Instructor: Patricia Kelly, pmkelly@ucsc.edu
Time and Location: MW 1:00 – 4:30 Baskin Engineering #372
Office Hours: TBA

Course Overview
Overview of financial responsibilities young adults take on after college. Topics include: taxes, budgeting, banking and e-commerce, student loans, credit, and investing in the stock market. Ubiquitous terms, such as 401(k), will be defined and financial principles applied to personal financial decision making.

Objectives
The course will provide a framework for making successful personal financial decisions. The course will build from negotiating your first job and benefits, setting up a retirement account, paying your taxes, and creating a budget to meet short and long-term goals. Financial products such as credit cards, car loans and mortgages will be explained. Investing in the stock market outlined.

While the marketplace and Google are full of information on personal finance and investing, this course aims to provide the organic memory of financial principles to guide responsible and successful financial decision making. Basic concepts such as compound interest, the tradeoffs between risk and return, opportunity costs, inflation and the erosion of purchasing power, and diversification will be explained and applied. We will look at financial products and their uses, and the motives for financial institutions to offer them. Identifying tricks and traps of the financial services industry will be highlighted.

By the end of the course, you will be able to do the following:
- file a 1040-EZ and understanding employee withholdings
- create a budget, understanding items to include and how to plan for emergencies
- understand the characteristics of your student loans and repayment options
- understand the terms and conditions of credit cards, loans and your credit score
- calculate what you need for retirement
- set up a retirement investment portfolio and track its’ performance
- identify the components and fees of consumer financial products with an eye to avoiding overpriced and inappropriate products or services
- understand a bit of the economic history behind our capital system and market place
- understand the layout of our financial service industry
Prerequisites
None

Class Format
Lectures will be followed with assignments aimed toward practical application of the material covered. In class, the financial decision making process will be examined with open discussions of specific financial problems.

As the class will cover discrete topics as we move through the quarter, to skip a class or assignment will mean a large chunk of material will be missed. Attending class and completing assignments is imperative to be successful in the class, and frankly, to apply the material in the future.

The material is rich in details and deals with subjects for which you may not have a personal context. Reviewing material to fully understand it will make for a better grade and easier time applying the knowledge in the future.

Canvas
The syllabus, assignments, additional reading, bibliography and resources will be available on Canvas.

Course Evaluation
Grading: You may elect to take the class for a letter grade, P/NP or simply audit.
Assignments (4 x ) 40%
Midterm 20%
Investopedia Participation 5%
Final 35%
100%
Letter grades:
A+ >98%, B+ 89-87, C+ 79-77, D 69-60
A 97-93, B 86-83, C 76-73, F < 60
A- 92-90, B- 82-80, C- 72-70,

Academic Misconduct
While I encourage you to work together on assignments, please turn in your own versions of assignments.

Texts
Available on CANVAS

REQUIRED
Lynch, Peter. One Up on Wall Street.

Investopedia.com
Wall Street Journal Student Subscription: sign up at wsj.com/studentoffer. Subscription is 15 weeks at $15.


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<td>Investing</td>
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<td>Homework</td>
<td>Taxes</td>
<td>Savings</td>
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<td>Securities Market</td>
<td>HMWK</td>
<td>Econ History</td>
<td>Net Worth</td>
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<td>Investopedia DUE</td>
<td>Taxes DUE</td>
<td>Budget DUE</td>
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<td>Credit</td>
<td>Online</td>
<td>Sharing</td>
<td>Final</td>
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<td>7</td>
<td>Investing</td>
<td>Staff</td>
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<td>Insurance</td>
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<td>9</td>
<td>Net Worth DUE</td>
<td>Portfolio DUE</td>
<td>Final</td>
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<tr>
<td>10</td>
<td></td>
<td>Investopedia DUE</td>
<td></td>
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</table>
ASSIGNMENTS

Do not reveal, publish online or turn in to me any personal financial access information such as your Social Security number, bank or investment account numbers. Financial information is highly personal and sensitive; this class is to teach you how to manage your financial life but does not require you to reveal anything personal. Illustrative purposes only!!

1. Prepare a 1040 EZ

1. Go to irs.gov and download and fill out the W-4 for
2. Go to irs.gov and download a 1040EZ, find the instructions for the 1040EZ
3. Fill out the 1040EZ using the following assumptions:
   eCommons has a W-2 posted to use
   John is single and has no children or dependents
   John is a programmer for ABC Enterprises and has no other jobs
   John had no other income other than that reported on the W-2
   His employer paid a full year of health insurance for John
   John is filling out the form by himself
   John is taking the Standard Deductions and is NOT itemizing his deductions

4. Fill out the check for the tax payment or use the check information for direct deposit of refund. eCommons has a sample check posted

5. TURN IN
   a. W-4
   b. 1040EZ completed
   c. check, if appropriate
   d. [extra credit for payment voucher—for Class 2018]
2. **Prepare a personal budget**

Prepare an annual budget using the template on Canvas, and examples from Kobliner p. 18-19, your banks budget system, Quicken, or app.

Also include a brief one or two paragraph description of how you approached the budget and iterations you went through. You may use either your own hypothetical budget or use the assumptions below.

For full credit make sure:
- Income is net of taxes.
- A savings amount is included.
- Income and expenses are totaled by month and year
- Numbers add correctly
- Income is greater than expenses

*Extra credit is given for reference to the 50/20/30 Budget approach*

**TURN IN**
1. a brief one or two paragraph description of how you approached the budget
2. annual budget from eCommons Budget Template

**Resources**

- eCommons Budget Template
- “How to Budget Your Money with the 50/20/30 Guideline”, Laura Shin, June 30, 2014, LearnVest

**Budget Assumptions**

- **Annual Salary** $35,000
- **Total withholding taxes** 24% of salary
  
  This includes Social security, medicare, CA state disability, Federal and State Income Tax withheld

- **Rent** $750/month
- **Renters insurance** $300 payable in June and December
- **Utilities**
  - PG&E $40/month
  - Water $25/month
  - Comcast $40/month
  - Cell phone $60/month
- **Groceries** $250/month
- **Personal items** $25/
- **Clothes** $750/year
- **Health Care and dental expense** $250/mo
- **Transportation**
  - **Car payment** $200/mo
  - **Gas** $50/mo
  - **Insurance** $900/year payable half in April and half in October
  - **Registration** $150/year

- **Savings goal** 10% of take home pay
- **Retirement plan savings goal** $5,500
3. **Create a Roth IRA retirement portfolio assuming an investment of $5,500.**

Complete the 3-page worksheet posted on Canvas, in Assignments. It is ASSIGNMENT Roth IRA Portfolio. This assignment is to create a portfolio for your Roth IRA with an investment of $5,500. Its purpose is to bring together all the elements of creating a retirement portfolio, from the theory discussed in class and readings through to practical selection of investments at a mutual fund company.

Once you have selected an asset allocation, select mutual funds or EFTs from Vanguard.com to create your portfolio matching the asset classes you have selected with the mutual fund invested in those asset classes. Fill in the portfolio data sheet using data from Vanguard or found at Yahoo Finance or the Wall Street Journal (There are many sources for this information.)

There are additional resources under ASSIGNMENT Roth IRA Materials and ASSIGNMENT Roth IRA mutual funds to help you complete the assignment.

*Additional resources:*
- Yahoo Finance Retirement Asset Allocation Calculator
  [https://finance.yahoo.com/calculator/retirement/inv01/](https://finance.yahoo.com/calculator/retirement/inv01/)
- Vanguard.com
- Wall Street Journal.com
3. **Prepare a statement of net worth**

- Using the Excel template for a Statement of Net Worth on Canvas, fill out using the following assumptions:

<table>
<thead>
<tr>
<th>Account/Item</th>
<th>Amount</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wells Fargo Checking Account</td>
<td>$2,000</td>
<td>.01%</td>
</tr>
<tr>
<td>Wells Fargo Savings Account</td>
<td>$500</td>
<td>.01%</td>
</tr>
<tr>
<td>Target credit card</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Computer</td>
<td>$750</td>
<td></td>
</tr>
<tr>
<td>Direct Stafford Subsidized Loan</td>
<td>$5000</td>
<td></td>
</tr>
<tr>
<td>Term</td>
<td>8 years</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Loan start date</td>
<td>June 1, 2016</td>
<td></td>
</tr>
<tr>
<td>Due date</td>
<td>June 1, 2024</td>
<td></td>
</tr>
<tr>
<td>Honda Civic current value</td>
<td>$10,000</td>
<td></td>
</tr>
<tr>
<td>Blue Shield Health Insurance Policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Farm Auto Insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roth IRA at Vanguard</td>
<td>$5,500</td>
<td></td>
</tr>
<tr>
<td>Car Loan: Honda Financial Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Amount</td>
<td>$11,589.55</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>.90%</td>
<td></td>
</tr>
<tr>
<td>Term</td>
<td>36 months</td>
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</tr>
<tr>
<td>Balance</td>
<td>$3,898</td>
<td></td>
</tr>
<tr>
<td>Interest rate</td>
<td>0.9%</td>
<td></td>
</tr>
<tr>
<td>Auto loan start date</td>
<td>May 24, 2015</td>
<td></td>
</tr>
</tbody>
</table>

- Go to Bankrate.com, Calculators, Auto Calculators, Auto Loan Calculator
  - Calculate the monthly payment for the car loan
  - Look at the amortization Schedule and record the balance due as of May

- Go to Bankrate.com, Calculators, College Calculators, Loan Calculator and calculate the monthly payment for the student loan
INVESTOPEDIA.COM  STOCK TRADING SIMULATOR GAME

How to join the game
1. Receive invitation to the private game from instructor
2. Go to Investopedia.com
   a. Set up an Investopedia account using your UCSC email address
3. Go to Investopedia/Simulator
   a. Log in
   b. Go to Games (see left side column)
   c. Find Cowell 52 Summer 2018
   d. Join the game, “Cowell 52 Summer 2018”
      PASSWORD Cowell52
4. read through Investopedia tutorials
   ● Stock Basics Tutorial
   ● Stock Picking Tutorial
   ● Buying Stocks
5. Create a portfolio of 5-20 stocks.

Create and follow a portfolio of stocks
Picking stocks: Go with what you know: industries or companies that you understand and have a sense of their business model, markets and potential for success. Screen for stocks using Yahoo Finance and Wall Street Journal.

Online Investment Information
  o Investopedia
  o Yahoo Finance
  o Wall Street Journal
  o MarketWatch
  o SEC.gov for company reports
  o The Motley Fool
  o Bloomberg.com
  o PIMCO
  o Morningstar
  o Valueline
  o Kiplinger
  o Kiplinger's 25 Favorite No-Load Mutual Funds
  o Bankrate.com
  o Suze Orman
  o Michelle Singletary
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<thead>
<tr>
<th>Week</th>
<th>Subject, Reading, Assignments, Tests</th>
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</thead>
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<tr>
<td>Class 1</td>
<td><strong>Introduction and Overview</strong></td>
</tr>
</tbody>
</table>
| Class 2| **Stock Market:** What are stocks and bonds and how does the stock market work. How do you pick stocks? Assignment Due: Set Up Investopedia.com/SimulatorAccount  
Reading Due: Kobliner, Ch 1 and Ch 5 Investing |
|        | **Investopedia.com** Stock Trading Simulator game  
1. Set up an Investopedia account using your UCSC email address  
2. Receive invitation to the private game from instructor  
3. Join the game, “Cowell52 Summer 2018”  
   PASSWORD  Cowell52  
4. Create a portfolio of 5-20 stocks.  
Reading: Investopedia Tutorials  
   ● Stock Basics Tutorial  
   ● Stock Picking Tutorial  
   ● Buying Stocks |
|        | **Your Job: Compensation and Taxes** negotiating compensation and benefits, paying taxes  
Reading: Kobliner, Ch 9 Taxes  
| Class 3| **Your Budget:** Getting organized, budgeting the 50/30/20 budget  
Building a budget and online services, eCommerce  
Reading: Kobliner Ch 2 Taking Stock  
On Canvas: Article 50/20/30 Budget |
|        | **Your Savings:** Savings, Banking and eCommerce, emergency funds  
Reading: Material: Kobliner Ch 4 Banking |
| Class 4 | **Investing Part 1: General Overview:** Banking versus investment accounts, compounding, stocks and bonds, risk and returns, diversification  
Reading: Suze Orman, “The Money Book, Ch. 7: Investing Made Easy”  
**Your Job:** 401ks, IRAs and retirement plan  
Reading: Kobliner Ch 6 Living the Good Life in 2070  
| --- | --- |
| Class 5 | **Investing Part 2: Investment Objectives and Portfolio Construction:**  
Investment objectives, constructing a portfolio, asset allocation, diversification  
“Financial Planning through the Decades”, mutual funds, fees  
Reading:  
Midterm Review  
Assignment Due: Complete an annual budget |
| Class 6 | **Credit**  
Topics: credit cards, credit scores, car loans, mortgages  
Reading: Kobliner Ch. 3 Debt, Ch 7. Owning a Home  
Assignment DUE: Prepare a statement of net worth |
| Class 7 | **Investing Part 3: Creating a Roth IRA Portfolio online**  
Reading: Suze Orman reading titled Investing 101 Orman  
Financial Planning by the decades |
<table>
<thead>
<tr>
<th>Topic</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td><strong>Vanguard Power of Compounding</strong></td>
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<tr>
<td><strong>Economics and Some Economic History</strong>: How we got to where we are now</td>
<td>Topics: Adam Smith to Karl Marx; today’s economy Reading: Goodwin, p.1-71 and 252-291</td>
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<tr>
<td><strong>Behavior Economics and Speculative Bubble</strong></td>
<td>Reading: Investopedia Tulip Bulbs, The Bubble’s Lesson</td>
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<tr>
<td><strong>Financial Service Industry Overview</strong></td>
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<tr>
<td><strong>Protecting Stuff</strong>: car, renters, medical, home and life insurance.</td>
<td>Reading: Kobliner Ch. 8 Insurance,</td>
</tr>
<tr>
<td><strong>Sharing Stuff</strong>: Partnering up and issues, wills and trusts Reading: Kobliner p. 20 “When a Spender Marries a Saver”; Suze Orman, The Money Book: Love and Money, p 323-331</td>
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<tr>
<td><strong>Assignment DUE</strong>: Investopedia Stock market game portfolios</td>
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<td><strong>July</strong></td>
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