

6F:119 (FIN:4340) – Wealth Management
Sept. 17 – Dec. 7, 2013
CIMBA, Paderno del Grappa, Italy
Block Schedule B3 (Tentative, as of Aug. 30th)

The University of Iowa
Henry B. Tippie College of Business
Department of Finance

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Italy Campus Office: TBD
Italy Office Hours: TBD
I tentatively plan to be available for at least 30 minutes before and after class each day, as well as by appointment. The location will be determined once we arrive in Italy.

ACADEMIC ACCOMMODATION

If you have a disability or special condition that may require some modification of seating, testing, or other class requirements, please notify me after class, during office hours, or as soon as possible so that appropriate arrangements may be made. The Office of Student Disability Services (<http://www.uiowa.edu/~sds>, 133 Burge Hall, 335-1462) is also available to assist you.

COURSE OBJECTIVES AND DESCRIPTION

In recent decades, U.S. corporations have increasingly abandoned traditional defined benefit pension plans in favor of defined contribution or employee-funded 401K investment plans. This change has shifted the burden of investment management and retirement planning into the hands of individual investors. Unfortunately, surveys routinely show that many Americans lack the basic financial literacy necessary to make sound investment decisions. Recent evidence also suggests that a vast majority of investors are not saving nearly enough to fund a comfortable retirement. These problems are compounded by tax code complexities, an ever-expanding menu of available investment options, aging baby-boomers, and growing concern about the long-term solvency of the social security system. Thus, it is easy to see why wealth management is one of the fastest growing areas of the financial services industry.

This course provides an introductory exploration into client wealth management. Although this subject necessitates some discussion of investment theory, we will approach topics from a “how-to” perspective. The goal is to facilitate the exploration of and preparation for a possible career in the wealth management profession. Students should also leave the course less intimidated about making personal investment decisions and more knowledgeable of building a diversified portfolio. We will also examine common behavioral biases that often lead to investment pitfalls or mistakes.

Course topics include:

- Wealth management goals and objectives
- Developing a retirement savings program

- Portfolio risk versus reward
- Asset allocation (stocks, bonds, real estate, international, etc.)
- Asset correlation and portfolio diversification
- Active vs. passive management
- Investment vehicles (mutual funds, ETFs, etc.)
- Tax shield structures and retirement planning (IRAs, 401k, 403b, 529 plans, etc.)
- Wealth protection, insurance and contingency planning
- The cost of professional asset management
- Behavioral finance and the psychology of investing
- Common investment pitfalls

COURSE MATERIALS

Browse through any bookstore, and you will likely find a large selection of popular wealth management books. The investment genre is very lucrative for publishers. However, this landscape is often filled with authors who employ sensationalized language and play on our financial insecurities to promote their latest get-rich-quick scheme. The texts adopted for this course were chosen for their readability and down-to-earth style. These authors propose an investment philosophy that I personally use and fully support.

Required Texts

Material from the following texts forms the basis of our class discussions and reading assignments. Lectures will aim to supplement topics covered in these books. It is my understanding that textbooks will be provided upon arrival at the Paderno campus in Italy.

- ***The Random Walk Guide to Investing***, by Burton G. Malkiel, 2007, W.W. Norton & Co.
- ***The Bogleheads' Guide to Investing***, by Taylor Larimore, Mel Lindauer, and Michael Lebov, c. 2007, J. Wiley & Sons, Inc.

I recommend that students begin reading the books in the order they appear above. The Malkiel book is a very quick read. Most students should be able to complete the book in 2-4 hours. Chapters in the Bogle text will more specifically align with our lecture topics. We will not cover the entire text, but will focus on specific chapters, most of which are only 10-12 pages long.

Supplemental Text (not required)

Our discussion of behavioral finance and investment psychology is based on the following text. This book is not required, and I have not requested the bookstore to order copies. Students will not necessarily need to read this text for the course. This book is a quick read (2-4 hours) and only 110 pages or so in length. I recommend this text for those students who wish to explore this field in more depth.

- ***The Psychology of Investing***, by John R. Nofsinger, c. 2010, 4th edition, Prentice Hall.

Articles, Lecture Notes, Spreadsheets, and Other Materials

In addition to the above texts, supplemental materials will be available through the ICON course website (<http://icon.uiowa.edu>). These materials include articles from the popular press, daily lecture notes, supplemental spreadsheets, and links to useful financial planning websites.

Supplemental Wealth Management Texts

Students interested in further exploration of financial markets, personal wealth management, or financial planning may find the following titles of interest. These books represent a few that I personally use as supplemental reference. *They are not required.*

- ***Stocks for the Long Run***, by Jeremy J. Siegel, c. 2012, 5th edition, McGraw Hill.
- ***The Millionaire Next Door***, by Thomas J. Stanley and William D. Danko, c. 1996, Pocket Books.
- ***Personal Finance for Dummies***, by Eric Tyson, c. 2012, J. Wiley.
- ***A Random Walk Down Wall Street***, by Burton G. Malkiel, 10th edition, c. 2012, W.W. Norton.
- ***The Bogleheads' Guide to Retirement Planning***, by Taylor Larimore, Mel Lindauer, Richard A. Ferri, and Laura F. Dogu, c. 2011, J. Wiley.
- ***You're Fifty – Now What?***, by Charles R. Schwab, c. 2001, Three Rivers Press.
- ***Rational Investing in Irrational Times (How to Avoid the Costly Mistakes Even Smart People Make Today)***, by Larry E. Swedroe, c. 2002, St. Martin's Press.
- ***All About Asset Allocation***, by Richard A. Ferri, c. 2010, McGraw Hill.
- ***Foiled by Randomness***, by Nassim Taleb, c. 2005, Random House
- ***The Black Swan: The Impact of the Highly Improbable***, by Nassim Taleb, c. 2007, Random House

GRADING AND PERFORMANCE EVALUATION

Grade Distribution

The department of finance employs the following target grade distribution for elective courses.

A	28%
B	45%
C	25%
D and F	2%

This policy was established to ensure that the best students have an opportunity to distinguish themselves and that grades serve as clear signals of class performance to recruiters.

Grade Weighting (Dates Subject to Change)

Class Participation and Attendance	15%
Written Client Assignments (5 @ 2% each)	10%
Literature Review Assignment and Presentation	10%
Quizzes (2 @ 10% each, Oct. 10 and Nov. 8)	20%
Final Exam (TBD: Dec. 5, 6, or 7th)	15%
Wealth Management Project (Due: Wed., Nov. 27, 11:59 pm)	30%

Class Participation: The class and educational experience is heavily participative, and much of your learning comes from preparing for and participating in discussions. Your participation grade is based on your willingness to actively and positively engage in the course by voluntarily contributing to class discussions. An important component to our learning will come from sharing and discussing general information related to the wealth management project. Class discussion will allow the group to learn from a diverse and unique set of client situations. Please keep in mind that class participation should not be viewed as a competitive sport. To receive full class participation and attendance points, you must also arrive on time, attend the entire class, and be actively engaged in discussion.

Written Client Assignments: A series of five (5) written assignments (2% each) are due throughout the course as noted on the class schedule. All assignments are due at the beginning of class. Late work is unacceptable. Any assignment that is not turned in by the beginning of the class period in which it is due will be considered late and receive an automatic 25% grade reduction. Each subsequent day late will result in an additional 25% reduction in the grade.

Assignment details will be available via ICON. All assignments will relate to your client wealth management project. These assignments are designed to prepare you for class discussions and to make steady progress on the project. I will attempt to provide general written feedback as my schedule allows. These assignments are relatively brief in nature (1-2 pages). Written assignments must be completed individually. You may discuss the assignment with other members of the class, but your final write-up should be completed independently.

Literature Review Assignment and Presentation: At the beginning of the semester, each student will be randomly assigned a topic and due date for the literature review assignment. The objective for these assignments is to research and create a “database” of information summarizing diverse wealth management topics. The assignments will require students to prepare a 2-3 page write-up summarizing major issues, information, and resources related to their assigned topic. Students will be required to post their assignment to the discussion board on ICON to share with the rest of the class. In addition, on their respective due date, students will be expected to deliver a brief 3 minute presentation summarizing their research. Due dates for the review assignment will vary by topic, with 2-4 students presenting their research each week.

Wealth Management Project: The primary course output is a written project analyzing the goals, cash flows, assets, risk, liquidity, expenses, and structure of an actual client’s portfolio. This report should offer an application of course concepts, while providing the client with a list of general investment recommendations. To achieve a strong grade on the project, you must provide a well-written and well-delivered analysis to the instructor and to your client.

A detailed project description as well as project examples are available on the ICON course website. Since each student will analyze a different client, your final output will vary according to the needs of your client. Please note that the project requires the completion of a pre-class interview with your client. This interview will form the basis of your assignments and frame our class discussions.

Any project not completed by the date and time noted on the syllabus will be considered late and receive an automatic 10% grade reduction. Each subsequent day late will result in an additional 10% reduction in the grade.

Quiz and Exam Policy: The course will feature two brief in-class quizzes as well as a cumulative exam during finals week. The quiz and exam dates are noted on the syllabus. No early quizzes or exams will be given. Quizzes and exams may consist of multiple choice, written problems, and/or short answer. Quizzes and exams will be closed note and closed book unless otherwise stated in class.

If you need to miss a quiz or exam due to a University-excused absence, you must notify me prior to class by email or by leaving a message with the CIMBA staff. Failure to do so will result in an unexcused absence and no make-up will be given. Absences from a quiz or exam to attend a job interview are considered unexcused.

TEACHING PHILOSOPHY

I am a strong proponent of applied instruction and learning by doing. The subjects taught in my courses must apply directly to the world around us. I believe that financial theory is worthless without practical application. For this reason, I generally try to avoid stylized problems in favor of real world examples. If it does not apply in practice, then it generally does not apply in my course.

I see my role as a resource and a guide for your learning. As a resource, I will do my best to provide you with materials that describe current academic and practitioner knowledge of

investment theory and portfolio development. We will utilize group discussion of your client research in order to present multiple sides of different financial issues. As a guide, I will attempt to keep you on track for achieving the goals for this course. I will offer assistance, if requested, on individual projects; however, I will not micro-manage your learning experience. Because of this approach it is important that if at any point during the course you feel you need assistance, please ask for help as soon as possible.

In return I expect that you treat this class as you would any significant work-related responsibility. This means that you are expected to come prepared for meetings, contribute your personal knowledge and experience to the discussion, treat others with respect, act professionally and work ethically toward success.

ADDITIONAL CLASS EXPECTATIONS AND POLICIES

- **Class Attendance: Attendance is mandatory for all classes and CIMBA sanctioned activities.** Absences due to illness require a note from the CIMBA Undergraduate Office Staff and/or the Instituto Filipino medical staff. If you are sick and cannot attend class, you must inform the CIMBA Staff immediately, *prior to class*. Failure to do so will result in an unexcused absence. The consequence for unexcused class absences are as follows:
 - 1st absence will result in a loss of 1/2 of a letter grade for the course
 - 2nd (cumulative) absence will result in a loss of an entire letter grade in that class
 - 3rd (cumulative) absence will result in a dismissal from the program
- **Starting Time and Late Arrival:** Class will begin promptly at the scheduled time. ***Please make every effort to arrive on time.*** Late arrivals are highly distracting to everyone. The professor reserves the right to lower a student's overall course grade by up to 3% for each day that he or she arrives late to class.
- **Phones and Laptops:** **Please turn off all phones and laptops before entering class.** Also, because it is very distracting to students seated nearby, please refrain from using a laptop computer during class, unless otherwise notified by the professor. Communication devices of any type are prohibited during quizzes and examinations. Please refrain from checking or sending an email or text message during class. (Yes, from the front of the room I can see when students are texting under the desk.)
- **Class Breaks:** During longer class sessions, I plan to schedule short 5 minute breaks into each day's planned activities. In return, I ask that students please return to class on time. Thanks.
- **Public Image:** It is my hope that students will serve as good ambassadors of the United States, your home university, as well as the CIMBA program when you are out in public.
- **Class Preparation:** Students are expected to arrive in class prepared to engage in a conversation about the day's material. As part of the class participation grade, students are encouraged to contribute to the conversation relevant information related to your wealth management project.
- **Individual Effort:** The client wealth management project must be completed individually. However, students are encouraged to discuss their project with other members of the class if desired.

POLICIES ON ETHICS, ACADEMIC MISCONDUCT, AND SEXUAL HARASSMENT

With regard to ethical conduct, it is my sincere hope that no student in this class does work which is not his or her own. If I determine that any assignment is not written solely by the student(s) whose name(s) appears on the document, a grade of zero will be assigned for the

project. Similarly, if a student is determined to have cheated on a quiz or exam, the student will receive a score of "0" for the exam. In all likelihood, receiving a "0" on an exam will result in an "F" for the course.

All incidents of cheating will be reported to the CIMBA staff as well as the Associate Dean for the Undergraduate Program in the College of Business, and the student may be placed on disciplinary probation for the remainder of his or her undergraduate work at the University of Iowa. Incidents of cheating will also be reported to the appropriate dean at the home university for non-University of Iowa students.

In general, the decision of the professor on these matters may be appealed to the Dean for the Undergraduate Programs for the Tippie College of Business (Lon Moeller). The *Honor Code* for the Tippie College of Business will determine the appropriate appeal process. The Honor Code is available at <http://tippie.uiowa.edu/honorcode.cfm>.

Student concerns regarding grading in this course should first be discussed with the instructor. You are invited to submit a written appeal, outlining your specific concerns with the grade and the evidence you have to support why it should be changed (e.g., grading inconsistency, incorrect point calculations). I will respond to any appeals as quick as possible. To try to avoid reaching the step of a formal appeal, I will attempt to provide you with detailed feedback and grades on specific portions of each assignment so that you can easily pinpoint where points were or were not awarded. If, after the written appeal process, you still do not feel that you have been treated fairly, you may appeal a grade to the DEO of the Department of Finance in S252 PBB (Erik Lie, 319.335.0929, erik-lie@uiowa.edu) or the Dean of Undergraduate Programs (Lon Moeller, 319.335.0924, lon-moeller@uiowa.edu).

The Tippie College of Business and the University of Iowa are committed to providing students with an environment free from sexual harassment. If you feel that you are being or have been harassed or you are not sure what constitutes sexual harassment, we encourage you to visit the University website, <http://www.sexualharassment.uiowa.edu/index.php>, and to seek assistance from department chairs, the Dean's Office, the University Ombuds Office, or the Office of Equal Opportunity and Diversity.

Course Schedule (as of Aug. 30th)

Assignment, quiz, and exam dates are final unless otherwise noted in class. The outline of course material is tentative and subject to change. The schedule is designed to indicate the approximate material we will cover in class. At times, our actual pace of material may deviate from this schedule or be rearranged to accommodate guest speakers or field trips.

Session	Date	Class Agenda and Discussion Topics	Assignments
1	TBD	Course, syllabus, & schedule overview Wealth management project overview & discussion Investment Goals and Objectives	DUE: Client interview, risk tolerance survey, disclosure agreement
2	TBD	Investment Goals and Objectives Creating a Sound Financial Plan	Assignment #1
3	Oct. 1 (T)	How much do you need to save?	
4	Oct. 3 (Th)	How much do you need to save? Asset Classes and Performance	Assignment #2
5	Oct. 8 (T)	Asset Classes and Performance	
6	Oct. 10 (Th)	Diversification and Asset Allocation	Quiz #1
Travel Week: Oct. 12-20			
7	Oct. 22 (T)	Diversification and Asset Allocation	
8	Oct. 24 (Th)	Mutual Funds and Their Hidden Costs	Assignment #3
9	Oct. 29 (T)	Mutual Funds and Their Hidden Costs	
10	Oct. 31 (Th)	Taxes and Investment Income	
11	Nov. 4 (M)	Taxes and Investment Income	Assignment #4
12	Nov. 6 (W)	Retirement Programs	
13	Nov. 8 (F)	Retirement Programs	Quiz #2
Travel Week: Nov. 9-17			
14	Nov. 18 (M)	Protection, Insurance, and Risk Management	
15	Nov. 20 (W)	Protection, Insurance, and Risk Management Topic: College Savings Strategies	
16	Nov. 22 (F)	College Savings Strategies	Assignment #5
17	Nov. 25 (M)	Estate Planning	
18	Nov. 27 (W)	Alternative Investments Stock picking and stock screening	Final Project Due, 11:59 p.m.
19	Dec. 2 (M)	Behavioral Finance and Investment Psychology Student Presentations: Wealth Management Project	
20	Dec. 4 (W)	Behavioral Finance and Investment Psychology Student Presentations: Wealth Management Project	
21	Dec. 5-7	FINAL EXAM, Date To Be Determined	FINAL EXAM