

PERSONAL FINANCE SYLLABUS

Name of Course: Personal Finance

Number of Course: FIN 369, Section 022

Semester: Spring 2012

Instructor: Banker Phares

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Office Hours: 8:00 to 5:00 Monday-Friday (Call for appointment). Instructor is available after each class to discuss topics and answer questions.

Class Meeting Time and Place: The first class is Monday, January 23, 2012. The final week is May 7th. Class meeting time is 6 p.m.- 8:30 p.m. Room 477 of the SFA Business Building. Classroom subject to change.

Prerequisites for Course: None.

Student Learning Outcomes: Bankruptcies and debt collections have dramatically increased in recent years. In large part, this is due to inadequate financial planning by individuals and businesses. To prepare the student to deal with a constantly changing economy by having the student: 1) Learn the importance, and have a basic understanding of, planning techniques; 2) Develop and identify analytical skills, by lecture and class discussion to facilitate effective financial decision-making, including informed decisions regarding budgets, investment, insurance, retirement, and estate planning. Upon course completion, the student should have the ability to have a working knowledge of the materials covered in the course, thereby providing the student with the ability to make – and, if necessary access, sources – for making appropriate financial decisions, both personal and business.

Required Text and Materials: Personal Finance, 10th Edition, by E. Thomas Gorman and Raymond E. Fogue, publisher: Southwest-Western Cengage Learning. Recommended Equipment for Course: Calculator, preferably a business or financial calculator. Recommended reading for the course: Wall Street Journal and other financial publications; e.g. Money Magazine.

Course Requirements:

1) Exams for Course: Three, each of equal value. The Final will be one of the three tests and will have a value equal to a test. There will be no quizzes or homework (unless needed to make up for an unexcused absence). There will be an advance reading assignment each week. A legitimate excuse must be presented in order to make-up a missed exam. If a student has a D or lower average for the first two tests, the student will be required to take a comprehensive final.

2) Grading Policy:. The tests will primarily require short specific answers; i.e. objective. Tests will be announced two weeks in advance.

3) Required Attendance for Course: Each class meeting is the equivalent of three one hour classes. One absence from each class meeting is allowed without excuse. Other absences require acceptable excuse. If absent without acceptable excuse, additional course work may be assigned.

Course Calendar: In the left hand margin of the information which follows, there is a listing of the week in which the material will be discussed in class. An attempt has been made to have the week in class correspond to the chapter; e.g. third week – third chapter.

Topics covered during this course include:

Financial Planning

Week 1. Understanding Personal Finance

The Building Blocks to Achieving Personal Financial Success

Spend Less So You Can Save and Invest More
Financial Success and Happiness
Using the Building Blocks

The Economy Affects Your Personal Financial Success

Where Are We in the Business Cycle?
What Is the Future Direction of the Economy?
What Is the Future Direction of Inflation, Prices, and Interest Rates?

Think Like an Economist When Making Financial Decisions

Opportunity Costs in Decision Making
Marginal Utility and Costs in Decision Making
Marginal income Tax Rate in Decision Making

The Time Value of Money: Setting Dollar Values on Financial Goals

Calculating Future Values
Calculating Present Values

Make Smart Money Decisions at Work

- Flexible Benefit Plans Offer Tax-Free Money
- Making Decisions About Employer-Sponsored Health Care Plans
- Making Decisions About Employer's Flexible Spending Accounts
- Making Decisions About Participating in Employer Insurance Plans
- Making Decisions About Participating in Your Employer's Retirement Plan

Where to Seek Expert Financial Advice

- How Financial Planners Are Compensated

Week 2. Career Planning

Key Steps in Successful Career Planning

- Create Your Career Goal and Plan
- Clarify Your Interests
- Review Your Abilities, Experiences, and Education Identify Your Values
- Consider Costs, Benefits, and Lifestyle Trade-offs Align Yourself with Tomorrow's Employment Trends
- Take Advantage of Networking
- Target Preferred Employers
- Be Willing to Change Career Goals and Plans

Know Your Preferred Work-Style Personality

Financial and Legal Aspects of Employment

- Compare Salary and Living Costs in Different Cities
- Place Values on Employee Benefits
- Know Your Legal Employment Rights

Effective Employment Search Strategies

- Assemble a Resume
- Identify Job Opportunities
- Write an Effective Cover Letter
- Obtain Strong Reference Letters
- Apply
- Interview for Success
- Negotiate and Accept the Job

Week 3 Financial Statements, Tools, and Budgets

Financial Values, Goals, and Strategies

- Values Define Your Financial Success
- Financial Goals Follow from Your Values
- Financial Strategies Guide Your Financial Success

Financial Statements Measure Your Financial Health and Progress

The Balance Sheet is a Snapshot of Your Financial Status Right Now

Strategies to Increase Your Net Worth

The Cash-Flow Statement Tracks Where Your Money Came From and Went

Financial Ratios Assess Your Financial Strength and Progress

Basic Liquidity Ratio: Can I Pay for Emergencies?

Asset-to-Debt Ratio; Do I Have Enough Assets Compared with Liabilities?

Debt Service-to-income Ratio: Can I Meet My Total Debt Obligations?

Debt Payments-to-Disposable income Ratio: Can I Pay My Debts?

Investment Assets-to-Total Assets Ratio: Do I Need to Invest More?

Other Ways to Assess Financial Progress

Financial Record Keeping Saves Time and Makes You Money

Reaching Your Goals Through Budgeting: Your Spending/Savings Action Plan

Action Before: Set Financial Goals

Action Before: Make and Reconcile Budget Estimates

Action Before: Plan Cash Flows

Action During Budgeting Period: Control Spending

Action After Evaluate Budgeting Progress

Financial Software Tools to Manage Your Money

PART 2

Money Management

Week 4. Managing Income Taxes

Progressive Income Taxes and the Marginal Tax Rate

The Progressive Nature of the Federal Income Tax

The Marginal Tax Rate Is Applied to the Last Dollar Earned

The Marginal Tax Rate Affects Your Financial Decisions

Your Effective Marginal Tax Rate Is Probably 43 Percent

Your Average Tax Rate Is Lower

Eight Steps in Calculating Your Income Taxes

1. Determine Your Total Income
2. Determine and Report Your Gross Income After Subtracting Exclusions
3. Subtract Adjustments to Income
4. Subtract Either the IRS's Standard Deduction for Your Tax status or Your Itemized
5. Deductions
6. Subtract the Value of Your Personal Exemptions
7. Determine Your Preliminary Tax Liability
8. Subtract Tax Credits for Which You Qualify

9. Calculate the Balance Due the IRS or the Amount of Your Refund

Avoid Taxes Through Proper Planning

Practice Legal Tax Avoidance, Not Tax Evasion
A Dollar Saved from Taxes Is Really Two Dollars - or More
Strategy: Reduce Taxable Income via Your Employer
Strategy: Make Tax-Sheltered Investments
Strategy: Postpone Income
Strategy: Shift Income to a Child
Strategy: Bunch Deductions
Strategy: Take All of Your Legal Tax Deductions
Strategy: Buy and Manage a Real Estate Investment

Week 5. Managing Checking and Savings Accounts

What Is Monetary Asset Management?

The Three Tools of Monetary Asset Management
Who Provides Monetary Asset Management Services?

Tool #1—Interest-Earning Checking Accounts

Types of Checking Accounts
Checking Account Minimum-Balance Requirements

Tool #2—Savings Accounts

Statement Savings Accounts
Certificates of Deposit
How to Save
Savings Account Interest

Tool #3—Money Market Accounts

Super NOW Accounts
Money Market Deposit Accounts
Money Market Mutual Funds
Asset Management Accounts

Electronic Money Management

Electronic Money Management Can Be Easy But Is Not Always Free
Using Electronic Banking Safely

The Psychology of Money Management

Managing Money and Making Financial Decisions Are Different
People Ascribe Strong Emotions to Money
How to Talk About Financial Matters
Complications Brought by Remarriage

Week 6. Building and Maintaining Good Credit

Reasons For and Against Using Credit

- Good Uses of Credit
- The Downside of Credit

You Should Set Your Own Debt Limit

- Debt Payments-to-Disposable Income Method
- Ratio of Debt-to-Equity Method
- Continuous-Debt Method
- Dual-Earner Households Should Consider a Lower Debt Limit

Obtaining Credit and Building a Good Credit Reputation

- The Credit Approval Process
- Your Credit Reputation

Sources of Consumer Loans

- Depository Institutions Loan Money to Their Banking Customers
- Sales Finance Companies Loan Money to Buy Consumer Products
- Consumer Finance Companies Make Small Cash Loans
- Stockbrokers Loan Money to Their Clients
- Insurance Companies Loan Money to Their Policyholders
- Choose Your Source of Credit Wisely

Dealing with Overindebtedness

- Ten Signs of Overindebtedness
- Federal Law Regulates Debt Collection Practices
- Steps to Take to Get Out from Under Excessive Debt
- Bankruptcy as a Last Resort

Week 7. Credit Cards and Consumer Loans

Types of Consumer Credit

Credit Card Accounts

- Types of Credit Card Accounts
- Common (But Not Always Beneficial) Aspects of Credit Card Accounts

Managing Credit Cards Wisely

- Credit Statements
- Computation of Finance Charges
- How Credit Card Average Daily Balances Are Calculated
- Correcting Errors on Your Credit Card Statement

Understanding Consumer Installment Loans

- Installment Loans Can Be Unsecured or Secured
- Purchase Loan Installment Contracts

Calculating Interest on Consumer Loans

Calculating an Installment Loan Payment

Finance Charge and APR Calculations for Installment Loans

Week 8. Vehicle and Other Major Purchases

Do Your Homework

What Do You Really Want?

Become an Expert

Can I Afford It?

Use Comparison Shopping to Find the Best Buy

Compare Prices Using the "Rule of Three"

Compare Financing Options

Consider Leasing Instead of Buying

Compare Warranties

Extended Warranties Are Overpriced

Negotiate Effectively and Decide at Home

Successful Negotiators Are Armed with Information

Negotiating a Car Deal: An Illustration

Make the Decision

Finalizing a Car Deal

Evaluate Your Decision

Week 9. Obtaining Affordable Housing

Should You Rent or Buy Your Home?

Rented Housing

Owned Housing

Who Pays More—Renters or Owners?

What Does It Cost to Buy a Home?

Most Up-Front Costs Are Due at the Closing

Monthly Costs Include Both Principal and Interest

Some Fees Are Paid Both Up-Front and Monthly

The Bottom Line?

The Steps of Home Buying

Get Your Finances in Order

Prequalify for a Mortgage

Search for a Home Online and in Person

Agree to Terms with the Seller

Apply for a Mortgage Loan

Prepare for the Closing
Sign Your Name on Closing Day

Financing a Home

The Mathematics of Mortgage Loans
Factors Affecting the Monthly Payment on a Mortgage
The Conventional Mortgage Loan
The Adjustable Rate Mortgage Loan
Alternative Mortgage Loans

Selling a Home

Should You List with a Broker or Sell a Home Yourself?
Selling Carries Its Own Costs
Be Wary of Seller Financing

PART THREE

Income and Asset Protection

Week 10. Managing Property and Liability Risk

Risk and Risk Management

People Often Misunderstand the Concept of Risk
The Risk-Management Process

Understanding How Insurance Works

Hazards Make Losses More Likely to Occur
Only Certain Losses Are Insurable
The Principle of Indemnity Limits Insurance Payouts
Factors That Reduce the Cost of Insurance
The Essence of Insurance
Who Sells Insurance?

Homeowner's Insurance

Coverages
Types of Homeowner's Insurance Policies
Buying Homeowner's Insurance

Automobile Insurance

Losses Covered
Buying Automobile Insurance

Protection for Other Property and Liability Loss Exposures

Comprehensive Personal Liability Insurance
Flood and Earthquake Insurance
Professional Liability Insurance
Umbrella Liability Insurance

Floater Policies

How to Collect on Your Property and Liability Losses

Contact Your Insurance Agent
Document Your Loss
File Your Claim
Sign a Release

Week 11. Managing Health Expenses

Addressing the Financial Burdens of Illness or Injury

1. Covering Your Direct Health Care Costs
2. Covering Your Rehabilitative and Custodial Care Costs
3. Covering Your Lost Income

Sources of Protection from Direct Health Care Costs

Health Maintenance Organizations
Traditional Health Insurance
Consumer-Driven Health Care

Making Sense of Your Health Plan Benefits

What Types of Care Are Covered?
Who Is Covered?
When Does Coverage Begin and End?
How Much Must You Pay Out of Your Own Pocket?

Protecting Your Income During Disability

Level of Need
Important Disability Income Insurance Policy Provisions

Planning for Long-Term Care

Week. 12 Life Insurance Planning

How Much Additional Life Insurance Do You Need?

What Needs Must Be Met?
How Can You Meet the Need?
What Dollar Amount of Life Insurance Do You Need?

There Are Only Two Basic Types of Life Insurance

Term Life Insurance
Some Forms of Cash-Value Life Insurance Earn a Fixed Return
Some forms of Cash-Value Life Insurance Earn a Variable Return

Understanding Your Life Insurance Policy

Policy Terms and Provisions Unique to Life Insurance

Settlement Options Allow the Beneficiary to Decide How to Receive the Death Benefit

Policy Features Unique to Cash-Value Life Insurance

Step-by-Step Strategies for Buying Life Insurance

First Ask Whether or Not, and for How Much, Your Life Should Be Insured
Properly Integrate Your Life Insurance into Your Overall Financial Planning
Where and How to Buy Your Life Insurance

Part Four Investments

Week 13 Investment Fundamentals

Starting Your Investment Program

Investing Is More Than Saving
Are You Ready to Invest?
Decide Why You Want to Invest
Where Can You Get the Money to Invest?
What Investment Returns Are Possible?

Discover Your investment Philosophy

How to Handle Investment Risk
Ultraconservative Investors Are Really Just Savers
What Is Your Investment Philosophy?
Should You Take an Active or Passive Investing Approach?
So What Should You Do?

Identify the Kinds of Investments You Want to Make

Do You Want to Lend or Own?
Making Short-, Intermediate-, and Long-Term Investments
Choose Investments for Their Components of Total Return

Risks and Other Factors Affect the Investor's Return

Random Risk Is Reduced by Diversification, Eventually
Market Risk and the Economic Meltdown
Other Types of Investment Risks
Transaction Costs Reduce Returns
Leverage May Increase Returns

Establishing Your Long-Term Investment Strategy

Long-Term Investors Understand Market Timing
Strategy 1: Buy and Hold Anticipates Long-Term Economic Growth
Strategy 2: Dollar-Cost Averaging Buys at "Below-Average" Costs
Strategy 3: Portfolio Diversification Reduces Portfolio Volatility
Strategy 4: Asset Allocation Keeps You in the Right Investment Categories for

Your Time Horizon
Strategy 5: Modern Portfolio Theory Evolves from Asset Allocation

Creating Your Own Investment Plan

Investing in Stocks and Bonds

The Role of Stocks and Bonds in Investments

Common Stock

Preferred Stock

Bonds

An Illustration of Stocks and Bonds: Running Paws Cat Food Company

The Major Characteristics of Common Stocks

Price/Earnings Ratio and Beta

Cyclical and Countercyclical Stocks

Income Stocks

Growth Stocks

Value Stocks

Speculative Stocks

Tech Stocks

Blue-Chip Stocks

Large-Cap, Small-Cap, and Midcap Stocks

How to Evaluate Stock Values

Use Fundamental Analysis to Evaluate Stocks

Measuring Expected Stock Returns

Numerical Measures to Evaluate Stock Prices

Calculating a Stock's Potential Rate of Return

Use Beta to Estimate the Risk of the Investment

Estimate the Market Risk

Calculate Your Required Rate of Return

Calculate the Stock's Potential Rate of Return

Compare the Required Rate of Return with the Potential Rate of Return on the Investment

Use the Internet to Evaluate and Select Stocks

Begin by Setting Criteria for Your Stock Investments

Basic Investment Information

Set Up Your Portfolio Online

Stock Screening

Get a Sense of the History of a Stock

Go to the Source for Company Information

Security Analysts' Research Reports

Stock Research Firms

Economic Data
Stock Market Data
Securities Exchanges (Stock Markets)
Electronic Communications Network and OTC Marketplace
Looking Up a Stock Price
Using Portfolio Tracking to Monitor Your Investments

Buying and Selling Stocks

Discount Online, and Full-Service Brokers
Broker Commissions and Fees
How to Order Stock Transactions
Margin Buying and Selling Short Are Risky Trading Techniques

Investing in Bonds

Corporate, U.S. Government and Municipal Bonds
Unique Characteristics of Bond Investing
Evaluating Bond Prices and Returns
Pricing a Bond in Today's Market

Week 14. Investing Through Mutual Funds

Why Invest in Mutual Funds?

Net Asset Value
Dividend Income and Capital Gains
Advantages of investing Through Mutual Funds
Unique Mutual Fund Services

Fund Objectives, Types, and Characteristics

Income Objective
Growth Objective
Growth and Income Objective

Mutual Fund Investing Fees and Charges

- Load and No-Load Funds
- Mutual Fund Share Classes
- Disclosure of Fees in Standardized Expense Table
- What's Best: Load or No Load? Low Fee or High Fee?

Selecting Funds in Which to Invest

- Review Your Investment Philosophy and Investment Goals
- Eliminate Funds Inappropriate for Your Investment Goals
- Load or No-Load Funds?
- Investment Advice Needed?
- Screen and Compare Funds That Meet Your Investment Criteria
- Monitor Your Mutual Fund Portfolio

Real Estate and High-Risk Investments

Making Money Investing in Real Estate

- Current Income and Capital Gains
- Current Income Results from Positive Cash Flow
- Price Appreciation Leads to Capital Gains
- Leverage Can Increase an Investor's Return
- Beneficial Tax Treatments

Pricing and Financing Real Estate Investments

- Pay the Right Price
- Financing a Real Estate Investment

Disadvantages of Real Estate Investing

Investing in Collectibles, Precious Metals, and Gems

- Collectibles
- Gold and Other Metals
- Precious Stones and Gems

Investing in Options and Futures Contracts

- Options Allow You to Buy or Sell an Asset at a Predetermined Price
- Commodities Futures Contracts

Please Note: There is an addendum required by the University attached to this Syllabus.