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. Existing gaps in financial literacy and sophistication contribute to the persistent and growing 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 all people use 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 Penn undergraduates, 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 recent financial crisis. Thus the course is geared toward those seeking to take charge of their own financial futures, anyone interested in policy debates over consumer financial decisionmaking, and future FinTech entrepreneurs.

The course includes assigned readings, class discussion, and homework assignments. Many of the homeworks will require empirical analysis, and we will also spend some class time discussing statistical tools and data sources. During the semester, each student will choose a research topic to explore in a short term paper. A draft of the research report will be due October 29, which we will promptly return with comments, giving students time to revise their work; class presentations will be in early December.

Course Structure and Requirements. This cross-listed course is co-taught by Professors Mitchell and Roussanov. There are two online midterm exams and no final exam. There are also weekly online assignments which must be submitted on time; each student must submit individual answers to assignments via Canvas. Final grades are determined by the two midterm exams (50%), assignments (30%), and team projects/class presentations (20%). We will drop the two lowest assignment grades in computing the final assignment points.

Prerequisites. There are no formal prerequisites for the class 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.

TAs: The regularly scheduled office hours for TAs are as follows:
Anna-Theresa Helmke, ahelmke@wharton.upenn.edu: First half of course Friday 9-11 am
Jing Xian Ng, xianng@wharton.upenn.edu: Second half of course Friday 9-11 am
Carlo Chiesa, chiesac@wharton.upenn.edu: Tuesday 3-4:30 pm

Faculty: You may contact the professors via email.
Prof. Olivia S. Mitchell: mitchelo@wharton.upenn.edu
Professor Nick Roussanov: nroussan@wharton.upenn.edu
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 an instructor to drop the course. 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.

Expectations. 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/) Class attendance and punctuality are expected.

Missing an Exam. Students may miss scheduled examinations only with a University-approved excuse. Examples of such valid excuses include direct conflicts with another course offered at Penn that cannot be rescheduled as well as a varsity (but not 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 your original test answers, a signed regrade affidavit (see the course Canvas for the template), and a written memorandum to the professor via Canvas, 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 papers for which you seek a regrade; any such alteration will be seen as a violation of the Code of Academic Integrity and you will receive an automatic failing grade for the course.

Credit: This is a 1 CU course, which must be taken for credit (i.e., the course cannot be audited).

Course Material. Lecture notes, readings, case studies, problem sets, and other material will be posted on the course Canvas. Students are responsible for checking this site regularly for updates. Go to https://canvas.upenn.edu/.

Classrooms: The entire class is to be offered online. To facilitate access for all class members, these sessions, including your participation, are being recorded and the recordings will be made available to the class, for the duration of this course. These recordings, as well as previously recorded lectures and other course materials, are made available solely for your personal, educational use and may not be shared, copied or redistributed without the permission of Penn and the instructor. You are also not allowed to record class sessions yourselves. Unauthorized sharing or recording is a violation of the Code of Academic Integrity.

Deliverables: Put these on your calendar now! (rooms TBA)

Midterm #1:
Review Session: Tuesday 10/13/20
Exam: Midterm #1: Thursday 10/15/20
Midterm #2:
Review Session: Thursday 12/3/20
Exam: Tuesday 12/8/20

Class Presentations on Projects: Proposals due **October 8 before class**. See syllabus and instructions for team projects in Files.

**Tentative Outline and Readings:**

**Note:**

**Required Books/Sections of Books:**
*Kapoor, Dlaby, Hughes, and Hart, *Personal Finance*, 13th Edition, McGraw Hill (portions). We will assign chapters, homework, and problems linked to this material and you will be marked via the online portal.

*Bodie, Kane, and Marcus, *Essentials of Investments*, 11th Edition, McGraw Hill (portions). We will assign chapters, homework, and problems linked to this material and you will be marked via the online portal.

The following paperback book is also required:

**See below for how to order books via the bookstore.**

<table>
<thead>
<tr>
<th>Starred readings and assignments (*) are required; others are optional</th>
</tr>
</thead>
</table>

**Pre-Work Assignments for those seeking more background:**

- Econ, Stats, and Excel lessons on Canvas
  - Xian Ng will present on Econ Friday September 4 at 12 noon ET
  - Carlo Chiesa will present on Excel Monday 14 September at 4 pm ET
  - Anne-Theresa Helmke will present on Finance Friday September 18 at 12 noon ET

*FINRA National Financial Capability Study financial literacy quiz,*
[http://www.usfinancialcapability.org/quiz.php](http://www.usfinancialcapability.org/quiz.php) (Do this outside Canvas & report scores in class)

**Classes 1 & 2: Intro/Overview of Financial & Economic Concepts**
- Preferences, tastes
- Intertemporal decisions: saving and borrowing

**Assignments:**

*Olen/Pollack. Introduction.*
*Reading #1. Kapoor et al., Ch. 1.*
*Ch 1. Probs 1-2, 1-3, 1-5, 1-6, 1-9, 1-11*
*Continuing Case 3. Personal Financial Goals (Jamie Lee Jackson, age 24, has recently decided…)*
*Continuing Case 5. Time Value of Money (Jamie Lee needs to save a total of $9,000 …)*
**[7 Reasons Why Financial Education is your Best Investment](#)**


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*Note that readings may be added or substituted at the instructors’ behest.*
Classes 3 & 4: Overview of Life Cycle Economic Decision Making
o Budgeting
o Constraints: income, wealth, cost of living, access to financial markets, taxes
o Asset classes
o Behavioral biases, misconceptions, and mistakes
Assignments:
*Olen/Pollack. Rules #1, 6.
*Readings #2 and #3. Kapoor et al., Ch 3 and 4
*Ch. 4 probs. 4-5, 4-7, 4-9, 4-12, 4-13, 4-14, 4-15
*Reading #4. Bodie et. al. Ch. 2 (Note this is on Study.Net, not in Canvas)
*Continuing Case 15. Personal Balance Sheet (Jamie Lee Jackson, age 24, now a busy full-time college student…)
*Continuing Case 20. Income Tax Estimation (Jamie Lee Jackson, age 26, is in her last semester of college)

Stango and Zinman, 2009, “*Exponential Growth Bias and Household Finance,*” *Journal of Finance* 64, 2807–49.

Classes 5 & 6: Household Goals and Financial Vehicles: Saving and Borrowing
o Banking: savings accounts, CDs, etc.
o Consumer credit (credit cards, etc.)
o Credit scores
o Peer-to-peer lending and other emerging forms of credit
Assignments:
*Olen/Pollack. Rule # 4, 5.
*Readings #5 and #6. Kapoor et al., Ch 5 and 6
*Ch. 5 probs: 5-2, 5-3, 5-5, 5-6, 5-9, 5-10
*Ch. 6 probs: 6-1,6-2, 6-3, 6-8, 6-10,
*Readings #10, #11, #12, #13. Kapoor et al., Ch. 7, 8, Appendices to Ch. 7 and 8
*Reading #21. Kapoor et al. Appendix Ch. 3. (*Chapter 3 is in Classes 3 & 4*)
*Video: Fisher Effect and Bond Valuation


Classes 7 & 8: Household Goals and Financial Vehicles: Investing for the Future
o Decisions involving risk: insurance, diversification
o Investing in risky assets: stocks vs. bonds; mutual funds, ETFs, etc.
o Robo-advisors: promises and pitfalls
o “Alternative” investments: gold, crypto, and beyond…
Assignments:
*Olen/Pollack. Rules # 2, 3, 7.
*Vanguard Investor Questionnaire. [https://advisors.vanguard.com/iwe/pdf/FASINVQ.pdf](https://advisors.vanguard.com/iwe/pdf/FASINVQ.pdf) (Do this outside Canvas & report scores in class)
*Reading #7. Bodie et al., Ch 5 (*Note this is on Study.Net, not in Canvas*)
*Bodie Ch. 5 homework problems: Risk, Return & the Historical Record
*Reading #19. Bodie Ch. 21 (21.1-21.7) (*Note this is on Study.Net, not in Canvas*)
*Bodie Homework: Taxes, Inflation & Investment Strategies Probs 21-6, 21-7

- Human capital as an investment
- Financing education: 529’s, student loans, other
- Workers are “human capitalists:” equity-linked compensation (e.g. stock options), partnership
- Diversifying/hedging the risk in human capital

Assignments:
*Reading #8. Kapoor et al., Ch 2
*Chapter 2 videos and questions
*Reading #9. Bodie et al. Ch. 15 (Options background to discuss employee stock options) (Note this is on Study.Net, not in Canvas)
*Bodie Problems 15-5, 15-6, additional problems 15-2, 15-3
*Options video
*Simulation exercise to be provided in Class


Class 10: Household Goals and Financial Vehicles: Private Business
- Entrepreneurship as an illiquid/undiversified investment
- Financing: bank loans, angels, venture capital, private equity

Assignments:

- Buying cars and homes and insuring them
- Financing: saving, leasing/borrowing, mortgages, refinancing
- Extracting equity from homes

Assignments:
*Reading #14. Kapoor et al., Chapter 9
*Ch. 9 Probs.
*Continuing Cases 41 and 43
*Olen/Pollack Rule #7.


ALSO: Class 12 Student Project Outlines due

Class 13: Review Section

Classes 14 & 15: Household Goals and Financial Vehicles: Marriage & Children
- Role for prenups: formal vs informal
- Community property states vs others
- Child care, child support/alimony

Assignments:
*Reading #15. Kapoor Ch. 10
*Reading #16. Kapoor et al. Ch 12
*Probs. Ch 10 and 12
*FinPlanning Probs Ch 12
*Continuing Case 53 (Life Insurance)
*Prenup agreements.org. 8 Reasons Why You Should Get a Prenup


Classes 16 & 17: Household Goals and Financial Vehicles: Health, Disability, & LTC Insurance
- Patterns of health expenditure over the lifecycle
- Health insurance options: private, employer provided, Medicare, Medicaid, HSAs
- Living wills/ health advance directives

Assignments:
*Reading #17. Kapoor et al. Ch 11
*Ch. 11 Prob.s
*Olen/Pollack, Rule #8.
*Mayo Clinic. Living Wills and Advance Directives

Classes 18 & 19: Household Goals and Financial Vehicles: Retirement
- Pensions and Social Security, annuities
- Dementia and financial decision-making

Assignments:
*Olen/Pollack Rules #3, 9.
*Reading #18. Kapoor et al. Ch 18
*Fin Plan probs Ch 18
*Video questions Ch. 18
*Continuing Case 65


- Estate Planning
- Wills, Living Wills, Powers of Attorney

Assignments:
*Reading #20. Kapoor et al. Ch 19
*Fin Plan Probs Ch 19
*Continuing Case 69
*Video questions Ch 19
*National Caregivers Library. (nd). What is a Power of Attorney?
*Living Will and PoA  https://livingwillforms.org/advance-directives/


**Classes 22 & 23: Other considerations: Taxes, Bankruptcy, and Financial Advice**
- Trusts and charitable giving
- Bankruptcy
- Choosing (and Firing) a Financial Advisor

**Assignments:**
- *Olen/Pollack. Rule #6.
- *Video: Pros/Cons Robo? https://www.youtube.com/watch?v=fVGKrmNDQ7A


Allmand Law. (nd), The Bankruptcy Timeline


**Classes 24 to 25: Student Project Presentations**

**Class 26: Review Session**
<table>
<thead>
<tr>
<th>Class</th>
<th>Day</th>
<th>Date</th>
<th>Topic</th>
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<tbody>
<tr>
<td>1</td>
<td>Tuesday</td>
<td>9/1/2020</td>
<td>Introduction and Overview: Financial and Economic Concepts</td>
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<tr>
<td>2</td>
<td>Thursday</td>
<td>9/3/2020</td>
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<td>3</td>
<td>Tuesday</td>
<td>9/8/2020</td>
<td>Overview of Life Cycle Economic Decision-making</td>
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<td>4</td>
<td>Thursday</td>
<td>9/10/2020</td>
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<td>5</td>
<td>Tuesday</td>
<td>9/15/2020</td>
<td>Household Goals &amp; Financial Vehicles: Saving and Borrowing</td>
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<td>6</td>
<td>Thursday</td>
<td>9/17/2020</td>
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<tr>
<td>7</td>
<td>Tuesday</td>
<td>9/22/2020</td>
<td>Household Goals &amp; Financial Vehicles: Investing for the Future</td>
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<td>8</td>
<td>Thursday</td>
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<tr>
<td>10</td>
<td>Thursday</td>
<td>10/1/2020</td>
<td>Household Goals &amp; Financial Vehicles: Private Business</td>
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<tr>
<td>11</td>
<td>Tuesday</td>
<td>10/6/2020</td>
<td>Household Goals &amp; Financial Vehicles: Durables &amp; Housing</td>
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<td>12</td>
<td>Thursday</td>
<td>10/8/2020</td>
<td>(cont.) and Project Outlines Due</td>
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<tr>
<td>13</td>
<td>Tuesday</td>
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<tr>
<td>NC</td>
<td>Thursday</td>
<td>10/15/2020</td>
<td>Midterm #1</td>
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<tr>
<td>14</td>
<td>Tuesday</td>
<td>10/20/2020</td>
<td>Household Goals &amp; Financial Vehicles: Marriage &amp; Children</td>
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<td>15</td>
<td>Thursday</td>
<td>10/22/2020</td>
<td>(cont.)</td>
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<tr>
<td>16</td>
<td>Tuesday</td>
<td>10/27/2020</td>
<td>Household Goals &amp; Financial Vehicles: Health, Disability, LTC insurance</td>
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<td>17</td>
<td>Thursday</td>
<td>10/29/2020</td>
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<td>19</td>
<td>Thursday</td>
<td>11/5/2020</td>
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<tr>
<td>20</td>
<td>Tuesday</td>
<td>11/10/2020</td>
<td>Household Goals &amp; Financial Vehicles: Estate Planning</td>
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<tr>
<td>21</td>
<td>Thursday</td>
<td>11/12/2020</td>
<td>(cont.)</td>
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<tr>
<td>22</td>
<td>Tuesday</td>
<td>11/17/2020</td>
<td>Other Considerations: Taxes, Wills, Bankruptcy, Financial Advisors</td>
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<td>Taxes, Wills, Bankruptcy, Financial Advisors</td>
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<tr>
<td>23</td>
<td>Thursday</td>
<td>11/19/2020</td>
<td>Project presentations</td>
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<td>24</td>
<td>Tuesday</td>
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<tr>
<td>NC</td>
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<td>25</td>
<td>Tuesday</td>
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<td>Project presentations</td>
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<tr>
<td>26</td>
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<td>Review Session</td>
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<tr>
<td>NC</td>
<td>Tuesday</td>
<td>12/8/2020</td>
<td>Midterm #2</td>
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**Required Course Materials for BEPP/FNCE 202 (Fall 2020)**

*tentative as of July 30, 2020*

Much of the reading material for this course is based on selected chapters from *Personal Finance 13/e* by Kapoor et al., and *Essentials of Investments 11/e* by Bodie, Kane and Marcus, supplemented with McGraw-Hill’s online assignment and assessment software: Connect. You will use Connect to access an eBook, an adaptive eBook and homework problems, via your Canvas account. We’ve 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 a custom hardcopy book for this course, containing the necessary chapters you’ll be responsible for and a Connect code. This is listed as: **Consumer Financial Decision Making: BEPP/FNCE 202**, ISBN # **9781307575156**. You will not find this book on Amazon or other textbook websites. You can order the hardcopy book here: https://upenn.bncollege.com/shop/upenn/home. The cost is $93.35.

**Option B. Online All-Digital Connect access.**

Alternatively, if you are comfortable with learning from an eBook, you can purchase Connect for $80 via your Canvas account, directions below. Once registered, you’ll have electronic access to the Kapoor et al. *Personal Finance 13/e* chapters, but not the 4 chapters from *Essentials of Investments*. If you have previously enrolled in FNCE 205, you may already have the Bodie, Kane and Marcus *Investments* book. Although it’s a more comprehensive version of *Essentials*, it includes similar 4 chapters from 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, likely on the left-hand side of your screen. If prompted, click **Load in a new Window**. Then click **agree to terms & privacy policy**. Then click the cover of the textbook *Personal Finance 13/e* by Kapoor et al. and get started.

Enter your email in the **Join this class** area. If you’ve registered for Connect in a previous or concurrent course, use the same e-mail. Otherwise you’ll 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**. You will then have Connect access, which includes only the eBook chapters from Kapoor et al. *Personal Finance 13/e* (but not the Bodie et al. *Essentials of Investments* chapters) and your online homework assignments for 180 days. See the image below.

**Or** if you are comfortable with just using the eBook, select **Buy It** (valid credit card or Pay Pal required). You should ignore the Connect and Printed textbook Rental option for $170.

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 14 days 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 or select **Buy It.** You must purchase Connect access to maintain access to course assignments and materials. Any work you complete during the Courtesy Access period will be saved.

**Technical Support:**

If you need Technical Support (forgotten password, wrong code, etc.), please contact the McGraw-Hill Education **Customer Experience Group (CXG)** at:

(800) 331-5094
www.mhhe.com/support

*(Please be sure to get your case number for future reference if you call the CXG line.)*