Net income is the take-home money after taxes and benefits have been deducted.

Practice filling out a W-4. A W-4 is a form a person fills out for a new job that tells the employer how much money to withhold from their taxes. Print out a W-4 form and have an adult help you fill it out. Use these responses:

- Your name and address
- Make up a social security number if you don’t have one
- You are single and your parent or guardian claims you as a dependent
- You have no dependents
- You are not a head of household
- You have no child or dependent care expenses
- Additional money wanted withheld: Your employer will withhold (keep) a certain amount of money for taxes from your paycheck, but you can add more to this amount here.

Forecast income for a business. A business plan for any new business is likely to include a projected (estimated) income statement. Think of a business you may want to start one day and create a forecast for what you think you’d make. Look online for examples of income statements for a business plan. Do one for your imaginary business and include these three items:

- **Revenue:** Money you expect to earn in Year 1, Year 2, Year 3, and beyond, if you want. Go online to get data about the kind of earnings your type of business can bring in every year. Is it growing? If so, by how much? Estimate (or make up) your first year’s income, then factor in the growth possibility for each year after that.
- **Operating expenses:** Money spent running your business. For example, did you have to purchase or rent equipment? Rent space? Pay for web design? Pay salaries? Put everything you project for your operating expenses in this category. Will it change from year to year? Are there start-up operating expenses you may have in Year 1? Will you expand your business in Year 3 and hire more employees?
- **Profits:** How much is left between your revenue and operating expenses? This is how much you expect to earn each year. Is your business growing and earning more profit each year?

A vibrant, stylized illustration of a diverse group of people in a park-like setting. The background is a solid light green, with several large, dark green, leafy trees scattered throughout. In the foreground and middle ground, there are about 15 people of various ages, ethnicities, and genders. Some are walking, some are running, some are carrying bags or strollers. The people are dressed in casual, colorful clothing. The overall style is flat and modern, with a focus on human diversity and movement.

Progressive Tax System

The U.S. government divides people into different brackets according to how much money they make each year. Each bracket gets taxed at a different percentage rate. For example, people with higher incomes pay higher federal income tax rates. If a person's highest taxable rate is 35%, then they are in the 35% tax bracket. Go online to find out more about how people are taxed at different rates and how this helps the economy overall.

Words to Know

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

Compound interest: When you deposit money into a savings account, your money earns money called interest. Compound interest is what you get when you earn interest on your interest.

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 consumers to purchase goods and services on credit. Credit cards are specific kinds of loans.

Debt: The amount of money owed to lenders.

Debit card: A payment card that deducts money directly from the consumer's account.

Earnings: Money you make in return for work or service; unearned earnings can be gift money.

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

Gross income: The salary before taxes and benefits (such as health care and Social Security) are taken from wages.

Income: Money you receive from different sources. Earned income is money from a job, tips, or your business. Unearned income comes from interest on a savings account or stocks, bonds, or other investment income.

Interest: Additional money that can be earned on a savings account, or additional money that must be paid on a credit card.

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

Medicare tax: A payroll tax that funds federal health insurance for people 65 or older.

Mobile pay or mobile payment systems: A term that describes a purchase transaction made using a smartphone. A mobile payment system is a digital technology that builds upon existing payment methods like a credit card and often used as an extension of these payment systems.

Net income: The money an employee takes home after taxes and benefits (such as health care and Social Security) have been deducted.

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

Social Security: Benefits that are payments for qualified retirees and individuals with disabilities, as well as for their spouses, children, and survivors. A person must pay into the Social Security program during their working years to qualify for benefits.

Withholding: The amount of an employee's pay withheld by the employer and sent directly to the government as partial payment of income tax.

Step 2: Make a list of budgeting tips

Now is a time when budgeting can really count. It not only inspires good spending habits, it's also a way to save for things you need or want. The earlier you start saving, the more benefits you can receive, such as greater earnings from compound interest. (When you deposit money into a savings account, your money earns its own money called interest. Compound interest grows more the longer you have your money invested.) Do one of these choices, then create a budget tip sheet to share with family and friends.

Choices—do one:

Search online. Look for at least three different trusted websites or social media accounts that offer basic budgeting tips for beginners, then create a list that makes sense for you. Find the biggest budgeting mistakes people can make when starting out.

Interview your peers. Find out about some common money decisions they make. What have they purchased recently? How did they pay for it? How did they budget? Have they ever regretted a purchase? What are some “spending dos and don’ts” you can take away from your interviews? Write them up in a tip sheet!

Get tips from a financial advisor. Find out how to make informed choices and become financially stable. This includes coming up with a contingency strategy for unexpected expenses. Does the advisor have any hard and fast rules for budgeting? How do they organize and keep track of spending? What online tools are helpful?





Step 3: Find out how to plan for a big expense

Big goals often come with big costs. Someday, you may need to make a purchase that you'll pay for over time. It could be educational expenses, such as for college or trade courses; a car that comes with loan payments; or a new computer you pay off on a credit card. Find out the long-term impact of a big expense.

Choices—do one:

Calculate the long-term costs. If you buy now and pay later, what are the costs? Find out what your item costs—don't forget to add the tax. Then estimate how much it would cost if you took out a loan or charged it on a credit card. Find an average interest rate for a credit card or loan institution. Then create a chart that lists the price of your item, the interest charge, and the total cost of the item if you paid it off over three months, six months, or a year.

Create a timeline for your big expense. Figure out what your big expense will be and its cost. Then think about how much money you'll need and when. For example, an expense for college tuition might have a deadline for when you'll need that money. Create a timeline and figure out how long you'll need to save. Make sure to also include how long you'll be paying off this expense. Will you still be paying for the expense after you've used what you've purchased? Then set up a plan to meet that goal.

Brainstorm a way forward. Talk to an investment advisor or friends about ways you can cover the costs of a big onetime expense. Think about how you might combine a personal loan, credit cards, or other financial tools to help pay. How about putting aside money in a savings account dedicated to the big onetime expense? Or discuss ways to earn additional income, such as with a side job, like shopping for groceries for a senior adult.







Step 4: Compare ways to borrow money

For most people, borrowing money is a fact of life. We borrow when we make payments for something we purchased on a credit card or get a loan to buy a car or to get a degree. Borrowing can also be a way to establish credit if the debt is handled responsibly. Some borrowing methods are safer than others. Find out why.

Choices—do one:

Learn what it means to be creditworthy. Go online to find out about organizations that maintain and provide consumer credit reports. If you have credit, look yours up. How often can you get a report? Talk to an adult to find out how having a higher credit score impacts whether you can get a credit card or loan. What impacts a credit score?

Find out about credit cards. Go online to an application page for a credit card. See how credit cards offer grace periods, methods of interest calculation, and fees that affect borrowing costs. Compare the cost of borrowing \$1,000 using consumer credit options that differ in rates and fees. What do you think are the advantages and disadvantages of having a credit card?

Analyze loan options. Talk to a loan expert about the loan process. Why do lenders charge lower interest rates on secured loans than on unsecured loans? Find out what happens if you fail to make a payment on a loan.



Step 5: Create a budget for a big expense

Think of a specific item or experience you'd like to have but can't afford right now. Fill out the worksheet to help determine how you'll get it.

Choices—do one:

Make a short- and long-term savings plan. Is your item something you could save up for in the next few months? Or something you need several years to carry out? Decide what you need for your purchase and make a detailed plan. Will you pay all at once or over time? Share your plan with your family, troop, or a financial expert for feedback about whether your plan is realistic. Ask for tips on adjusting it.

Meet with a financial expert. Find out about savings account options and features that might help you reach your goal. For example, you might be able to have your paycheck automatically deposited into your savings account. Or you might find a savings account with a better interest rate.

Explore “buy now, pay later” options. Buy now, pay later is a type of loan that breaks the amount owed into equal payments that come with interest and late fees. Retailers or mobile pay systems may offer this option. (Mobile pay is a general term that describes purchase transactions you make using a mobile phone.) Find at least four “buy now, pay later” options from a retailer or mobile payment system. Compare their terms and find out how buy now and pay later works. Would you use this plan for a big expense?



Budget Worksheet

The item I'd like to buy:

Three features my item must have:

1.
2.
3.

Three positive things I learned about the item from consumer research:

1.
2.
3.

Three potentially negative issues I learned about the item during my consumer research:

1.
2.
3.

Approximately how much my item will cost total:

Approximately how much my item will cost each month:

How long I will have to pay these monthly costs:

How much I need to earn to cover the costs:

My savings plan:

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Made possible by a generous grant from Charles Schwab and its Founder.

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First published in 2022 by Girl Scouts of the United States of America
420 Fifth Avenue, New York, NY 10018-2798
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Volunteer's Guide to the Savvy Saver Badge*

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

Step 1: Learn the ins and outs of income • 30–40 minutes

Ask: Have you ever earned an income?

Share: Everyone who earns money pays income tax. Gross income is salary before taxes and benefits are taken from wages. Net income is take-home money after taxes and benefits are deducted. Find out more about income!

Choices—do one:

- **Interpret a paycheck.** Print out a sample pay stub for Seniors to analyze. Divide them into groups to use an online paycheck calculator. Have them find out how much their gross and net salary would be if they earned \$15 an hour 20 hours a week, then share their findings.

Materials: computers, smartphones, or tablets; sample paycheck; pens; paper

- **Practice filling out a W-4.** Give Seniors a W-4 form to fill out. First, read some of the key IRS instructions with them. Then have them fill it out based on the information in the activity description.

Materials: W-4 forms, pens, pencils

- **Forecast income for a business.** Break Seniors into teams to come up with a business idea. Have them project income statements using online examples and include the items below. Share their income statements with the group.

- **Revenue:** Money they expect to earn in Year 1, Year 2, Year 3, and beyond, if Seniors want. Have them get data to forecast how much earnings their type of business can bring in every year. Tell them to estimate (or make up) their Year 1 income, then factor in the growth possibility for each year after that.
- **Operating expenses:** Have them consider all the money it will take to run their business, from salaries to goods and equipment, and how expanding their business in future years would impact their expenses.
- **Profits:** How much is left between their revenue and operating expenses?

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

Step 2: Make a list of budgeting tips • 30–40 minutes

Ask: Do you have a budgeting rule you live by?

Share: Budgeting not only inspires good spending habits, it's also a way to save for things you need or want. The earlier you start saving, the more benefits you can get, such as earning compound interest. Do one of these choices, then create a budget tip sheet to share with your family and friends.

Choices—do one:

- **Search online.** Break Seniors into teams to search for budgeting tips and come up with a list. Have teams share their findings and use a whiteboard or paper to compile the list into one tip sheet. Encourage them to print it and share with their peers or family members.

Materials: computers, smartphones, or tablets; paper; pens; whiteboard or large piece of paper and markers

- **Interview your peers.** Ask Seniors to pair up to interview each other about money decisions they've made. Then compile their general findings (type of recent purchase, how much, how did they budget, number of Seniors that regretted a purchase). Include any other questions they asked each other. See if they find patterns.

Materials: paper, pens, whiteboard or large piece of paper, markers

- **Get tips from a financial advisor.** Reach out to your network to connect with a financial professional. Have Seniors take notes about setting goals, creating a budget, and tracking spending. Afterwards, write what they learned on a whiteboard or paper to help them compile a tip sheet to share with peers or family.

Materials: paper, pens, whiteboard or large piece of paper, markers

Step 3: Find out how to plan for a big expense • 20–30 minutes

Ask: Is there a big purchase or expense in your future?

Share: Big goals often come with big costs. Someday you

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

may have a big expense and pay over time. It could be college or trade school tuition, a car that comes with loan payments, or a computer you buy and pay off on a credit card. Find out the long-term impact of a big expense, and how you may have to keep paying for it long after you use it.

Choices—do one:

- **Calculate the long-term costs.** Allow Seniors to form teams to explore the cost of a big purchase. Have each team choose one big purchase and create a chart with the item's price, the interest charge, and total cost if it was paid off over three months, six months, or a year. Have them share their findings with the group.

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

- **Create a timeline for your big expense.** Have Seniors work in pairs or teams to come up with a big expense, then research what it would cost. Have them draw their timelines and share with the group. What are the start and end dates for this expense? How long will they be paying it off? Did they hear other ideas that might help make their timeline more efficient or accurate?

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

- **Brainstorm a way forward.** Ask Seniors to come up with ways to cover the cost of a big one-time expense, using worksheets to help them get started. Ask them to collect their ideas on a whiteboard or large piece of paper. They might brainstorm ways to combine a personal loan, credit cards, or other financial tools to help pay; think about an interest-bearing savings account for that expense; or talk about ways to earn additional income.

Materials: *computers, smartphones, or tablets; large piece of paper or whiteboard; markers; pens*

Step 4: Compare ways to borrow money • 20–30 minutes

Ask: Have you borrowed money from anyone?

Share: For most people, borrowing money is a fact of life. We borrow when we purchase something on a credit card or get a loan. Borrowing can be a way to establish credit if the debt is handled responsibly.

Choices—do one:

- **Learn what it means to be creditworthy.** Let Seniors work in teams to research credit reports and get tips about good credit scores. Have the group compile their findings and create a “how to be creditworthy” tip sheet. Suggest narrowing the list to five or ten best practices and share it with their family and peers.

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

- **Find out about credit cards.** Allow Seniors to work in teams to research credit cards and applications. Encourage them to find different credit card companies or financial institutions that offer first-time credit cards for people establishing credit. Then have them all create a chart on a whiteboard or large piece of paper to show the differences between companies. Discuss the advantages and disadvantages of having a credit card.

Materials: *computers, smartphones, or tablets; pens; paper; whiteboard or large piece of paper; markers*

- **Analyze loan options.** Reach out to your network to connect Seniors with a loan expert. Suggest they write questions in advance and find out about interest rates, secured and unsecured loans, and other details about the loan process. Make sure they find out what happens if they fail to make the required payment.

Materials: *none*

Step 5: Create a budget for a big expense • 20–30 minutes

Ask: How do you think keeping a budget now could help you with a future purchase?

Share: Think of a specific item you want but can't afford right now. Then fill out the “Budget Worksheet” and make a plan.

Choices—do one:

- **Make a short-and long-term savings plan.** Have Seniors fill out their worksheet and make a short- and long-term savings plan for a big purchase, then share their worksheet with the group for feedback.

Materials: *paper, pens, “Budget Worksheet”*

- **Meet with a financial expert.** Use your network to connect Seniors with a financial expert who can help them look at savings account options and features to help with a big purchase. Have them fill out their worksheet and share it with the expert for feedback.

Materials: *pens, paper, “Budget Worksheet”*

- **Explore “buy now, pay later” options.** As a group, discuss if they've ever used a mobile payment system and what the experience was like. Divide Seniors into four teams to research different buy now, pay later plans. Have them discuss whether they'd use this payment system. Have Seniors fill out their “Budget Worksheet” and find out how their research impacted their plan.

Materials: *computers, smartphones, or tablets; pens; paper; “Budget Worksheet”*

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First published in 2022 by Girl Scouts of the United States of America, 420 Fifth Avenue, New York, NY 10018-2798, www.girlscouts.org