

Personal Finance Commerce 2730
The Robert Hardaway Lecturer Series for Finance and Investment
Fall Semester 2014

Instructor: Karin B. Bonding, CFA®
Classroom: 123 Robertson Hall
Class Hours: Monday & Wednesday 8 - 9:15 am
Office Hours: Monday & Wednesday 9:15 - 10:00 am
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Study Materials:

Required: *Personal Finance, Com 2730* is a customized McGraw-Hill *Create* book consisting of chapters from two personal finance textbooks. It is available in hard copy and as an eBook. The book is also on Reserve at Clemons Library.
Random Walk Guide to Investing, by Burton Malkiel

Recommended:

Subscription to the *Wall Street Journal* <http://wsj.com/studentoffer> - Just \$1/week for 15 weeks.
Lean In: Women, Work, and the Will to Lead by Sheryl Sandberg, COO at Facebook
Never Eat Alone: and other secrets to success, one relationship at a time by Keith Ferrazzi w/Tahl Raz

Additional reading assignments and homework assignments will be handed out throughout the semester.

This course is endowed by a 1949 McIntire graduate, Mr. Robert Hardaway. We are very grateful to him for his generosity which will ensure that the McIntire School of Commerce is able to continue to offer Personal Finance Comm 2730 to non-Comm UVA students.

Objectives of the Course:

This course is designed for 4th and 5th-year non-commerce students and introduces them to personal investments. There are no prerequisites. It provides the basic and fundamental principles behind personal financial well-being. It presents tools and techniques to analyze the most common investments. Examples of these are: diversification reduces risk; the best protection is knowledge; all decisions carry a financial consequence; and, Just Do It!

To invest is to combine arts and science. Therefore, we explore topics from psychology to economics, mathematics to ethics. The expression of ideas, both orally and in writing, is as important in investments as it is in any field. Therefore, students will be required to actively participate in classroom discussions and complete assignments and a group project.

The goals of the course include helping the student to:

- understand basic investment principles: the risks and rewards of stocks and bonds, the power of compounding, and the significance of foreign exchange rates.
- understand the impacts of inflation over time.
- incur debt in a prudent manner.
- understand taxes and their impact.
- explore the concepts of time value of money.
- consider various tax-deferred savings plans.

- overcome any apprehension about investing; understand how to open an investment account and the questions to ask.
- choose mutual funds with confidence; evaluate their performances, and make informed decisions.
- use Microsoft Excel for compounding, loan calculations and future goal setting.

There is a mid-term and a comprehensive final exam. A team project will be assigned. The grade for the team project will in part be determined by the other students (an average of their score), in part by the team's work (a grade determined by the instructor), and lastly by the other members of the team. Teams and team assignments will be announced a couple of weeks into the semester, once all adds and drops have been completed.

McIntire School of Commerce Honor Statement

The McIntire School of Commerce relies upon and cherishes its community of trust. We endorse and uphold the University's Honor principle that students will not lie, cheat, or steal, nor shall they tolerate those who do. We recognize that even one honor infraction can destroy an exemplary reputation that took years to build. Acting in a manner consistent with the principles of honor benefits every member of the community while enrolled in the McIntire School and in the future. We trust every McIntire student to comply fully with all provisions of the UVa Honor System. By enrolling in this course, you agree to abide by and uphold the Honor System of the University of Virginia, as well as the following policies specific to ICE.

- All graded assignments must be pledged.
- You may not access any notes, study outlines, problem sets, old exams, answer keys, or collaborate with other students without our explicit permission.
- When given permission to collaborate with others, do not copy answers from another student.
- Always cite any resources or individuals you consult to complete an assignment. If in doubt, cite the source.
- All suspected violations will be forwarded to the Honor Committee, and, at our discretion, you may receive an immediate zero on that assignment regardless of any action taken by the Honor Committee.
- If you have a question about what is or is not permitted on an assignment, you should clarify your question with the professor prior to doing the work.

If you believe you may have committed an Honor Offense, you may wish to file a Conscientious Retraction ("CR") by calling the Honor Offices at (434) 924-7602. For your retraction to be considered valid, it must, among other things, be filed with the Honor Committee before you are aware that the Act in question has come under suspicion by anyone. More information can be found at www.virginia.edu/honor.

If you have questions regarding the course honor policy, please contact Professor Karin Bonding. If you have questions about your Honor System or would like to report your suspicion of an Honor offense, please contact McIntire Honor Representatives, Brendan Evans (bte4kr@virginia.edu) or Joseph Martin (jsm2aq@virginia.edu).

McIntire School of Commerce Wellbeing Statement

The McIntire School of Commerce proudly serves as a safe space for its students and aims to promote their wellbeing. If you are feeling overwhelmed, stressed, or isolated, there are many individuals here who are ready and wanting to help. If you wish, you can make an appointment with me Karin Bonding and come to my office to talk in private. The faculty members at the [Student Services Office](#), located on the third floor, are also readily accessible to talk during walk-in hours or through

setting up an appointment.

Alternatively, there are also other University of Virginia resources available. The Student Health Center offers [Counseling and Psychological Services](#) (CAPS) for its students. Call 434-243-5150 (or 434-972-7004 for after hours and weekend crisis assistance) to get started and schedule an appointment. If you prefer to speak anonymously and confidentially over the phone, call Madison House's [HELP Line](#) at any hour of any day: 434-295-8255.

If you or someone you know is struggling with gender, sexual, or domestic violence, there are many community and University of Virginia resources available. The [Office of the Dean of Students](#), [Sexual Assault Resource Agency](#) (SARA), [Shelter for Help in Emergency](#) (SHE), and [UVA Women's Center](#) are ready and eager to help. Contact the [Director of Sexual and Domestic Violence Services](#) at 434-982-2774.

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Absences must be excused. You have one unexcused absence. Attendance is taken in each session. Should you fail to appear for more than 50% of classes, your grade will be an automatic F. Should your final exam be submitted after deadline, it is an F.

The use of cell phones is not allowed in the class room during class time other than in an emergency. If used, the student will be assigned additional work.

The grade determination for the entire course is as follows:

- Team project: 20%
- Midterm: 25%
- Class attendance and submission of homework: 15%
- Final exam: 40%

Course grades will be assigned as follows with pluses and minuses, as appropriate:

- A 90 points and above; max 108 points are possible
- B 80 points to 89.9
- C 70 points to 79.9
- D 60 points to 69.9
- F below 60 points

Books that may be of interest to you during or after this course are:

- The Millionaire next Door*, by Stanley and Dakin
 - Rich Dad, Poor Dad*, by Robert Kiyosaki
 - Random Walk down Wall Street* by Burton Malkiel, Princeton professor
 - Stocks for the Long Run*, by Jeremy Siegel, Wharton professor
 - What Happened to Thrift?* by R. Wilcox, Darden Professor
- Books by Suze Orman give lots of great personal finance advice and guidance

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Because the Create book is customized, the page numbers referred to in the syllabus below will appear in the upper right or left hand corners. Within the text, references to other chapters may not be relevant.

August 27

Course Introduction

Continuous Homework throughout the course: Start today: Keep your personal **Spending Diary**. See note on p. 33.

September 1

Read: Personal Finance Basics, pages 2-17

Page 12 – Rule of 72. If inflation now is 2.5%, how many years will it take for the price of a hamburger to double? Or for the value of a dollar to be cut in half?

September 3

Read: Opportunity Costs and the Time Value of Money – pages 18-29

In collab under Resources, TVOM formulas are given and how to use Excel to calculate problems. Do not use tables in book.

HW for today.

1. Calculate the future value (FV) of \$450 deposited today 6 years from now at 7%.
2. What is the value a person would have to deposit today (PV) at 6% in order to achieve \$10,000 5 years from now?
3. If you set aside \$2400 a year for 10 years at 5%, what is the FV?
4. What if you set aside \$200 a month for 10 years at 5%, what is the FV? Why is there a difference of exercise #3?

September 8

Read: Financial Aspects of Career Planning – pages 46-85

HW for today:

Prepare your resume.

September 10

Read: same as above

HW assignment will be handed out for completion for today.

September 15

Read: Planning and Budgeting – pages 87-105

Check out mint.com and other online budgeting sites.

HW for today:

1. If you want to have \$5,000 at the end of the year, what would you have to save daily? weekly? monthly? – assuming a 3% interest rate.

September 17

Read: Financial Services: Savings Plans and Payment accounts – pages 112-140

HW for today:

2. Review p.123 – step 4 gets specific. Research what your bank's answers are to the questions posed, especially once you graduate and no longer have the student no-fee checking account.s

Today, September 17 is Commerce Career Day at JPJ Arena from 10-3. As the first on-Grounds career fair open to **all** UVA students, CCD provides employers and students an advantageous networking opportunity at the onset of fall recruiting. More than 1,000 students attended the 2013 event and were able to network with over 80 organizations. Go to the McIntire website and click on Recruiters & Companies for a full list of representatives. Dress is 'business'.

September 22

Read: Tax Management – pages 144-177

September 24

Read: Tax Management – continued, pages 144-177

HW for today (you may want to consult p.131 for an example):

1. For a person in a 28% tax bracket, is a 5% tax-free return better than a 6.5% taxable return?
2. At what tax rate is a 3% tax-free return preferable to a 4.6% taxable return?

September 29

Read: Introduction to Consumer Credit – pages 182-218

HW for today:

1. Retrieve your own credit report at www.annualcreditreport.com. There are three options. You will only need to access one of them. If you have no credit cards or outstanding loans, e.g. student loans, you won't have a report.
2. You are getting ready for your first job. You purchase some great conservative clothes and spend \$2400. When the credit card bill comes and you have seen your first paycheck – ugh! – you decide to pay \$120/month. The card carries 18% APY. How long will it take you to pay for your clothes – and will you still be wearing them???
3. What if you paid \$150/month? How many months would you shave off the debt repayment, and how much would you save in interest?

October 1

Read: Auto Loans and Home Loans – pages 224-246

HW for today:

1. A new car is offered at 0% financing **or** with a \$2500 cash back. Price is \$25,000. Your credit union is offering 2.29% financing for a new car 36-month loan. What's the best offer for you?
2. What will the monthly payment be on a \$150,000 mortgage at 4.25% for 30 years? If the monthly payment is increased by \$75 in order to pay off the mortgage sooner, how many months will you be shaving off the 30-year mortgage?
3. How much in interest are you paying under the 1st scenario, and the 2nd?

October 6

Read: Insurance: Covering Your Assets pages 255-276

October 8 – team presentations TBD

October 13-14 - Reading Holiday

October 15 – team presentations TBD

October 20 – Midterm

In rooms RBT123 and RBT116

October 22 –

Read: Investing Fundamentals pages 284-313

HW for today: Find most recent price of Apple (AAPL); find price of AAPL one year ago; find the dividends that have been paid during this one year and calculate your total return (%) over that one year holding period. Ignore commissions.

October 27 –

Read: Investing in Stocks pages 322-353

On p. 334 of that chapter you will see a *Dollar Tree* ValueLine printout. Go to <http://www.valueline.com/dow30/> and find two companies out of the 30 that may be of interest to you; print out the research reports (it will look like the *Dollar Tree* report). The website gives you 3 pages; flip through them to check which company you want to research. ValueLine Report is found in lower left hand corner on a company page. **BRING THEM TO CLASS TODAY**, or if you are bringing your laptop, have them available on your laptop.

October 29 –

Continuation of **Investing in Stocks**. Again, **bring ValueLine** reports or your laptop.

November 3 –

Read: Investing in Bonds pages 362-388

HW – on p. 381 is a listing of an *American Express* bond. Use its basic information about coupon (%) and maturity and assume face or par value of \$1000. Price today is quoted at 109.48 and, using 3 full years to maturity, calculate the YTM. Use template in collab under Resources, called *bondspeak*, if you need assistance.

HW – A 30-year zero coupon (0%) US Treasury bond is selling at 3.267% YTM. What is its price today? Ditto.

November 5 –

Read: Retirement and Estate Planning pages 396-413.

HW – Consider yourself to be 21 years of age. You start by saving \$100/month in your Roth IRA. In five years, you are able to increase that to \$200/month. You continue this level of contribution until age 61. If you can average 9% annually over these 40 years, how much will you have at age 61?

HW – Take the previous question and consider yourself doing the exact same thing in a 401(k). First put in \$100/month, and then in five years \$200/month, but you are also

getting a 50% match on your contributions. How much will you have at age 61 with same return expectation?

November 10 -

Read: *Random Walk Guide to Investing*, by Burton Malkiel –

The Basics, pages 1-36.

HW – write a paragraph on differences and similarities between the Internet Bubble and the RE Bubble.

HW – look up IPO prices for Yelp, Groupon, Zynga, Facebook, LinkedIn, Twitter and Angie's List as well as their current price.

HW – Find S&P500 total rate of return (%) for years 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013.

November 12 –

Read: same book – Rules 1 and 2, pages 36-56

HW – Refer to p.38 – the graph on this page clearly indicates that stocks perform well in the long run. For Monday you looked up returns for the stock market for the past several years. What in broad terms has the CPI, gold and T-bills done during this same period? Draw conclusions from your findings. In other words, were you to draw a graph, would it look pretty much the same as the one on p.38?

HW – answer questions (a) and (b) on p. 41 in Excel.

HW – pgs. 46 and 47 have fun little examples of how to change a spending habit. Recreate your own personal examples for today's costs.

HW – pgs. 50-52 have some strategies for catching up. If you knew your parents were having difficulties, which one would you suggest to your parents that you feel may be the most appropriate?

November 17 –

Read: same book – Rules 3 and 4 and 5, pages 57-95

HW – p. 59 gives the names of four MMMFs; find current minimums for investing and minimum amounts for check withdrawal and their current expense ratios.

HW – there are three Internet banks, CapitalOne360, Emigrant and HSBC– find what their minimum deposits are and what rates they are currently offering for their savings accounts?

HW – in Virginia, which 529 plans are currently available?

November 19 –

Read: same book – Rules 6, 7 and 8, pages 96-134

HW – Identify three different mutual fund companies that offer Lifestyle funds or target funds; find the longest, i.e. 2050 or 2055, and give percentage breakdown of: US equities, non-US equities, US bonds (fixed income), non-US bonds if any, commodity exposure if any, and/or other asset category. Make comparison and choose one and say why.

HW – pretend you are investing \$100/month in a particular stock of your own choosing. Find the price on the last day of each month, and purchase \$100 worth of the stock (3 decimals). How many shares did you buy each month? Starting September 30, 2013 and ending with October 31, 2014, how many shares do you own today, and what is now the value of your portfolio? What is your average purchase price?

November 24 –

Read: same book – Rules 9 and 10 and wrap-up, pages 135-184

HW – at the moment, how many ETFs do Fidelity, Vanguard and Schwab offer with no commission?

HW – what is the *Dogs of the Dow*? How has it performed relative to the overall DJIA over the last five years?

November 26 – 30

Have a very happy Thanksgiving Break

December 1 – team presentations TBD

December 3 – team presentations TBD

Final exam will be available in Collab as of 10 am on this day.

Submission of your final exam in the format of one Word and one Excel document is to be done in Collab.

6 extra points are given for exams submitted prior to 9 am on December 4, and for each subsequent 24 hour period, the extra points will be reduced by one.

All final exams must be submitted by 9 am on December 10. Failure to do so qualifies for an F in the course.

Please print out your HW – please no handwritten HW. We will discuss in class. It is not graded and is corrected by you – in class!

Aug-14