**Commerce 2730**

**Personal Finance**

**The Robert Hardaway Lecturer Series for Finance and Investment**

**Spring Semester 2015**

Instructor: Karin B. Bonding, CFA®

Classroom: **Note: Monday January 12 and Wednesday Jan 14 – 120 Robertson Hall**

**January 21 and remainder of semester – 123 Robertson Hall**

Class Hours: Monday & Wednesday 8 - 9:15 am

Office Hours: Monday & Wednesday 9:15 - 10:00 am

Office: RBT 314

Telephone: 434-293-4626; 434-924-8976 at UVA

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**Study Materials:**

**Required**: *McGrawHill* customized *Create* book consisting of chapters from two personal   
 finance textbooks. At the bookstore ask for Comm 2730 *Create* book; book is also on   
 Reserve at Clemons Library

*Random Walk Guide to Investing,* by Burton Malkiel

**Recommended**:

Subscription to the *Wall Street Journal* -- $1/week at <http://wsj.com/studentoffer>

*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 may be handed out throughout the semester.

T*his 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:

1. understand basic investment principles: the risks and rewards of stocks and bonds, the power of compounding, and the significance of foreign exchange rates.
2. understand the impacts of inflation over time.
3. incur debt in a prudent manner.
4. understand taxes and their impact.
5. explore the concepts of time value of money.
6. consider various tax-deferred savings plans.
7. overcome any apprehension about investing: understand how to open an investment account and the questions to ask.
8. choose mutual funds with confidence; evaluate their performances, and make informed decisions.
9. 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**

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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 XXXX. 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](mailto:jsm2aq@virginia.edu)).

**McIntire School of Commerce Wellbeing Statement**

**For 1000 and 2000 level Comm courses**

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 [Office of the Dean of Students](http://www.virginia.edu/deanofstudents/index.html) as well as the [Association Deans in the College of Arts and Sciences](http://college.artsandsciences.virginia.edu/association-deans) are readily accessible to meet with students. In addition, if you live in a residence hall, you can contact a Resident Staff member after hours.

Alternatively, there are also other University of Virginia resources available. The Student Health Center offers [Counseling and Psychological Services](http://www.virginia.edu/studenthealth/caps.html) (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](http://www.madisonhouse.org/helpline/index.php) 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,](http://www.virginia.edu/deanofstudents/) [Sexual Assault Resource Agency](http://www.sexualassaultresources.org/) (SARA), [Shelter for Help in Emergency](http://www.shelterforhelpinemergency.org/) (SHE), and [UVA Women’s Center](http://womenscenter.virginia.edu/) are ready and eager to help. Contact the [Director of Sexual and Domestic Violence Services](http://womenscenter.virginia.edu/sdvs.php) at 434-982-2774.

**Absences must be excused. You have one unexcused absence.**

**Attendance is taken in each session.**

**Drop deadline is January 27 – there are NO Withdrawals after that.**

**Should you fail to appear for more than 50% of classes, it’s an automatic F.**

**Should your final exam be submitted after deadline, it is an F.**

**Audits (AU) are not allowed.**

The use of cell phones is not allowed in the class room during class time for any reason 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% and above; max 108 points are possible

B 80% to 89.9%

C 70% to 79.9%

D 60% to 69.9%

F below 60%; missing >50% of class and submission of HW assignments

W not permitted after course drop deadline

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

**Spring Semester 2015**

## 

***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.***

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

**January 12 – Room RBT 120**

**Course Introduction**

Continuous Homework throughout the course: Keep your personal **Spending Diary;** write everything down on which you spend money whether by using cash, check, debit or credit card, or Cavalier card. See p.33 explaining the ***Daily Spending Diary.***

**January 14 – Room RBT 120**

**Read: Personal Finance Basics, pages 1-17**

**HW for today** – Rule of 72. If inflation is 2.5%, how many years will it take for the price of a hamburger to double? How long will it take for the US dollar to decline in value by half?

**January 21 – Room RBT 123,**

**Read: Opportunity Costs, 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. If you set aside $200/month for 10 years at 5%, what is the FV? Why is the result different from what you calculated in #3?

**January 26**

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

**HW for today: Prepare your resume.**

**January 28**

**Read: same as above.**

**HW for today** – assignment will be handed out for you to complete

**February 2**

**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 accumulated in the next 12 months, what would you have to save daily? weekly? monthly? – assuming a 3% rate of interest.

**February 4**

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

**HW for today:**

1. Review p.123 – step 4 gets specific. Research what your bank’s answers are to the questions posed. Focus on what your bank may charge once you graduate and no longer qualify for a no-fee checking account.

**February 9**

**Read: Tax Management – pages 144-177**

**February 11**

**Read: Tax Management – continued, pages 144-177**

**HW for today:**

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?

**February 16 – President’s Day; a class day**

**Read: Introduction to Consumer Credit – pages 182-218**

**HW for today:**

1. Retrieve your own credit report at [www.annualcreditreport.com](http://www.annualcreditreport.com). There are three options. You will only need to access one of them. Unless you have 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 $2,400. When the credit card bill comes and you have seen your first paycheck – ugh!!! – you decide you can afford to pay $120/month. The card carries a 24% APY (it’s a store card). 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, relative to answer in #2?

**February 18**

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

**HW for today:**

1. A new car is offered at 0% financing **or** with a $2,500 cash back. Price is $25,000. What this means is you can pay $25K and the dealer finances your purchase with a 0% interest rate for 36 months. **Or** you can find financing yourself for $22,500K. Your credit union is offering 2.96% financing for a 36-month loan. What’s the best offer for you?
2. What will the monthly payment be on a $150,000 mortgage at 3.75% for 30 years? If you increase your monthly payment by $100 in order to pay off the mortgage sooner, how many months will you be shaving off the 30-year mortgage?
3. How much interest are you paying under scenarios as listed in previous question?

**February 23**

**Read: Insurance: Covering Your Assets – pages 255-276**

**February 25 – team presentations – teams and projects to be assigned**

***February 26 – Personal Finance midterm review from 5-7 pm, room RBT 123***

**March 2 - team presentations – teams and projects to be assigned**

**March 4 – Midterm; rooms 120 and 123**

**March 8-14 – Spring Break – don’t break the bank!**

**March 16**

**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.

**March 18**

**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). BRING THEM TO CLASS TODAY, or if you are bringing your laptop, have them available on your laptop. If you have trouble finding the reports, the website gives you the companies; click on the company you want. As that page comes up, scroll down all the way to the bottom, and on the left hand side you will find the reports. Print out the latest dated.

**March 23**

**Guest Speaker David Ogens,** President and Director of Med Inc. and formerly with Goldman Sachs investment bank **–** he will discuss IPOs and walk us through other interesting aspects of equity financing.

**March 25**

**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 $1,000. Price today is quoted at 111.42 and, assuming 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 2.54% YTM. What is its price today? If you have $50,000 how many bonds can you buy, and what will be the amount you will receive at maturity in 30 years?

**March 30**

**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 cents on the dollar match on your contributions. How much will you have at age 61 with same return expectation?

**April 1**

***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 Netflix, Groupon, Zynga, Facebook, LinkedIn, Alibaba and Angie’s List as well as their current prices.

**HW** – Find S&P500 total rates of return (%) for years 2008, 2009, 2010, 2011, 2012, 2013. 2014.

**April 6**

**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 7 years. In broad terms how have the CPI, gold and T-bills performed for the past 7 years? 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?

**April 8**

**Read:** **same book – Rules 3 and 4, pages 57-82**

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

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

**April 13**

**Read: same book – Rules 5 and 6, pages 83-110**

**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** – in Virginia, which 529 plans are currently available? Write short description of each.

**April 15**

**Read: same book – Rules 7 and 8, pages 111-134**

**HW** – pretend you are investing $100/month in a particular stock. 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 March 31, 2014 and ending with March 31, 2015, how many shares do you own today; what is your average cost per share; what is now the value of your portfolio? (This method of investing is called *dollar-cost-averaging*.) Perform in Excel – that will greatly facilitate your calculations.

**April 20**

**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?

**April 22 - team presentations –**

**April 27** – **team presentations –**

**Final exam** will be available in Collab as of 10 am on last day of class, April 27.

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 April 28, 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 May 4**.

Jan-15