



Business

**Personal Financial Management  
MBAD 6290**

**INSTRUCTOR**

Professor Annamaria Lusardi  
Denit Trust Distinguished Scholar and Professor of Economics and Accountancy  
Academic Director, Global Financial Literacy Excellence Center

E-mail: [alusardi@gwu.edu](mailto:alusardi@gwu.edu)

Webpage: [http://business.gwu.edu/faculty/annamaria\\_lusardi.cfm](http://business.gwu.edu/faculty/annamaria_lusardi.cfm)

**COURSE DESCRIPTION**

This course provides the tools necessary to evaluate the wide range of financial decisions consumers make throughout their lifetime. The course will be built upon a rigorous foundation. Concepts such as interest compounding and the time value of money, the relationship between risk and return, and the benefits of risk diversification will be introduced to provide the context in which consumers make financial decisions. Applications will include, but will not be limited to, computing the monetary value of additional education, valuing prospective business projects, investing in and valuing stocks and bonds, and planning for retirement. The course is also intended for those interested in becoming financial consultants and advisors.

**EVALUATION AND GRADING**

Because each lecture builds upon or applies concepts learned in the previous lecture, it's critical that students attend classes and do the take-home quizzes. Because the course is very short, there will be no midterm exam, but there will be a take-home exam and a project. Final grades will be totaled as follows:

Take home quizzes	20%
Take home exam	50%
Project	20%
Class participation	10%

**Take home exam:** The take home exam covers the material contained in the lecture notes, class presentations, and other readings distributed in class. It will be distributed in class and posted on Blackboard in the last lecture and it is due on Friday, February 28, by 11 PM, ET. However, there is a reward (I will drop the lowest grade quiz and add 5 points to the grade in the final), if the exam is returned by Friday, February 21, by 11 PM ET.

**Project:** Students are required to do a project. Specific requirements and evaluations will be discussed when the course is in session. The project is also due on Friday, February 28<sup>st</sup>, by 11 PM, ET. However, there is a reward (I will add 5 points to the grade in the project), if the project is returned by Friday, February 21, by 11 PM ET.

## **REQUIREMENTS AND READING**

While no textbook will be required for this course, a **financial calculator** *is* required. Within the course, tutorials on how to use a *TI BA II Plus* will be given. Selected articles from academic and business journals and other publications will be added to the readings as the course is in session.

## **USE OF CELL PHONES AND COMPUTERS**

Cell phones must be turned off during class. Laptops and iPads should not be used to check e-mail or surf the web. A short break will be planned during each lecture, given the length of the session.

## **LECTURE SCHEDULE**

### **L 1.0 – Introduction to the Course: You Are Your Own CFO**

#### **L 1.1 – Interest Rates**

**Description:** This lecture introduces interest rates and interest compounding and how they apply to everyday financial decisions.

#### **L 1.2 – The Time Value of Money**

**Description:** This lecture develops the concept of the time value of money. The related concepts of present value (PV), net present value (NPV), and the internal rate of return (IRR) are introduced and applied to solve various problems.

#### **L 1.3 – Using a Financial Calculator**

**Description:** This lecture shows you how to use a financial calculator to solve the problems introduced in the first two sections. Further functionality will be introduced in later lectures as necessary.

#### **L 2.1 – Consumer Borrowing**

**Description:** This lecture applies the concepts introduced in the first lecture to analyze common consumer borrowing products. It introduces concepts such as loan amortization and APR for loans with monthly payments.

#### **L 2.2 – Residential Mortgages**

**Description:** This lecture focuses on mortgage borrowing. Various mortgage terms – such as mortgage length, fixed or floating rate, and mortgage points – will be analyzed.

#### **L 3.1 – Saving and Investing Products**

**Description:** The lecture introduces common investment products (such as stocks, bonds, and mutual funds) and uses the concepts learned earlier in the course to evaluate these products.

#### **L 3.2 – Risk vs. Return**

**Description:** This lecture introduces the relationship between risk and return. The lecture examines the theoretical basis of and empirical evidence for this trade-off.

#### **L 3.3 – Leverage and Risk**

**Description:** This lecture introduces the concept of leverage and describes its effect on the riskiness of an investment.

#### **L 4.1 – Risk Diversification**

**Description:** This lecture develops the concept of risk diversification and discusses how it relates to common financial situations.

#### **L 4.2 – Life Cycle Planning**

**Description:** This lecture examines how to meet savings goals and spread resources over the life cycle by both accumulating and decumulating wealth.