

## Personal Management - Requirement 4

Explain the following to your merit badge counselor:

(a) The differences between saving and investing, including reasons for using one over the other.

- Saving

- Your money is stored in a \_\_\_\_\_ and earns a small amount of \_\_\_\_\_ each month.

- Your money is insured by the \_\_\_\_\_ government. You will not \_\_\_\_\_ any of it.

- Investing

- You purchase \_\_\_\_\_ and \_\_\_\_\_.

- Their value increases or decreases depending on the \_\_\_\_\_.

- You CAN \_\_\_\_\_ money, so there is much more \_\_\_\_\_ in investing.

- If your investments do \_\_\_\_\_, you will earn much more than you would in a \_\_\_\_\_ account.

- Watch Video - The Different Between Saving, Investing, & Speculating -

<https://www.youtube.com/watch?v=blnbxbftme0>

(b) The concepts of return on investment and risk and how they are related.

- Return on Investment

- o The return on your investment is \_\_\_\_\_ of the amount of money you earned from an invested to the \_\_\_\_\_ investment. A larger ROI represents a larger \_\_\_\_\_. Normally an investment which averages a larger ROI also carries \_\_\_\_\_ risk.

(c) The concepts of simple interest and compound interest.

- Watch Video - Simple & Compound Interest for Teens - <https://www.youtube.com/watch?v=laaAaMa6pXU>

(d) The concept of diversification in investing.

- Diversification is a technique that \_\_\_\_\_ risk by allocating investments across \_\_\_\_\_ financial instruments, industries, and other categories. This way if one category does \_\_\_\_\_, your overall portfolio can still earn a \_\_\_\_\_ if the other investments do well.

(e) Why it is important to save and invest for retirement

- Watch Video - Why Save for Retirement? - <https://www.youtube.com/watch?v=mA23AVPraN8>