



Personal Finance for the Greater Good

CRN: 18165, Section 14

INSTRUCTOR

Professor Annamaria Lusardi

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Office hours: by appointment

LECTURES: TUESDAY: 12.45-3.15 PM

ALL LECTURES ARE HELD ONLINE VIA ZOOM

TEACHING ASSISTANT:

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Office hours: Fridays, from 11am to 12 (noon) ET and by appointment

COURSE DESCRIPTION

This course provides the knowledge and tools necessary to evaluate the wide range of financial decisions individuals make throughout their lifetime. Concepts such as interest compounding and the time value of money, the relationship between risk and return, and the benefits of risk diversification will be introduced to provide the context in which individuals make financial decisions. Applications of the personal finance concepts will include, but are not limited to, managing credit cards, student loans, financial apps, achieving and keeping a high credit score, valuing business projects, and planning for the future. The course will cover new topics such as Environmental, Social and Governance (ESG) criteria for investing, the role of fintech, and how to build financial resilience during a pandemic. Importantly, the course will cover not only how personal finance decisions impact the wellbeing and happiness of individuals, but also how they impact the wellbeing of society and how access to personal finance knowledge can transform individuals and economies. Applications of personal finance concepts can be used for the greater good.

The course is not only very interactive but the topics covered in the course, the structure of the course, and the guest speakers are chosen together with students. We will have a lot of discussion, case studies and personal finance applications.

There are **no prerequisite** for this course.

LEARNING OBJECTIVES:

1. Learn the fundamentals of financial decision-making
2. Achieve your dreams
3. Use financial knowledge for the greater good

LEARNING OUTCOMES:

1. Be able to make financial decisions, using appropriate resources
2. Be proficient in the language of finance
3. Make an impact on the community and on society

STRUCTURE OF THE CLASS

The class is composed of three parts. In the first part, there will be a discussion of the topics covered in the previous class, including a short quiz or a presentation of an assignment. In the second part, there is a lecture about the topics of the class (lecture notes are made available in advance and the lecture is a summary of those longer notes). The third part is dedicated to applications and case studies of what is learned in the lecture. **The class is structured to be a laboratory for personal finance.**

Classes will be held online using Zoom and the link is provided in Blackboard. All of the material for the course will be posted on Blackboard. Students do not need any particular skills to participate to the course in terms of the use of technology. Students should have access to a computer (not only to attend lectures but for assignments as well) and to the internet.

EVALUATION AND GRADING

Because each lecture builds upon or applies concepts learned in the previous lecture, it is critical that each student come to each lecture having learned the material from the previous lecture. For that reason, each lecture will begin with either a quiz on the previous lecture or presentation of an assignment based on the previous class (and, in exchange, there will be no midterm exam). There will be a final exam during the regular exam time covering the material of the entire course. Moreover, a project will be required and students will present their project in class. The final grade will be calculated as follows:

Weekly assignments	30%
Final exam	40%
Project	30%

There will be a total of 10 weekly assignments. No makeup assignment will be made. Instead, only eight of the ten assignments will count toward the final course grade. That is, if you miss or do poorly in two assignments, your score on those assignments is dropped without affecting your overall grade. If you do all assignments, the lowest two grades are dropped. The resulting eight assignment grades will have equal weight.

Final exam: The final exam covers the material contained in the lecture notes, class presentations, and other readings distributed in class. Students cannot consult the lecture notes but can use two sheets (single sided, standard size) to the final exam with anything written on it. Exam must be taken at the scheduled time.

Project: Students are required to do a project for the course. Specific requirements and evaluations will be discussed when the course is in session.

A teaching assistant is available to discuss the topics covered in class and the weekly assignments.

CONTACT HOURS: Students will spend 2.5 hours per week to follow the class online via Zoom. Required reading for the seminar meetings and written papers or projects are expected to average 7 hours per week. Over the course of a 14-week semester, it is expected that students will spend 35 hours in instructional time and 78 hours outside of the online class, preparing for class, doing assignments and taking the final exam.

REQUIREMENTS AND READING

While **no textbook** will be required for this course, a **financial calculator** *is* required. Your financial calculator should be able to perform time value of money calculations (i.e., given all but one of the interest rates (i), the payment amounts (pmt), the number of payments (n), the present value (pv), the final value (fv), the calculator should be able to calculate the remaining variable) and cash flow analysis (input a series of possibly distinct cash flows and calculate the present value or IRR of those cash flows). Qualifying calculators include: Texas Instruments BA II Plus Financial Calculator (\$30), Texas Instruments BA II Plus Professional Financial Calculator (\$40), and the HP 10bII+ Financial Calculator (\$30) (approximate prices from Amazon.com). We will be using the Texas Instruments BA II Plus Financial Calculator for the examples demonstrated in class.

Other materials: Selected articles from academic and business journals and other publications will be added to the readings as the course is in session.

COURSE GRIEVANCE PROCEDURES

If you feel that a grade you received is unfair, you are required to voice your opinion to me within 3 days after the graded work is returned. The appeal should include a description of the question(s) that need to be reexamined as well as an explanation of why the original grade was incorrect.

PLEASE READ THE UNIVERSITY POLICIES AT THE END OF THE SYLLABUS

PRELIMINARY LECTURE SCHEDULE

L 1.0 – Introduction to the course: Why this course is more important than ever and what personal finance data is telling us

L 1.1 – Interest Rates

Description: This lecture introduces interest rates and interest compounding and how they apply to everyday financial decisions.

Select examples: The power of interest compounding – Achieving objectives
Making an impact: Time in on your side.

L 2.0 – The Time Value of Money

Description: This lecture develops the concept of the time value of money. The related concepts of present value (PV), net present value (NPV), and the internal rate of return (IRR) are introduced and applied to solve various problems.

Select examples: Valuing a business project – The financial value of an education – Returns to Social Security – Calculating a mortgage payment
Making an impact: Evaluate and compare

L 3.0 – Consumer Borrowing

Description: This lecture applies the concepts introduced in the first lecture to analyze common consumer borrowing products. It introduces concepts such as loan amortization and APR for loans with monthly payments.

Select examples: Amortizing a credit card balance – Auto loans and negative equity – Subsidized student loans, High cost borrowing: fees, payday loans, and rent-to-own.
Making an impact: How to avoid the next financial crisis

L 4.0 – Buying a House and Getting a Mortgage

Description: This lecture focuses on mortgage borrowing. Various mortgage terms – such as mortgage length, fixed or floating rate, and mortgage points – are analyzed.

Select examples: Calculating your affordable house price – Mortgage points – Fixed versus adjustable rate mortgages
Making an impact: Money and the American dream

L 5.0 – Savings and Investment Products

Description: The lecture introduces common investment products (such as stocks, bonds, and mutual funds) and uses the concepts learned earlier in the course to evaluate these products.

Select examples: Bond valuation – Common stock valuation – Mutual funds and fees – robo-advising
Making an impact: ESG and impact investing

L 5.1 – Short- and Medium-term Saving

Description: This lecture shows how to save for short- and medium-term financial goals.

Select examples: Saving for a child's education – Saving for a mortgage down payment
Making an impact: Improving financial resilience

L 6.0 – More on Investing and Introduction to Saving and Planning for the Long-Term

Description: This lecture focuses on advance investment topics and on saving for retirement.

Select examples: Employer matching – Retirement planning – Social Security and early retirement
Making an impact: Employer's financial wellness

L 7.0 – Inflation and the Erosion of Purchasing Power

Description: This lecture covers inflation and how it affects an individual's income, wealth, debt, and savings.

Select examples: Inflation and purchasing power – Measuring inflation: the Consumer Price Index – Inflation and income – Inflation and wealth: the decay of savings – Inflation and debt – Inflation and retirement planning
Making an impact: Money cannot be idle

L 8.0 – Personal Taxes

Description: This lecture discusses and analyzes tax issues related to individuals, including marginal taxation, deductions, and capital gains.

Select examples: Calculating your effective tax rate in a marginal tax system – The mortgage interest deduction – Inflation and capital gains – IRA vs. Roth IRA: tax deferral and exemption
Making an impact: Choose your donation

L 9.0 – Risk and Risk Management

Description: This lecture introduces the foundational concepts in probability theory necessary for understanding risk and how to insure against risk.

Select examples: Lotteries – black swans

L 9.1 – Risk vs. Return

Description: This segment examines the theoretical basis of and empirical evidence for the trade-off between risk and returns in investing.

Select examples: Credit spreads and bond default risk – Stocks vs. bonds in the short and long term – Investment horizon and financial crises

Making an impact: Life cannot be derailed by risk

L 10.0 – Risk Diversification

Description: This lecture develops the concept of risk diversification and discusses how it relates to common financial situations.

Select examples: Risk diversification in business – Stock diversification – Mutual funds and risk diversification – Employee stock plans and diversification.

Making an impact: Embrace risk

L 11.0 – Saving for Retirement Part II: Risk and Retirement Planning

Description: This lecture applies the concepts used in the previous two lectures to discuss and analyze risks faced by individuals saving for retirement.

Select examples: Life-cycle retirement investing – Interest rate risk and retirement – Annuities and mortality risk – Social Security as an inflation-adjusted annuity

Making an impact: Protect Social Security

L 12.0 – Mistakes People Make: Behavioral and Other Biases in Consumer Finance

Description: This lecture provides a discussion of cognitive, emotional, and other biases that commonly affect consumer's financial decision-making.

Select examples: Automatic enrollment into pensions and SMT (Save More Tomorrow) - life-cycle funds – the power of peers.

Making an impact: Money and emotion

L 13.0 – Final Project Presentations

Description: Students will present their project in class.

L 14.0 – Applications of the Concepts in the Course

Description: This lecture provides an overview of some of the most important concepts covered in the class and applications of those concepts.

University policies

Use of Electronic Course Materials and Class Recordings

Students are encouraged to use electronic course materials, including recorded class sessions, for private personal use in connection with their academic program of study. Electronic course materials and recorded class sessions should not be shared or used for non-course related purposes unless express permission has been granted by the instructor. Students who impermissibly share any electronic course materials are subject to discipline under the Student Code of Conduct. Please contact the instructor if you have questions regarding what constitutes permissible or impermissible use of electronic course materials and/or recorded class sessions. Please contact Disability Support Services at disabilitysupport.gwu.edu if you have questions or need assistance in accessing electronic course materials.

Academic Integrity Code

Academic Integrity is an integral part of the educational process, and GW takes these matters very seriously. Violations of academic integrity occur when students fail to cite research sources properly, engage in unauthorized collaboration, falsify data, and in other ways outlined in the Code of Academic Integrity. Students accused of academic integrity violations should contact the Office of Academic Integrity to learn more about their rights and options in the process. Outcomes can range from failure of assignment to expulsion from the University, including a transcript notation. The Office of Academic Integrity maintains a permanent record of the violation.

More information is available from the Office of Academic Integrity at studentconduct.gwu.edu/academic-integrity. The University's "Guide of Academic Integrity in Online Learning Environments" is available at studentconduct.gwu.edu/guide-academic-integrity-online-learning-environments. Contact information: rights@gwu.edu or 202-994-6757.

University policy on observance of religious holidays

In accordance with University policy, students should notify faculty during the first week of the semester of their intention to be absent from class on their day(s) of religious observance. For details and policy, see "Religious Holidays" at provost.gwu.edu/policies-procedures-and-guidelines

Support for students outside the classroom

For consolidated information on technical requirements and support, student services, obtaining a GWorld card, and state contact information, see online.gwu.edu/student-support

Virtual academic support

A full range of academic support is offered virtually in fall 2020. See coronavirus.gwu.edu/top-

[faqs](#) for updates.

Tutoring and course review sessions are offered through Academic Commons in an online format. See academiccommons.gwu.edu/tutoring

Writing and research consultations are available online. See academiccommons.gwu.edu/writing-research-help

Coaching, offered through the Office of Student Success, is available in a virtual format. See studentsuccess.gwu.edu/academic-program-support

Academic Commons offers several short videos addressing different virtual learning strategies for the unique circumstances of the fall 2020 semester. See academiccommons.gwu.edu/study-skills. They also offer a variety of live virtual workshops to equip students with the tools they need to succeed in a virtual environment. See tinyurl.com/gw-virtual-learning

Writing Center

GW's Writing Center cultivates confident writers in the University community by facilitating collaborative, critical, and inclusive conversations at all stages of the writing process. Working alongside peer mentors, writers develop strategies to write independently in academic and public settings. Appointments can be booked online. See gwu.mywconline.

Academic Commons

Academic Commons provides tutoring and other academic support resources to students in many courses. Students can schedule virtual one-on-one appointments or attend virtual drop-in sessions. Students may schedule an appointment, review the tutoring schedule, access other academic support resources, or obtain assistance at academiccommons.gwu.edu.

Disability Support Services (DSS) 202-994-8250

Any student who may need an accommodation based on the potential impact of a disability should contact Disability Support Services to establish eligibility and to coordinate reasonable accommodations. disabilitysupport.gwu.edu

Counseling and Psychological Services 202-994-5300

GW's Colonial Health Center offers counseling and psychological services, supporting mental health and personal development by collaborating directly with students to overcome challenges and difficulties that may interfere with academic, emotional, and personal success. healthcenter.gwu.edu/counseling-and-psychological-services

Safety and Security

- In an emergency: call GWPD 202-994-6111 or 911

- For situation-specific actions: review the Emergency Response Handbook at safety.gwu.edu/emergency-response-handbook
- In an active violence situation: Get Out, Hide Out, or Take Out. See go.gwu.edu/shooterpret
- Stay informed: safety.gwu.edu/stay-informed