



PERSONAL FINANCE

Course code	<i>FIN115</i>
Course title	<i>Personal Finance</i>
Type of course	<i>Main</i>
Stage of study	<i>Undergraduate</i>
Year of study	<i>2rd</i>
Semester	<i>Autumn</i>
ECTS	<i>6: 48 hours of lectures and seminars, 112 hours of individual work, 2 hours of consultations</i>
Coordinating lecturer	<i>Dmitrij Katkov</i>
Studies form	<i>Full-time</i>
Prerequisites	<i>Principles of Finance OR Introduction to Finance</i>
Language of instruction	<i>English</i>

Course description

The objective of the course is to provide students with an understanding of financial decision making framework as it relates to personal (household) finance. The major topics covered include: prudent debt management, savings and investments, retirement planning, insurance. Students will learn how to evaluate different services provided by financial institutions as well as learn how to effectively use those services to their own benefit and the benefits of their future clients. An emphasis is drawn on the ethical considerations that financial advisers are facing in their work.

Aims of the course

The course is intended to introduce students to the main elements, methods and principles of personal finance. It will provide basic knowledge and skills applicable to this area.

Subject learning outcomes (SLO)	Study methods	Assessment methods
SLO1. Appreciate the need of financial planning and its impact on wealth of the households	Lectures, seminars, individual study, self-study in groups	Midterm test, coursework final exam
SLO2. Identify and follow wise debt management practices.	Lectures, seminars, individual study, self-study in groups	Midterm test, coursework, final exam
SLO3. Apply concepts of time value of money to solve various financial planning problems.	Lectures, seminars, solving exercises, self-study	Midterm test, final exam
SLO4. Identify and successfully manage risks that individuals and families face.	Lectures, seminars, individual study, self-study in groups	Midterm test, final exam
SLO5. Recognize, describe and evaluate various banking and investment products in the liquidity/risk and return framework	Lectures, seminars, solving exercises, self-study	Midterm test, final exam
SLO6. Identify and engage in sound investment management practices	Lectures, seminars, individual study, self-study in groups	Midterm test, final exam
SLO7. Acquire and demonstrate awareness of consumer protection/regulation.	Lectures, seminars, solving exercises, self-study	Midterm test, final exam
SLO8. Demonstrate familiarity with ethical responsibilities inherent in the work of financial advisors	Lectures, seminars, solving exercises, self-study	Midterm test, coursework, final exam
SLO9. Work in teams, present work results in writing and oral presentation	Self-study in groups, seminars, individual study	Coursework and its presentation during seminars

Quality management

The lecturer assures a variety of teaching and testing methods. The feedback from students is always highly valued and appreciated.



Cheating prevention

The ISM regulations on academic ethics, including cheating (see: *ISM regulations*) are fully applied in the course during the entire semester

Time	TOPIC	IN-CLASS HOURS		READINGS
		Lectures	Seminars	
1	Introduction to personal finance <ul style="list-style-type: none"> - Role of financial planner/advisor - Financial planning process 	2		EV1
2	Time value of money revisited & Global Investment performance standards <ul style="list-style-type: none"> - Interest calculation methodologies - Nominal and effective APR - Geometric and arithmetic rates of return - Excel formulas 	2	2	Handout
4	Long-term debt management <ul style="list-style-type: none"> - Rent vs. buy decision - "Good" and "bad debt" - Loan amortization methods 	2		KDH 9
5	Short-term debt management <ul style="list-style-type: none"> - Credit cards, term loans - Credit rating assessment - Consumer protection 	2	2	KDH 6
6	Insurance markets. Risk Management for Individuals <ul style="list-style-type: none"> - Life insurance - Investment add-ons 	2	2	KDH 12
7	MID-TERM TEST <u>Seminar</u> Tips for coursework, Q&A	2	2	
8	Wealth management <ul style="list-style-type: none"> - Goals and constraints - Investment policy statement 	2	2	EV 1,2
9	Investment in stocks	2	2	KDH 14
10	Investment in bonds	2	2	KDH 15
11	Mutual/ pension/ hedge funds <ul style="list-style-type: none"> - Styles - Management process - Performance evaluation 	2	2	Handout
12	Diversification and global investing	2	2	EV 5
13	Ethical considerations in wealth management <ul style="list-style-type: none"> - CFA code of ethics 	2		Handout
14	Taxation of capital gains and income	2	2	Handout
15	Risk management of financial portfolios	2		Handout
	FINAL EXAM			
	Total:	28	20	

Assessment methods

Assignment	Total hours	Final grade, %
Midterm test	40	30
Coursework	20	30
Final Exam	52	40
Consultations	2	
Total:	114	100

**Midterm test**

It will be held after the first half of the course. It counts towards 30% of the final grade. The midterm test will be based on topics 1-6.

Home Assignments

Students work in small groups (4-5 people) to prepare an analysis of a listed topic. Details on the coursework will be provided during the first week. Coursework must comply with ISM requirements. Coursework counts towards 30% of the final grade.

End-semester individual written final exam

The exam counts towards 40% of the final grade. It is a closed-book test which includes multiple choice questions and open questions. It tests conceptual, analytical, and numerical skills. The exam will be based on topics 8-15. Calculators may be used, provided they cannot store text.

In case of a negative final grade, students are allowed a re-sit exam. It covers all theoretical part of the subject (70%). Coursework cannot be rewritten but its evaluation (if positive) is not annulled.

Teaching methods

The course is taught in English and is structured as a combination of lectures, in-class activities, case studies, and student presentations. It requires a substantial amount of preparation by the students and active involvement during class.

Required Reading

Kapoor, Jack R., Les R. Dlabay, Hughes, R.J. *Personal Finance*. New York: McGraw-Hill/Irwin, 2012.

Supplemental readings

1. Evensky, Harold, Stephen Michael. Horan, Thomas R. Robinson. *The New Wealth Management: The Financial Advisor's Guide to Managing and Investing Client Assets*. Hoboken, NJ: J. Wiley, 2011. Print.
2. Redhead, Keith. *Personal Finance and Investments: A Behavioural Finance Perspective*. London: Routledge, 2008. Print.