

©University of Pennsylvania - The Wharton School
FNCE/BEPP 2020: Consumer Financial Decision Making
Fall 2024

Section 401: Tuesday & Thursday, 10:15 am–11:44 am, JMHH 307

Section 402: Tuesday & Thursday, 12 pm-1:29 pm, JMHH 307

Professors:

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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 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, everyone interested in policy debates over consumer financial decision making, and future FinTech entrepreneurs.

Prerequisites. There are no formal prerequisites for the course, 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** (check with your advisor to confirm that this is feasible for your concentration).

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 10th week of the semester, withdrawals are not normally permitted.

Course Structure and Requirements

This cross-listed course is co-taught by Professors Roussanov and Mitchell. The course involves assigned readings, class discussion, homework and survey assignments, two in-class midterm exams, and a team project and presentation. There is no final exam. Weekly online homework assignments must be submitted via Canvas by 5 pm ET on Friday each week; students must submit their responses to assignments via Canvas individually. Many homework assignments will require empirical analysis, so we will also spend some time discussing statistical tools and data sources.

During the semester, teams of (up to 5) students (all in the same section) must select a topic to research and discuss in a class presentation and short report. Teams can examine financial products or financial advice relevant to retail or business consumers, explain the audience for the providers/products, evaluate these using what you have learned from class, and offer constructive suggestions for enhancing the products/advice. A 1-page outline of the project is due via Canvas October 8, and a draft of the report is due November 2, which we will return with comments, giving teams time to revise their work. Class presentations on the team projects will be in late November, and the final reports due December 12, 2024.

Grades are determined by the following breakdown:

Midterm Exam 1	100 points	25%
Midterm Exam 2	100 points	25%
Homework	100 points	20%
Team Presentation & Project	80 points	20%
Class Participation & <u>Survey Assignments</u>	<u>20 points</u>	<u>10%</u>
Total	400 points	100%

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. Any student who is feeling unwell should self-quarantine, wear a mask, and request access to a recording after the class. We do not offer synchronous hybrid lectures.

Course Material. Lecture notes, some articles, case studies, problem sets, and other material will be posted on our course Canvas. Students are responsible for checking this site regularly for updates.

Required reading. Parts of these two texts are part of the required reading.

1. Kapoor et al., *Personal Finance*, 14th Edition, McGraw Hill.
2. Bodie, Kane, and Marcus, *Essentials of Investments*, 12th Edition, McGraw Hill.

Instructions about how to order the **custom textbook** with the selected chapters from the texts for this class appear at the end of this syllabus.

In addition, homework problems and case studies will be associated with material from these textbooks and will be marked via the online portal.

Missing an Exam. Students may miss a scheduled examination only with a University-approved excuse. Examples of valid excuses include a 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 via Canvas your original test answers, a signed regrade affidavit (see Canvas for the template), and a written memorandum to the professor, 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 for which you seek a regrade; any such alteration is 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. All 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/>)

Please note: You may use generative AI programs (e.g., ChatGPT) to help generate ideas and brainstorm, but be aware that the material generated by these programs is often inaccurate, incomplete, or otherwise problematic. You may not submit any work directly generated by an AI program as your own. If you include material generated by an AI program in your report, it must be cited just as you would cite any other reference material. Any plagiarism or other form of cheating will be dealt with severely under relevant Penn policies.

Whom to Contact for Help and Questions:

Teaching Assistants and Office Hours (all by zoom at <https://upenn.zoom.us/j/95950726942>):

Undergrad TA (all term): Samica Goel: samicag@wharton.upenn.edu: Monday 9-10 pm & Friday 9-10 am

Grad TA Module I: Joseph Wu: yuzhouwu@wharton.upenn.edu (Module I): Thursday 7-9 pm

Grad TA Module II: Clara Chi Xi: chixu@wharton.upenn.edu (Module II): Thursday 7-9 pm

Important Dates**Add these dates to your calendar now!**

<i>Midterm #1:</i>	October 10, 2024: Review Session October 15, 2024: Midterm Exam #1
<i>Midterm #2:</i>	December 3, 2024: Review Session December 5, 2024: Midterm Exam #2

Team Project Dates:

Sept 12, 5 pm ET: Submit your team members' names (max 5 per team, all in same section) via Canvas.

Oct. 8, 5 pm ET: 1-page Team Project Outline Due via Canvas.

Nov 2, 5 pm ET: Draft of Team Project Report due via Canvas.

Nov. 21, 9 am ET: All Team Project presentation slides due via Canvas.

Nov. 21 & 26: Research Project Presentations in class.

Dec. 12, 5 pm ET: Submit Final Team Project Report via Canvas.

Draft Class Schedule for Fall 2024

2024		
Class	Day	Topic
1	T 8/27	Introduction and Overview: Financial and Economic Concepts
2	R 8/29	
3	T 9/3	Overview of Life Cycle Economic Decision-Making
4	R 9/5	
5	T 9/10	Deliverable: Submit (up to 5) team member names via Canvas before 5 pm ET today.
6	R 9/12	Household Goals and Financial Vehicles: Saving and Investing
7	T 9/17	Household Goals and Financial Vehicles: Borrowing and Investing
8	R 9/19	
9	T 9/24	Household Goals and Financial Vehicles: Education
10	R 9/26	Household Goals and Financial Vehicles: Private Business
11	T 10/1	Household Goals and Financial Vehicles: Durables and Housing
No Class	10/3-10/6	Fall Break
12	T 10/8	Deliverable: Submit 1-page Project Outline due today before 5 pm ET, on Canvas
13	R 10/10	Review Session (in class)
14	T 10/15	Midterm #1 (in class)
15	R 10/17	Household Goals and Financial Vehicles: Marriage and Children
16	T 10/22	
17	R 10/24	Household Goals and Financial Vehicles: Health, Disability, LTC Insurance
18	T 10/29	
19	R 10/31	Deliverable: Project Draft due Oct 31 before 5 pm ET, on Canvas
20	T 11/5	Household Goals and Retirement Planning
21	R 11/7	Household Goals and Financial Vehicles: Bequests and Charity
22	T 11/12	
23	R 11/14	Other Considerations: Taxes, Wills, Bankruptcy, Financial Advisors
24	T 11/19	
25	T 11/21	Deliverable: Team slide presentations due November 21 before 9 am ET, on Canvas
26	R 11/26	Deliverable: Team Project Presentations (in class)
No Class	R 11/28	Thanksgiving Break
27	T 12/3	Review Session
28	R 12/5	Midterm #2 (in class)
No Class	T 12/12	Deliverable: Team Project Final Report Due December 12 before 5 pm ET, on Canvas

Tentative Detailed Outline and Assignments:¹

→Note that Assigned Problems are due by **5 pm ET, on Canvas**, the Friday following the lectures for that class.

Note: All Penn students may access the *New York Times* and *Wall St. Journal* for free, as follows:
[Where can I find the Wall Street Journal - today's and historical? - FAQ \(upenn.edu\)](#)
[Penn Students, Faculty, and Staff Can Now Access The New York Times Online | Penn Libraries \(upenn.edu\)](#)

Assignments Prior to First Class:

- FINRA National Financial Capability Study financial literacy quiz
 → **Do this ahead of class; enter your responses in the Canvas Quiz entitled *Financial Literacy Quiz*; results will be discussed during class.**
- *For those requiring more background:* Review the **6 short videos** on Econ, Finance, Stats, and Excel posted in Canvas.

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

- Readings:
 - Custom text pp. 1-44 (Kapoor et al., Chapter 1)
 - Financialmentor.com [7 Reasons Why Financial Education Is Your Best Investment](#)
 - Winokur, Cheryl. [7 Money Traps College Students Should Avoid.](#)
- Problems: Kapoor et al.: Chapter 1 problems

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

- Readings:
 - Custom Text pp. 46-110, 112-138 (Kapoor et al., Chapters 3 & 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. [The Balancing Act.](#)
 Ansberry, Clare. [The Exact Age When You Make Your Best Financial Decisions.](#)
- Problems: Kapoor et al.: Chapter 4 problems

→Sept 12, 5 pm ET: Submit your proposed topic & (up to 5) team member names (all in same section) via Canvas before 5 pm ET.

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

- Readings:
 - Custom Text pp. 139-213, 310-355 (Kapoor et al., Chapters 5, 6, 7 and Appendix)
 - Canvas Video: Fisher Effect and Bond Valuation
- Problems: Kapoor et al.: Chapters 5 & 6 problems

¹ Note that readings may be added or substituted at the instructors' discretion. Additional cases will be detailed on the course Canvas site.

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

- Readings:

→**Do this ahead of time and be ready to report your score in class:** Vanguard Investor

Questionnaire: <https://investor.vanguard.com/tools-calculators/investor-questionnaire#modal-start-quiz>

- Custom Text pp. 214-248, 572-590 (Bodie et al., Chapters 5 & 21)
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*.
- Problems: Bodie et al.: Chapter 5 & Chapter 21 problems

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

- Readings:
 - Custom Text pp. 249-309 (Kapoor et al., Chapter 2& Bodie et al., Chapter 15 employee stock options) *Note: the latter is 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)

Tuesday, October 8: Team Project 1-page proposals Due via Canvas by 5 pm ET

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

- Readings:
 - Custom text pp. 390-422 (Kapoor et al., Chapter 9)
 - Consumer Reports 2024. [Leasing vs. Buying a New Car - Consumer Reports](#)
 - Pinsker, Joe. [Drive till the Wheels Fall Off](#).
- Problems: Kapoor et al. Chapter 9 problems

Class 13: Review Session

Class 14: In-class Midterm Exam #1

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

→Surveys Class 15: Life Insurance Application and 16: Prenups & Insurance (do by 9 am before class)

- Readings:
 - Custom text pp. 423-490 (Kapoor et al., Chapters 10 & 12)
 - [8 Reasons Why You Should Get a Prenup](#)
 - [Prenuptial Agreement \(eforms.com\)](#)
 - [Community Property](#)
 - [Cost of Childcare](#)
- Problems: Kapoor et al. Chapters 10 & 12 problems

Thursday, October 31: Draft of Team Project Report Due via Canvas, by 5 pm ET

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

→ Surveys Class 17: Health Insurance & 18: LTC Insurance (do by 9 am before class)

- Readings:
 - Custom text pp. 491-531 (Kapoor et al., Chapter 11)
 - Morabito: [Why Healthcare costs are rising in the US more than anywhere else](#)
 - Carrns, Anne. [FSA vs HSA and Medical Costs](#)
 - [UPenn Health Insurance Choices](#)
 - [How to choose a nursing home](#) (youtube)
- Problems: Kapoor et al. Chapter 11 problems

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

→ Surveys Class 19: FIRE & 20: Retirement Income/Expenses & Retirement Knowledge Quiz (do by 9 am before class)

- Readings:
 - Custom text pp. 532-572 (Kapoor et al., Chapter 18)
 - Zweig, Jason. [Think about Your Future Self](#). (youtube)
 - Tergesen, Anne. [Is Company 401\(k\) Match Unfair?](#)
 - Casselman, Gen. [Alzheimer's Financial Toll](#)
- Problems: Kapoor et al., Chapter 18 problems

Class 21 & 22: Household Goals and Financial Vehicles: Annuities, Bequests, and End of Life Issues

→ Surveys Class 21: Annuities & 22: Advance Directives & Living Wills (do by 9 am before class)

- Readings:
 - Custom text pp. 591-623 (Kapoor et al., Chapter 19)
 - CFPB [What is a PoA?](#)
 - [Digital Estate Plan](#)
 - Lamas. [Brain Quiet but Heart Beating](#)
 - Science Care. [Donate Body to Science](#)
 - Laurenzi. [Logistics of Death](#)
 - Coren. [Green Burials](#)
- Problems: Kapoor et al., Chapter 19 problems

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

→ Surveys Class 23: Robo Advisors & 24: Special Needs Trust (do by 9 am before class)

- Readings:
 - Custom text pp. 355-389 (Kapoor et al. Chapter 8)
 - Benson, Alana. [Chose the Right Advisor](#)
 - Tergesen, Anne. [Financial Advisor conflicts of interest.](#)
 - Sato, Gayle. [Retirement Plans in Bankruptcy](#)
 - Lieber, Ron & Tara Siegel Bernard. [Bankruptcy No Easy Fix](#)
 - Almazora, Leo. [Michael Jackson died \\$500M in the Red](#)
- Problems: Kapoor et al. Chapter 8 problems

Class 25 & 26: Team Project Presentations (due Nov 21, submit slides on Canvas before 9 am ET)

Class 27: **Review Session**
Class 28: **In-class Midterm Exam #2**

Final Team Reports due: Tuesday December 12, on Canvas before 5 pm ET

Additional 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 a **custom 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 approximately \$96. This is listed as: **Consumer Financial Decision Making: BEPP/FNCE 2020. ISBN # 978-1307813524** 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 \$83 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 four 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 four 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, 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 have registered for Connect in a previous or concurrent course, use the same email. Otherwise, you will be asked to create a new McGraw-Hill education account.

If you purchased the 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**, image below. 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 **Purchase for \$83**.

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 two weeks 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 **Purchase**. 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.

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



Course Access

Your instructor has chosen:



Personal Finance
14th Edition
Author: Jack Kapoor
ISBN: 126647417x

What you get with Connect

- Access to the eBook
- Online homework and quizzes
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