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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Phone Number of Instructor: 936.234.9196

Office: 116 North Fredonia, Nacogdoches, Texas

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.

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 Deductions
5. Subtract the Value of Your Personal Exemptions
6. Determine Your Preliminary Tax Liability
7. 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

**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
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
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.