

## University of Pennsylvania - The Wharton School

### **FNCE/BEPP 2020: Consumer Financial Decision Making**

Section 401: Tuesday & Thursday, 10:15 am–11:44 am, JMHH 265

Section 402: Tuesday and Thursday, 12 pm-1:29 pm, JMHH 265

*Draft - Fall 2022*

Professors: Nikolai Russanov and Olivia S. Mitchell

Emails: [nroussan@wharton.upenn.edu](mailto:nroussan@wharton.upenn.edu) ; [mitchelo@wharton.upenn.edu](mailto:mitchelo@wharton.upenn.edu)

Office Hours: by appointment

### **Course Overview**

Research shows that many individuals are profoundly underinformed about important financial facts and financial products, which frequently leads them to make mistakes and lose money. Such gaps in financial literacy and sophistication contribute to persistent and rising wealth inequality. Consumer finance comprises an enormous and growing sector of the economy, including products like credit cards, student loans, mortgages, retail banking, insurance, and a wide variety of retirement savings vehicles and investment alternatives. Though virtually everyone uses these products, many find financial decisions to be confusing and complex, rendering them susceptible to fraud and deception. As a result, government regulation plays a major role in these markets. Additionally, recent breakthroughs in the FinTech arena are integrating innovative approaches to help consumers.

This course, intended for any Penn undergraduate, considers economic models of household decisions and examines evidence on how consumers are managing (and mismanaging) their finances. Although academic research has historically placed more attention on corporate finance, household finance is receiving a brighter spotlight now, partly due to its role in the 2008-9 Great Financial Crisis and the economic upheaval brought by the COVID-19 pandemic. The course is geared toward those seeking to take charge of their own financial futures, anyone interested in policy debates over consumer financial decision making, and future FinTech entrepreneurs.

**Prerequisites.** There are no formal prerequisites for the class but students are assumed to have an introductory knowledge of economics and statistics. Prep work on excel, statistics, and economics will be available online for those needing help with introductory concepts. Those completely unfamiliar with these background concepts may wish to take the course Pass/Fail.

**Credit:** This is a 1 CU course, which must be taken for credit (i.e., the course cannot be audited).

**Add/Drop Deadline.** As per Wharton policy, you may drop the course until the official drop date (see <https://almanac.upenn.edu/penn-academic-calendar#row-115>). After the drop deadline, you need written permission from the instructor to drop the course, but it is the policy of the course instructors that we do not sign petitions to drop the course after the official drop date. Please refer to the following link for more information: <https://undergrad-inside.wharton.upenn.edu/withdrawing/>

**Withdrawal Deadline.** As per UPenn policy, the formal withdrawal deadline will be announced at <https://almanac.upenn.edu/penn-academic-calendar#row-115>. Also as per UPenn policy, after the 10<sup>th</sup> week of the semester, withdrawals are not normally permitted.

## **Course Structure and Requirements**

This cross-listed course is taught by Professors Roussanov and Mitchell. The course includes assigned readings, class discussion, homework assignments, two in-class midterm exams, and a team project and presentation. There is no final exam. There are weekly online homework assignments which must be submitted by 5 pm ET; each student must submit his or her answers to assignments via Canvas individually. Many of the homework assignments will require empirical analysis, and we will also spend some time discussing statistical tools and data sources. In addition, during the semester, teams of students will choose a research topic to explore in a short term paper. A draft of the research report will be due November 1, which we will promptly return with comments, giving students time to revise their work. Class presentations on the projects are after Thanksgiving with the final reports due at the end of the semester.

Grades are determined by the following breakdown:

Midterm Exam 1	100 points	25%
Midterm Exam 2	100 points	25%
Assignments*	120 points	30%
Team Project and Presentation	80 points	20%
<b>Total</b>	<b>400 points</b>	<b>100%</b>

\* Please note that for Assignments, the two lowest assignment grades will be dropped in computing the final assignment points.

**Classroom Protocol:** The entire class is to be offered in-person, meeting at the assigned days/times/rooms as indicated at the top of this syllabus. Students and teachers should wear masks during class except when speaking, for everyone's protection. Any student who is feeling unwell should self-quarantine and request access to a recording after the class. We will not offer synchronous hybrid lectures.

**Course Material.** Lecture notes, some readings, case studies, problem sets, and other material will be posted on our course Canvas. Students are responsible for checking this site regularly for updates. Go to <https://canvas.upenn.edu/>.

**Required books/section of books.** Portions from the following two textbooks will be part of the required reading. In addition, homework problems and case studies will be associated with material from these textbooks and will be marked via the online portal. Instructions about how to order the custom textbook which has the selected chapters from these books which will be needed for this class is at the end of the syllabus.

1. Kapoor, Dlabay, Hughes, and Hard, *Personal Finance*, 14<sup>th</sup> Edition, McGraw Hill.
2. Bodie, Kane, and Marcus, *Essentials of Investments*, 12<sup>th</sup> Edition, McGraw Hill.

The following paperback is also required and can be purchased at the UPENN Bookstore or online:  
Olen and Pollack, 2017, *The Index Card: Why Personal Finance Doesn't Have to be Complicated*, Penguin.

**Missing an Exam.** Students may miss scheduled examinations only with a University-approved excuse. Examples of such valid excuses include direct conflicts with another course offered at Penn that cannot be rescheduled, or a varsity (but not a club) sport competition (but not training). In particular, *job interviews and vacations are not a legitimate reason to miss an exam*. Missing an exam without a University-approved excuse will result in a zero for the exam. Arriving late to an exam will be treated as missing an exam.

**Exam Regrades.** To submit a regrade request for an exam, you must submit your original test answers, a signed regrade affidavit (see the course Canvas for the template), and a written memorandum to the professor via Canvas, explaining why you think that the exam should be regraded. This request must be submitted online within 5 business days after the graded examination papers are available for pickup. *Your entire exam will then be reviewed, and your grade may go down, go up, or remain unchanged at the prerogative of the professor for the module.* You may not mark, make notes on, or alter the exam papers for which you seek a regrade; any such alteration will be seen as a violation of the Code of Academic Integrity and you will receive an automatic failing grade for the course.

### **Course Expectations and Academic Integrity**

Class attendance and punctuality are expected. Mutual respect for the professor and fellow classmates is also expected. We reserve the right to remove any student from the classroom and/or course if, in our opinion, his or her behavior is disruptive to the professor, fellow classmates, and/or the classroom environment.

Students must become familiar with and adhere to the Penn Code of Academic Integrity and Code of Student Conduct (<https://catalog.upenn.edu/pennbook/code-of-academic-integrity/>)

### **Whom to Contact for Help and Questions??**

#### **Teaching Assistants and Office Hours:**

Breland Finch: all semester [bfinch@wharton.upenn.edu](mailto:bfinch@wharton.upenn.edu)

online (or by appointment) T 3-4:30 pm, Th 8-9:30 am

Dongchen Zou: 1<sup>st</sup> half of semester [dczou@wharton.upenn.edu](mailto:dczou@wharton.upenn.edu)

online (or by appointment) Friday 10 am – 12 pm

Xian Ng: 2<sup>nd</sup> half of semester [xianng@wharton.upenn.edu](mailto:xianng@wharton.upenn.edu)

online (or by appointment) Friday 10 am – 12 pm

**Faculty:** via email as listed on page 1 of this syllabus.

### **Important Dates**

**Put these dates on your calendar now!**

<i>Midterm #1:</i>	October 13, 2022: Review Session October 18, 2022: Midterm Exam #1
<i>Midterm #2:</i>	December 6, 2022: Review Session December 8, 2022: Midterm Exam #2
<i>Team Project Dates:</i>	October 13, 2022: Project Proposal Due November 1, 2022: Draft of Project Report Due November 29, 2022 & December 1, 2022: Project Presentations December 12, 2022: Final Project Report Due

**Draft Class Schedule**

<b>Class</b>	<b>Day</b>	<b>Date</b>	<b>Topic</b>
1	Tuesday	August 30, 2022	Introduction and Overview: Financial and Economic Concepts
2	Thursday	September 1, 2022	
3	Tuesday	September 6, 2022	Overview of Life Cycle Economic Decision-Making
4	Thursday	September 8, 2022	
5	Tuesday	September 13, 2022	Household Goals and Financial Vehicles: Saving and Investing
6	Thursday	September 15, 2022	
7	Tuesday	September 20, 2022	Household Goals and Financial Vehicles: Borrowing and Investing
8	Thursday	September 22, 2022	
9	Tuesday	September 27, 2022	Household Goals and Financial Vehicles: Education
10	Thursday	September 29, 2022	Household Goals and Financial Vehicles: Private Business
11	Tuesday	October 4, 2022	Household Goals and Financial Vehicles: Durables and Housing
<i>No Class</i>	<i>Thursday</i>	<i>October 6, 2022</i>	<i>Fall Break</i>
12	Tuesday	October 11, 2022	<b><i>Deliverable: Project Proposals Due on Thursday, October 13</i></b>
13	Thursday	October 13, 2022	<b><i>Review Session</i></b>
<b>14</b>	<b><i>Tuesday</i></b>	<b><i>October 18, 2022</i></b>	<b><i>Midterm #1</i></b>
15	Thursday	October 20, 2022	Household Goals and Financial Vehicles: Marriage and Children
16	Tuesday	October 25, 2022	
17	Thursday	October 27, 2022	Household Goals and Financial Vehicles: Health, Disability, LTC Insurance
18	Tuesday	November 1, 2022	<b><i>Deliverable: Report Draft due Thursday, November 3</i></b>
19	Thursday	November 3, 2022	Household Goals and Financial Vehicles: Retirement Planning
20	Tuesday	November 8, 2022	
21	Thursday	November 10, 2022	Household Goals and Financial Vehicles: Bequests and Charity
22	Tuesday	November 15, 2022	
23	Thursday	November 17, 2022	Other Considerations: Taxes, Wills, Bankruptcy, Financial Advisors
24	Tuesday	November 22, 2022	
<i>No Class</i>	<i>Thursday</i>	<i>November 24, 2022</i>	<i>Thanksgiving Break</i>
25	Tuesday	November 29, 2022	<b><i>Project Presentations</i></b>
26	Thursday	December 1, 2022	<b><i>Project Presentations</i></b>
27	Tuesday	December 6, 2022	<i>Review Session</i>
<b>28</b>	<b><i>Thursday</i></b>	<b><i>December 8, 2022</i></b>	<b><i>Midterm #2</i></b>
	Wednesday	December 12, 2022	<b><i>Project Deliverable: Final Report Due</i></b>

## **Tentative Detailed Outline and Assignments:**<sup>1</sup>

→Note that Assigned Problems are due each Friday by 5 pm ET, on Canvas.

### Pre-Work Assignments:

- FINRA National Financial Capability Study financial literacy quiz  
<http://www.usfinancialcapability.org/quiz.php> \*\*Do this ahead of time and enter your responses into Canvas; results to be discussed during class.\*\*
- For those needing more background: Review the 6 short videos on Econ, Finance, Stats, and Excel posted on Canvas.

### Class 1 & 2: Intro/Overview of Financial and Economic Concepts

- Readings:
  - Olen/Pollack: Introduction
  - Reading #1 (Kapoor et al., Chapter 1)
  - Article: [7 Reasons Why Financial Education Is Your Best Investment](#)
- Problems: Kapoor et al.: Chapter 1 problems, Case problems

### Class 3 & 4: Overview of Life Cycle Economic Decision Making

- Readings:
  - Olen/Pollack: Rules #1 and 6
  - Reading #2, #3, #4 (Kapoor et al., Chapters 3 and 4; Bodie et al., Chapter 2)  
*Note: Bodie et al. reading available on Study.Net not Canvas, if using the eBook*
  - Rothman, Julia and Shaina Feinberg, 2020. The Balancing Act. *New York Times*.
- Problems: Kapoor et al.: Chapter 4 problems, Case problems

### Class 5 & 6: Household Goals and Financial Vehicles: Saving and Investing for the Future

- Readings:
  - Olen/Pollack: Rules #4 and 5
  - Reading #5, #6, #10, #11, #12, #13, #21  
(Kapoor et al., Chapters 5, 6, 7 and Appendix, 8 and Appendix, Chapter 3 Appendix)
  - Video: Fisher Effect and Bond Valuation
- Problems: Kapoor et al.: Chapter 5 problems, Chapter 6 problems

### Class 7 & 8: Household Goals and Financial Vehicles: Borrowing and Investing for the Future

- Readings:
  - Olen/Pollack: Rules #2, 3, 7
  - Reading #7, #19 (Bodie et al., Chapter 5 and Chapter 21 (21.1-21.7))  
*Note: available on Study.Net not Canvas if using the eBook*
  - Kurutz, 2018. How to Retire in Your 30s with \$1 Million in the Bank, *New York Times*.
  - Vanguard Investor Questionnaire: <https://advisors.vanguard.com/iwe/pdf/FASINVQ.pdf>  
(Do outside of Canvas and report scores in class)
- Problems: Bodie et al.: Chapter 5 problems, Chapter 21 problems

### Class 9 & 10: Household Goals and Financial Vehicles: Education & Private Business

- Readings:

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<sup>1</sup> Note that readings may be added or substituted at the instructor's discretion. Specific problems for weekly homework assignments will be detailed on the course Canvas site. Supplementary readings for each week/topic are available on Canvas.

- Reading # 8 (Kapoor et al., Chapter 2)
- Reading # 9 (Bodie et al., Chapter 15- Options background to discuss employee stock options) *Note: available on Study.Net not Canvas if using the eBook*
- Options video posted on Canvas
- Wasik. 2013. The Biggest Financial Asset in Your Portfolio is You. *New York Times*.
- Problems: Kapoor et al. Chapter 2 videos and problems, Bodie et al. Chapter 15 problems, Simulation exercise (provided in-class)

Class 11 & 12: Household Goals and Financial Vehicles: Durables and Housing

- ***Thursday, October 13: Team Project Proposals Due***
- Readings:
  - Olen/Pollack: Rule #7
  - Reading #14 (Kapoor et al., Chapter 9)
  - Consumer Reports. 2017. Leasing vs. Buying a New Car.
- Problems: Kapoor et al. Chapter 9 problems and Case problems

Class 13:       **Review Session**

Class 14:       **In-class Midterm Exam #1**

Class 15 & 16: Household Goals and Financial Vehicles: Marriage and Children

- Readings:
  - Reading #15, #16 (Kapoor et al., Chapters 10 & 12)
  - Prenupagreements.org. 8 Reasons Why You Should Get a Prenup
  - Johnson, Jeffrey. 2020. What is Community Property? FamilyLaw.freeadvice.com
- Problems: Kapoor et al. Chapter 10 problems, Chapter 12 problems, Case problems

Class 17 & 18: Household Goals and Financial Vehicles: Health, Disability, LTC Insurance

- ***Tuesday, November 4: Draft of Project Report Due***
- Readings:
  - Reading #17 (Kapoor et al., Chapter 11)
  - Olen/Pollack: Rule #8
  - Mayo Clinic. Living Wills and Advance Directives
  - PGP Foundation. 2020. Why are Americans Paying So Much for Healthcare?
- Problems: Kapoor et al. Chapter 11 problems

Class 19 & 20: Household Goals and Financial Vehicles: Retirement Planning

- Readings:
  - Olen/Pollack: Rules #3, 9
  - Reading #18 (Kapoor et al., Chapter 18)
  - Zweig, Jason. 2011. Meet ‘Future You.’ Like What You See? New ‘Virtual Reality’ Techniques Could Help Solve the Age-Old Problem of Saving for Retirement. *Wall Street Journal*, March 26.
  - Stoll, John D. 2020. The End of Retirement. *Wall Street Journal*, January 10.
- Problems: Kapoor et al., Chapter 18 problems, Video questions, and Case problems

Class 21 & 22: Household Goals and Financial Vehicles: Bequests and Charity

- Readings:
  - Reading #20 (Kapoor et al., Chapter 19)
  - National Caregivers Library. What is a Power of Attorney?

- AARP. Your Digital Estate Plan
- Living Will and Power of Attorney Forms
- Problems: Kapoor et al., Chapter 19 problems, Video questions, and Case problems

Class 23 & 24: Other Considerations: Taxes, Wills, Bankruptcy, Financial Advisors

- Readings:
  - Olen/Pollack: Rule #6
  - Phipps, Melissa. 2020. How Bankruptcy Can – and Cannot – Affect Your Retirement Savings.
  - Wall Street Physician. 2018. Understanding the Conflicts of Interest of Financial Advisors.
  - CNBC. 2015. Finding the Right Financial Advisor
  - Video: Pros and Cons of Robo-Advising
  - Video: Robo-advisors: How They Work and Why They're a Good Option for Some Investors

Class 25 & 26: **Team Project Presentations**

Class 27: **Review Session**

Class 28: **In-class Midterm Exam #2**

Final Report due: **Wednesday December 12**

### More Information about Required Reading Materials

Much of the reading material for this course is based on selected chapters from *Personal Finance* 14e by Kapoor et al., and *Essentials of Investments* 12/e by Bodie, Kane and Marcus in addition to McGraw-Hill's online assignment and assessment software, Connect. You will use Connect to access an eBook, an adaptive eBook and homework problems, via your Canvas account. The department has arranged with the publisher for two purchase options below:

- **Option A. Custom print book with Connect code from UPENN bookstore**  
Only the UPENN bookstore is selling the custom bound book, containing the necessary chapters you will be responsible for and a Connect code for \$96. This is listed as: **Consumer Financial Decision Making: BEPP/FNCE 2020**, ISBN # **9781307813524**. You will not find this book on Amazon or other textbook websites, and a used copy will not work as the Connect code has expired and used by a previous student.
- **Option B. Online All-Digital Connect access.**  
Alternatively, if you are comfortable with learning from an eBook, you can purchase Connect for \$80 via your Canvas account (directions are below). Once you are registered, you will have electronic access to the Kapoor et al. *Personal Finance* 14/e chapters, **but NOT** the 4 chapters from the Bodie et al. *Essentials of Investments* 12e. If you have previously enrolled in FNCE 205, you may already have the Bodie et al. *Investments* book. Although this book is a more comprehensive version of the Essentials book, it includes similar chapters to the 4 that are in the custom book. If you have not taken that course, you may purchase these necessary chapters from study.net.

#### **How to register for Connect:**

Log into your Canvas account for the course. Click on the **McGraw-Hill Campus** link, likely on the left-hand side of your screen. If prompted, click **Load in a new Window**. Then click Agree to Terms and Privacy Policy. Then click the cover of the textbook *Personal Finance 14/e* by Kapoor et al. and get started.

Enter your email in the **Join this Class** area. If you've registered for Connect in a previous or concurrent course, use the same email. Otherwise you'll be asked to create a new McGraw-Hill education account.

If you purchased a custom package from the bookstore, enter the 20-digit code from the back of the book in the **Use Connect Code** box and click **Redeem**. You will then have Connect access, which includes only the eBook chapters from Kapoor et al. *Personal Finance* 14/e (but not the Bodie et al. *Essentials of Investments* chapters) and your online homework assignments for 180 days.

**OR** if you are comfortable with just using the eBook, select **Buy It** (valid credit card or Pay Pal required). You should ignore the Connect and Printed textbook Rental option for \$147.

If you are unsure you will remain in the course or are waiting for the textbook package to arrive at the bookstore, home, or dorm, you can select the **Temporary Access** which provides 14 days of complimentary access to Connect, the e-book, and homework. At the end of the complimentary access period, you will need to enter either the 20-digit code from the custom book (printed copy) or select **Buy It**. You must purchase Connect access to maintain access to course assignments and materials. Any work you complete during the Temporary Access period will be saved.

**Technical Support:**

If you need Technical Support (forgotten password, wrong code, etc.), please contact the McGraw-Hill Education **Custom Experience Group (CXG)** at:

**1-800-331-5094**

[www.mhhe.com/support](http://www.mhhe.com/support).

Please be sure to acquire and retain your case number for future reference if you call the CXG line.