



## **Personal Finance for the Greater Good**

HONR 2047-15 CRN: 65832

**SPRING TERM 2023**

### **INSTRUCTORS**

Professor Annamaria Lusardi

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### **TEACHING ASSISTANT**

Alexandra Swank

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Office hours: By appointment

**LECTURES: THURSDAY: 12.45-3.15 PM IN TOMPKINS 310**

### **COURSE DESCRIPTION**

Do you know how to manage your student loan(s)? Have you saved part of the income from your summer job? Do you have a credit card, and do you carry a balance? Now more than ever, individuals are in charge of making decisions that have important implications for themselves and for society. From student loans to credit cards, from mortgages to pensions, we are all facing a myriad of decisions that are complex and require basic financial skills. 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. There is a lot at stake; both the wellbeing and financial security of individuals and families and the stability and inclusivity of the financial and economic system rely on basic financial literacy. How can we make sure that we possess the knowledge required to navigate the economic world around us, build resilience, and be financially secure? And how can we make sure that nobody is left behind and that finance can be used to promote the greater good?

### **COURSE OBJECTIVES**

This course will provide you with the fundamental skills required to make personal financial decisions. It will teach you not what to decide, but how to decide, using data and research from the field of personal finance. By taking this course, you will be able to:

1. Analyze rigorously the decisions that are part of our life cycle, from managing debt, to saving for retirement, to buying a car or a house, to planning for the future
2. Compare and evaluate different financial products and instruments
3. Evaluate the opportunities offered by financial markets, for example how to take advantage of low interest rates
4. Analyze policies and programs targeted to consumers
5. Apply personal finance concepts to case studies and your personal financial choices
6. Use your new financial knowledge for the greater good

### **HOW WILL THIS COURSE HELP YOU SUCCEED IN PERSONAL FINANCE DECISIONS?**

The course is based on many years of research and data on personal finance. While math will be kept at a minimum, all of the material covered in the lectures is based on formulas and scientific/academic findings. I want you to learn to manage your finances like a pro. It is possible and, with this course, it will be easy!

### **HOW WILL YOU AND I EVALUATE YOUR PROGRESS?**

How can you do well in this course? Three things can describe it: participate, immerse yourself in the course, and be curious.

To meet the course objectives, below is a list of what you'll be graded on:

#### **Weekly quizzes (15% of the grade)**

There will be 6 quizzes spread throughout the course. Each quiz will cover the topics discussed in the previous class. Quizzes will be graded out of 8 total points and will contain 3 short questions.

The lowest quiz grade will be dropped at the end of the semester. That is, if you miss or do poorly in one quiz, your score on those quiz is dropped without affecting your overall grade.

#### **Writing Assignment (15% of the grade)**

You are asked to complete short writing assignments and compare different financial instruments, examining features such as rate of returns, fees, and penalties to decide which one is more appropriate for a specific financial decision, for example saving for retirement. These assignments will allow you to reflect on what you learned in class and conduct additional outside research. Each assignments is **2-pages** long max and is due at the beginning of next class.

#### **Financial Diary (15% of the grade)**

You are asked to keep a diary to reflect on your financial decisions made weekly. Write down your reflection on the topic we covered that week in class and how this applies to your personal finances. Be prepared to share your reflection in class.

### **Debates (10% of the grade)**

You will be asked to engage in three debates during the semester about important personal finance topics. In these debates (there will be 2 sides to the argument), you are required to:

1. Document the problem
2. Identify the demographic groups more likely to experience the problem
3. Think critically of potential solutions.

You will need to prepare for both sides of the debate. Come prepared for class with bullet points supporting each side of the argument. In class we will randomly assign teams. Presentations will be graded according to clarity, content and proposed solutions.

### **Group project (20% of the grade)**

You are required to do a group project (max 3 students in a group), which consists of building a case study that highlights seven financial situations from a hypothetical scenario that you create. This project allows you to apply the knowledge you have acquired in class and think critically of the financial decisions young people are facing today as they exit college. Working in collaboration with your group, you should prepare a power point presentation and describe:

1. Seven financial decisions choosing from those we have discussed in class. You can call them the seven steps to financial success; (this content accounts for 70% of the grade in the project).
2. Explain what recommendations you would give in the case study and present the action items that can be taken to improve the financial situation in each sample scenario; (this accounts for 15% of the grade in the project).
3. For each financial decision, build some visuals or infographics that can help illustrate the main points you are trying to make. For example, a good way to explain risk diversification is to show that it is best not to put all of your eggs in one basket (this account for 15% of the grade in the project).

To do the project, we will use a **scaffolding approach**: you will be asked to work on building blocks of your project and present in class and with classmates or discuss with the course instructors. Here is the timeline:

**Block A:** By week 5, choose two financial decisions to focus on and start collecting data to motivate your choice and the importance of those decisions for young people. You will discuss your ideas with classmates at a dedicated time in the class.

**Block B:** By week 7, choose a third financial decision and prepare a draft of the presentation for this first part to discuss with the TA.

**Block C:** By week 9, add more material to the presentation and be ready to provide a 5-minute presentation in class.

**Block D:** In weeks 12 & 13, present your project in class to get final comments before it is submitted. The project is due the last day of classes.

### **Final exam (25% of the grade)**

The final exam will cover all of the topics covered in class. The exam will help me and you to gauge whether you can apply the knowledge acquired in the course to everyday financial decisions. The exam is composed of three parts:

1. A multiple-choice section, covering basic concepts of personal finance
2. Short questions section, covering intermediate concepts and their application to personal finance
3. Long questions section, covering advanced concepts and their application to personal finance.

The final is valued 100 points and includes content covered in the lecture notes, class presentations, and other readings distributed in class.

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

### **SOME TIPS FOR SUCCESS (ACTUAL LEARNING) IN THIS COURSE**

This course is built for active learning. Be actively engaged and prepared for the in-class meetings and out-of-class work.

Practice! There are plenty of practice exercises, which will make the difference between you being a deep learner rather than a surface learner of the materials.

Your instructors are here for feedback throughout the course. And if you begin to experience a problem please do not hesitate to ask. We are here for you.

### **WHAT ARE WE READING?**

Class material prepared in a power point format will be supplemented by Professor Lusardi's upcoming textbook, *Financial Literacy and Personal Finance for the 21<sup>st</sup> Century*. The applicable chapters will be made available on Blackboard. Moreover, the course will use information from the TIAA Institute-GFLEC Personal Finance Index (P-Fin Index), i.e., data about personal finance collected yearly since 2017. Each class will include statistics from that data. You can access the information about the P-Fin Index here: <https://gflec.org/initiatives/personal-finance-index/>

Note that lectures and presentations should be read in advance so to be able to actively participate to the class discussion.

**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.

### **LECTURE SCHEDULE FOR IN CLASS AND OUT OF CLASS MEETINGS**

#### **Week 1**

##### **1.0 – Does Money Buy Happiness?**

**Description:** This lecture introduces the overall structure of the course and provides students with foundational knowledge on what personal finance entails and the importance of financial literacy.

**Examples:** The big three financial literacy questions, setting financial goals, life cycle stages, and employment and career choices.

**Homework:**

**Readings for class:** Read chapter 1 of the textbook and the PowerPoint presentation posted on Blackboard.

**Financial Diary:** In your diary, reflect on your main objectives for taking this course. What are your attitudes toward money?

**Week 2**

**2.0 – Is It True that Time is Money?**

**Description:** This lecture covers interest rates, exponential growth, and the time value of money. The related concepts of present value (PV) is introduced and applied to solve various personal finance problems.

**Examples:** The rule of 72, becoming a millionaire, exponential growth and debt

**Homework:**

**Readings:** Read chapter 2 of the textbook, the PowerPoint presentation posted on Blackboard, and the short article provided on Blackboard.

**Financial diary:** Reflect on the topic we covered in class and how this applies to your personal finances. Consider how compounding interest can affect your future savings and debt. How could ignoring an interest rate affect your financial standing? Be prepared to discuss your reflection in class.

**Quiz:** Prepare for the quiz to be taken in the next class by going over the material covered in class.

**Week 3**

**3.0 – Where Does the Journey to Financial Freedom Start?**

**Description:** This lecture teaches students how to create balance sheets, how to calculate net worth, how to use an income and expense statement, and how to use a budget as a tool for financial decision making. We will also cover banking: benefits, types of banks and how they work, fees and services, types of accounts, and online banking.

**Examples:** Creating a balance sheet by valuing assets and liabilities, using income and expense statement to determine spending habits, making a budget, comparing banking costs and benefits.

**Homework:**

**Readings:** Read chapters 3 and 4 of the textbook and the PowerPoint presentation posted on Blackboard.

**Financial Diary:** Reflect on the topic we covered in class and how this applies to your personal finances. Is your current bank the best fit for your needs? What are your largest fixed and variable expenses? Be prepared to discuss your reflection in class.

**Essay:** Track your expenses from this week and document how much you spent. Also create a pie chart of your expense percentages. Did you spend more or less than you planned? If you had to, what would you prioritize or change?

## **Week 4**

### **4.0 – Is Debt a Burden?**

**Description:** The lecture introduces the features and types of credit. Students will be able to calculate APR and how fees impact interest rates. Students will also learn about FICO scores and the implications of “good” and “bad” credit. We will begin using the payment function to determine how consumer loans repayments and interest are calculated.

**Examples:** Understanding a credit card statement, how to improve credit scores, determining a loan instalment payment and the cost of debt.

#### **Homework:**

**Readings:** Read chapter 5 of the textbook and the PowerPoint presentation posted on Blackboard.

**Financial Diary:** Reflect on the topic we covered in class and how this applies to your personal finances. How is your current FICO score? How could you improve it? Be prepared to discuss your reflection in class.

**Quiz:** Prepare for the quiz to be taken in the next class by going over the material covered in class.

**Debate:** Prepare for a debate in class. The topic debated will be, “Do credit scores help or hurt consumers?”. Please watch this video as a starting point for your preparation:

<https://www.youtube.com/watch?v=QNa-4LSuN-s>

Students will be divided into 2 groups: (1) representatives will defend the current credit score system and (2) representatives will argue that the current credit scoring system hurts consumers. You should prepare for both sides and will be told your team during class.

## **Week 5**

### **5.0 – How Can You Best Invest in Yourself?**

**Description:** This lecture focuses on the cost of education, repaying students loans, amortization, consequences of failing to pay loans, and evaluating the value of further education.

**Examples:** Choosing a career path, financial value of further education, calculating student loan payments with subsidized interest.

#### **Homework:**

**Readings:** Read chapter 6 of the textbook and the PowerPoint presentation posted on Blackboard.

**Financial Diary:** Reflect on the topic we covered in class and how this applies to your personal finances. If you have student loans, how has this class impacted your plan to pay them back? How will your degree affect your long-term earning potential? Be prepared to discuss your reflection in class.

**Quiz:** Prepare for the quiz to be taken in the next class by going over the material covered in class.

**Debate:** Prepare for a debate in class. The topic debated will be, “Are Americans taking on too much debt? How much is too much?”

Students will be divided into 2 groups: (1) representatives will defend the current debt trajectory for Americans and (2) representatives will state that Americans are taking on too much debt and need to make a change. You should prepare for both sides and will be told your team during class.

## Week 6

### **6.0 – How Do you Become Your Own CFO?**

**Description:** The lecture reviews the topics covered thus far in class with a set of examples, case study applications and guest lecture on personal finance decisions. There will also be a discussion of societal problems related to poor financial decision making.

**Examples:** Improving your financial GPA

#### **Homework:**

**Readings:** Overview all of the PowerPoint presentations posted on Blackboard so far. Read the articles provided on Blackboard.

**Financial Diary:** Reflect on the topic we covered in class and how this applies to your personal finances. What topics are still difficult for you? How should you shift your study approach for the second half of the course? How can your professors and TA help you learn? Be prepared to discuss your reflection in class.

**Quiz:** Prepare for the quiz to be taken in the next class by going over the material covered in class.

## Week 7

### **7.0 – Do You Really Need That Car and Other Large Purchases?**

**Description:** This lecture covers durable good consumption decisions and analyzes the true cost of car ownership including taxes, fees, maintenance, insurance, and depreciation of value.

**Examples:** buying vs. leasing, cost, and value of used vs. new cars.

#### **Homework:**

**Readings:** Read chapter 7 of the textbook and the PowerPoint presentation posted on Blackboard. Prepare for a discussion in class about all of the costs of owning a car.

**Financial Diary:** Reflect on the topic we covered in class and how this applies to your personal finances. Do you have plans to buy a car in the next 5 years? Will you purchase a new or used car? Why? Be prepared to discuss your reflection in class.

**Quiz:** Prepare for the quiz to be taken in the next class by going over the material covered in class.

## Week 8

## 8.0 – Home Sweet Home

**Description:** This lecture focuses on buying a house and getting a mortgage. It covers different types of mortgages and the payments associated with them. It further analyses mortgage terms, such as points and fixed versus flexible interest rates.

**Examples:** Calculating your affordable house price, 15 versus 30-year mortgages, the importance of doing evaluations and calculations to buy a house.

### Homework:

Have fun on spring break! Be mindful of your personal finances :)

## Week 9

### L 9.0 – Uncle Sam and Taxes

**Description:** This lecture will encompass a high-level overview of the tax system and how to navigate in it. Understanding how to leverage the tax system will allow you the opportunity to save a great deal of money over a period of time.

**Examples:** Progressive tax brackets, capital gains, pre-tax vs. Roth, tax loss harvesting, tax withholdings, tax deductions and credits, health plan choices, HSAs.

### Homework:

**Readings and activities:** Read the PowerPoint presentation posted on Blackboard.

**Financial Diary:** Reflect on the topic we covered in class and how this applies to your personal finances. What tax strategies can you take early in your career to save money in the long-run? How can you best leverage the tax system? Be prepared to discuss your reflection in class.

**Essay:** Taxes varying widely between states and cities and affect an individual's take-home pay. Research how taxes differ by state and discuss how taxes may impact an individual's choice of where to live. What areas would be best for someone looking to limit how much they pay in taxes? How might you negotiate salary for somewhere with a high-level of taxes?

## Week 10

### 10.0 – Investing Is Not for Dummies

**Description:** The lecture examines common investment products, such as stocks, bonds, and mutual funds, and how they can be utilized to grow wealth.

**Examples:** The effects of interest rates on asset pricing, mutual funds and fees, and diversification and risk mitigation, and cryptocurrency.

### Homework:

**Readings and activities:** Read the PowerPoint presentation posted on Blackboard.

**Financial Diary:** Reflect on the topic we covered in class and how this applies to your personal finances. If you are currently investing your money, what strategies have you taken? If not, what



from this class can you apply to your investing strategy? Be prepared to discuss your reflection in class.

**Essay:** Crypto investing has become very popular. Write a 2-page essay analyzing the crypto market, short and long term volatility, and the pros and cons of investing in crypto. Provide your opinion if you would be a short- and long-term buyer of cryptocurrencies.

## **Week 11**

### **11.0 – Risk Mitigation and Portfolio Analytics**

**Description:** This lecture covers the relationship between return and risk, and how risk can be reduced with the proper mix of assets. We'll take a deep dive into lifecycle/target date funds to understand risk mitigation and how to invest for the long term.

**Select examples:** Active vs. passive, portfolio rebalancing, life cycle investing, risk tolerance, behavioral finance, risk vs. return, and value vs. growth.

#### **Homework:**

**Readings and activities:** Read the PowerPoint presentation posted on Blackboard.

**Financial Diary:** Reflect on the topic we covered in class and how this applies to your personal finances. What is your risk tolerance towards investing? How might this change as you age? Be prepared to discuss your reflection in class.

**Quiz:** Prepare for the quiz to be taken in the next class by going over the material covered in class.

**Debate:** Prepare for a debate in class. The topic debated will be, "Active vs. Passive investment strategies?"

Students will be divided into 2 groups: (1) representatives will defend the passive investment style used in the Vanguard target date fund (2) representatives will defend the active investment style seen in American Funds target date fund. You should prepare for both sides and will be told your team during class.

## **Week 12**

### **12.0 – Retire at 35?**

**Description:** This lecture focuses on the basics of planning and saving for retirement, including how to best use the incentives provided by the government and your employer, living off of savings, and risk and retirement.

**Select examples:** Calculating saving needs, FIRE (Financial Independence, Retire Early) movement, inflation and retirement, employer matching, and risk.

#### **Homework:**

**Readings and activities:** Read the PowerPoint presentation posted on Blackboard.

**Essay:** Describe how you plan to set up your retirement plan and what your strategy is to retire early. What are some challenges you may face?

## **Week 13**

### **13.0 – Project Presentations**

**Description:** The lecture will be devoted to your project presentation. Each group will be given 15-20 minutes to present. Summarize your thought process of the case study you developed and how that evokes better financial behaviors.

#### **Homework:**

**Assignments:** Be ready to present the group project in class and submit the final PowerPoint to Blackboard.

### **Week 14**

### **14.0 – Course Recap**

**Description:** The lecture will be devoted to reviewing the main topics covered in the course, also providing examples and case studies

**Select examples:** Managing your assets and debt, investing in education and training, supporting programs and policies to improve financial well-being.

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## **UNIVERSITY POLICIES**

### **Professional and Academic Integrity**

The standard for this class is professional. I will count on you, and your classmates will count on you, to perform at a professional level with a professional level of commitment. Part of your professional commitment is to live up to the standards of academic integrity of George Washington University. Please review <http://studentconduct.gwu.edu/> for further information on the potential consequences of academic integrity violations.

### **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](https://disabilitysupport.gwu.edu) if you have questions or need assistance in accessing electronic course materials.

### **University policy on observance of religious holidays**

Students must notify faculty during the first week of the semester as early as possible, but no later than three weeks prior to the absence, of their intention to be absent from class on their day(s) of religious observance. If the holiday falls in the first three weeks of class, the student must inform the faculty within the first week of the semester that they are enrolled in the course. For details and university, see <https://registrar.gwu.edu/university-policies#holidays>

### **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](https://online.gwu.edu/student-support)

### **Academic support**

#### **Office of Student Success**

Coaching, offered through the Office of Student Success, is also available. For further details on the resources available at the Office of Student Success, please see <https://studentsuccess.gwu.edu/academic-program-support>

#### **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 <https://writingcenter.gwu.edu/>

#### **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](https://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](https://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](https://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](https://safety.gwu.edu/emergency-response-handbook)
  - · In an active violence situation: Get Out, Hide Out, or Take Out. See <https://smhs.gwu.edu/about/emergency-preparedness-resources>
  - · Stay informed: [safety.gwu.edu/stay-informed](https://safety.gwu.edu/stay-informed)