

Personal Finance (MGT 540/ECON 436)
Yale School of Management
Spring 2023

Instructor Information

Professor James Choi
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Office hours: By appointment

Teaching Assistants

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I. Course Description

How much should I be saving at age 30? Is renting an apartment throwing money away every month? Which mortgage should I choose, and when should I refinance it? How much of my portfolio should be invested in stocks at age 50? How much can I afford to spend per year in retirement? This course will cover prescriptive models of personal saving, asset allocation, borrowing, and spending. The course is designed to answer questions facing anybody who manages their own money or is a manager in an organization that is trying to help others manage their money. Emphasis will be on the U.S. context. Students will need to be comfortable with mathematical and statistical reasoning and spreadsheet modeling.

II. Required Texts

Cases from Harvard Business School Publishing. These can be found on the Canvas course page.

Personal Finance for Dummies, 9th edition, by Eric Tyson YC '84. \$15.00 on Amazon.

IV. Course Format and Assignments

Class meetings consist of both lectures and case discussions. When a case is assigned for a class meeting, I will distribute questions about the case ahead of time. The written answers to these questions will be graded on a satisfactory/unsatisfactory scale.

There are a few assignments that will prompt you to monitor or think about your own financial situation. These will be graded on a satisfactory/unsatisfactory scale.

At the beginning of most class sessions, there will be a short online quiz that tests basic knowledge of material from prior class sessions. There are also written problem sets. Quizzes and problem sets are graded on a numerical scale.

You may work on problem sets with up to two other students in the class. Each study group must be completely independent of other groups. For example, the following arrangement is not acceptable: Adam works with Barbara, then Barbara works with Cindy, then Cindy works with David. For problem sets, each student must write up and submit their own assignment individually. *Do not submit write-ups that are identical to your teammates' submissions.* On your write-up, list all the students with whom you worked.

V. Grading

Your course grade is determined according to the following weights:

Quizzes	30%
Problem sets	50%
Case question write-ups	10%
Financial self-assessments	10%

Your lowest problem set grade will be dropped from your course grade calculation. Students close to the boundary between two grades may be moved across the boundary based on the quality of their class participation.

VI. Late Assignments

Late assignments will not be accepted. There will be no extensions of deadlines.

VII. Academic Integrity and Honor Code

Without exception, I expect your conduct to be consistent with the Yale SOM Honor Code (<https://bulletin.yale.edu/bulletins/som/rights-and-responsibilities-students#the-yale-som-honor-code>).

If you have questions about whether a certain action is consistent with the Honor Code, please don't hesitate to ask me.

VIII. An Approximate Course Schedule

Material may be added, subtracted, or moved depending on how quickly we are progressing. Readings in **bold** must be completed before coming to class.

1. January 24: Stock market and riskfree asset facts; expected utility and risk aversion
2. January 26: One-period portfolio choice with one risky asset
Reading: Personal Finance for Dummies, chapter 3
3. January 31: One-period portfolio choice with one risky asset; predicting the stock market's return
Assignment: Submit your plan for how you will track your February spending by 8:00 A.M.
4. February 2: Predicting the stock market's return; one-period portfolio choice with multiple risky assets
Assignment: Problem set 1 due February 3, 8:00 A.M.
5. February 7: One-period portfolio choice with multiple risky assets
6. February 9: Portfolio choice for a long-horizon investor
7. February 14: Portfolio choice for somebody with wage income
8. February 16: Individual stock trading; mutual funds and ETFs
Reading: Personal Finance for Dummies, chapter 10
Assignment: Problem set 2 due, 8:00 A.M.
9. February 21: Mutual funds and ETFs; asset allocation during an economic crisis
10. February 23: Asset allocation during an economic crisis; examining student portfolios
Assignment: Problem set 3 due, 8:00 A.M.
11. February 28: Saving and financial planning
Readings:
"Debt: A Love Story" <https://www.wealthsimple.com/en-ca/magazine/couple-debt>

Personal Finance for Dummies, chapter 4

12. March 2: Earnings facts; family considerations; economic well-being in retirement

Reading: "New York Life and Immediate Annuities" HBS case. Case question responses due 8:00 A.M.

Assignment: February spending analysis due March 3, 11:59 P.M.

Optional reading: Marianne Bertrand, Claudia Goldin, and Lawrence F. Katz, 2010. "Dynamics of the Gender Gap for Young Professionals in the Financial and Corporate Sectors." *American Economic Journal: Applied Economics*.

13. March 7: Dividends; Social Security; taxes

Assignment: Problem set 4 due, 8:00 A.M.

SPRING BREAK

14. March 28: Taxes

Reading: Personal Finance for Dummies, chapter 7

15. March 30: Taxes; tax-advantaged retirement savings accounts

Reading: Personal Finance for Dummies, chapters 11, 13

Assignment: Lifetime income forecast due, 8:00 A.M.

16. April 4: Tax-advantaged retirement savings accounts

17. April 6: Asset location; 401(k) autoenrollment; renting vs. owning in a frictionless market

Assignment: Problem set 5 due, 8:00 A.M.

18. April 11: Renting vs. owning; mortgages

Reading: Personal Finance for Dummies, chapter 14

19. April 13: Mortgage refinancing; home rent vs. buy decision

Reading: "To Buy or What to Buy: Your First Home" HBS case. Case question responses due 8:00 A.M.

20. April 18: Financial management right after graduation
Guest speaker: Beth Kobliner, author of *Get a Financial Life: Personal Finance in Your Twenties and Thirties*, appointed by President Obama to President's Advisory Council on Financial Capability
21. April 20: Debt comparison shopping; home equity; real estate returns
Assignment: Problem set 6 due, 8:00 A.M.
22. April 25: Non-mortgage debt
Reading: Personal Finance for Dummies, chapter 5
23. April 27: Private wealth management
Guest speaker: Rebecca Lilly '98, Financial Advisor, Investing with Impact Director, Family Wealth Director, U.S. Government Entity Specialist, Morgan Stanley
Assignment: Problem set 7 due, 8:00 A.M.
24. May 2: Bill collectors; bankruptcy; insurance
Reading: Personal Finance for Dummies, chapter 15-17
25. May 4: Insurance; financial advisors
Reading: Personal Finance for Dummies, chapter 18
26. May 9: Variable annuities
Reading: "Malcolm Life Enhances Its Variable Annuities" HBS case. Case question responses due 8:00 A.M.