

DEPARTMENT OF FINANCE, INSURANCE, AND LAW
COLLEGE OF BUSINESS
ILLINOIS STATE UNIVERSITY
Spring 2006

College of Business Mission

The College of Business provides a student-centered learning environment to develop the business skills and appreciation for continuous learning necessary to succeed in a dynamic global economy. Our high quality programs develop ethical, knowledgeable, and technologically competent business professionals. We strive to do this to further the University mission of providing a premier educational experience to undergraduates and to students in select graduate programs.

Academic Integrity

Students enrolled in College of Business classes are expected to maintain high standards of ethical conduct within the classroom and when completing assignments, projects, and/or exams. Plagiarism and other forms of academic dishonesty such as cheating will not be tolerated. Students are expected to provide appropriate citations for non-original writing even if the original work is paraphrased. Penalties for plagiarism and other forms of academic dishonesty may be severe.

Professional Standards

All students in this course are expected to be familiar with the "College of Business Standards of Professional Behavior and Ethical Conduct." (refer to <http://www.cob.ilstu.edu/professionalstandards>) Please note that only bottled water may be consumed in the classroom wing of the College of Business Building and that all cell phones and other electronic devices should be turned off and stored away during classes, unless permission is otherwise granted by the instructor.

COURSE INFORMATION

Course Number & Title: FIL 353 Financial Planning **Prerequisite:** C or better in FIL 185/208, 240, and 250. Business majors only

Time and Location: Th 5:30-8:20pm, COBB 366 **Credit Hours:** 3

INSTRUCTOR INFORMATION

Instructor: Edgar Norton, Ph.D., CFA

Phone: 438-2827

e-mail: eanorto@ilstu.edu

Office: 424 COBB

Office Hours: T 9:30-10:45am; W 9:00-11:00am; Th 9:30-10:45am and 2:00-4:00pm

RESOURCES/MATERIALS

Textbook: Lawrence J. Gitman and Michael D. Joehnk *Personal Financial Planning*, 10th edition, South-western College Publishing, 2006; website: gitman.swlearning.com (includes downloadable course materials)

COURSE DESCRIPTION:

A study of the principles and concepts of integrated personal financial planning, including legal, tax, insurance, and investments in the context of wealth accumulation and conservation.

COURSE REQUIREMENTS

Come to class prepared: At a minimum, you should read the week's chapter(s) prior to coming to class. Any other announcements with respect to problems, cases, etc. should be completed prior to class.

Participation: “80% of life is showing up” (and it is 10% of your grade). Your ability to think and speak intelligently is largely an acquired skill – practice makes perfect. To encourage your active involvement in each class, a portion of your grade is based on your participation. Participation includes your comments and your questions during all parts of the course: lectures, guest speakers, in-class work, etc. Note that the participation grade starts at zero, and you have the opportunity to enhance your participation grade from there. The following (relative) system is used to evaluate student participation:

1. Less than 2 out of 10: student rarely participates
2. 2-6 out of 10: student occasionally participates
3. 7-8 out of 10: student regularly participates
4. 9-10 out of 10: student regularly participates, asks insightful questions, follows up on other comments and questions, and raises important ancillary issues

Exams: Four exams, February 9, March 9, April 13, and during Finals week (Thursday May 11 at 5:30pm). Though not cumulative on purpose, the content of the course does build on itself, both in theory and application. I expect the exams to be a combination of true/false, multiple choice, short answer and problems.

Question: Will this be on the test? Answer: Yes. You are responsible for all the textbook material and in-class discussion, whether it is presented by the professor or a guest speaker.

Short paper: One of the most important skills you need as you enter the business world is written and oral communication skills. To help you develop your ability to concisely and effectively communicate your thoughts, and to learn about a current issue related to financial planning, you will research a “Hot Topic” and write a short (4-6 pages) paper on the topic. Strong introductory sentences that state the issue/problem, concise descriptions of various sides of the issue, and well-prepared closing statements will help you considerably. **Due date: April 6. Topic selection: by February 2.**

In order to maximize your benefit from your “Hot topic”...choose a subject that interests you. Glance ahead to the topics covered in each chapter. In addition, you may choose among the following topics or present one of your own subject to instructor’s approval. At least one non-magazine, non-Gitman/Joehnk, non-internet reference must be used (fully footnote/document your sources).

- Pros & cons of using a will vs. a Living Trust
- “Buy term and invest the rest” vs. permanent insurance
- Index funds vs. active management
- Annuities as a means to maintain income—pros and cons
- Equity Indexed Annuities—fad or fraud?
- Describe the advantages of a Charitable Remainder Trust
- Roth IRA vs. the unmatched portion of a 401(k)
- Compare “Value” and “Growth” investment technique
- Saving for college: custodial account, leaving in parents’ name, Education IRA’s, 529 Plans, etc.
- Your 16-year-old does \$800 damage in a one-car accident with no injuries. Do you pay for the repairs out of pocket or submit an insurance claim? Why? Why not?
- Using a financial advisor vs. doing it yourself
- Using leverage (i.e., other people’s money) vs. pay as you go
- Social Security: Take less at 62 or more at 66 or later
- When does it pay to refinance a home mortgage?

- Compare and contrast the dilemma of using extra income to pay down debt vs. add to your investment program
- Describe the concept known as “Dollar Cost Averaging”...especially as it pertains to salary deferral plans such as 401(k)’s and 403(b)’s
- Describe the criteria lenders look at when evaluating consumer loans and home mortgages
- Describe the different types of credit cards and recommend what criteria should be evaluated to select suitable alternatives
- Compare and contrast choices you make when choosing employer-sponsored medical insurance options (e.g. HMO vs. PPO etc.)
- Discuss the use of Disability Income insurance. When? How Much? Group vs. individual policies
- Discuss the financial dilemmas faced by Seniors
- Develop a financial planning “checklist” to enable a family to see if they are both adequately insured and taking advantage of investment and tax-saving opportunities
- You are an investment advisor. The market just dropped 25%. What do you say to your new client who just retired and gave you his life savings to invest the day before the decline started?
- Social responsibility investing
- Long Term Care Insurance—pros, cons, ways to evaluate options
- Describe how bonds fluctuate with changes in the direction of interest rates. Define the term “duration” as it pertains to these fluctuations.
- Assume you know someone who is seriously in debt, describe how you would advise them to get out of debt and stay out of debt.
- Identity theft
- Viaticals
- Alternative Minimum Tax
- Trust taxation
- Probate
- Spousal rights in IRAs, retirement plans, Social Security
- Medicare part D

GRADING POLICIES:

Participation: 50 points

Short paper: 50 points

Exams: 400 points possible (100 points each)

Total points: 500; grades will be assigned on the basis of the percentage of total points earned:

At least 90.0%: A; 80.0-89.9%: B; 70-79.9%: C; 60-69.9%: D; less than 60.0%: F

ADDITIONAL INFORMATION:

Course updates and other communications will be posted on the U drive in the appropriate folder or emailed to the class. It is your responsibility to check your ISU email or have it forwarded to a preferred address.

No make-up exams are given unless the absence is valid (e.g., personal illness) and documented. Notification, when feasible, should occur before the exam via email or phone contact. Make-up exams may be more difficult than the regular exams.

No extra credit assignments will be given unless they are offered to all students. Your singular need for additional points does not create a need for extra credit assignments for all.

If discovered, instances of plagiarism (if you don't know what it is, look it up) and cheating will be dealt with severely and can result in automatic course failure. The instructor will determine the appropriate consequences.

Grades will be posted, with your self-selected code name, on the course website. I will not post grades outside my office door, give grades over the phone, or email them to you.

ACCOMMODATION FOR STUDENTS WITH DISABILITIES

Any student in need of a special accommodation should contact the staff in the Office of Disability Concerns at 438-5853 (voice) or 438-8620 (TDD).

(Tentative) COURSE CALENDAR			
WEEK	MO.	DATE	TOPIC
1	Jan.	Thurs. 19	Chapter 1: Financial Planning Process
2		Thurs. 26	Chapter 2: Personal Financial Statements
3	Feb.	Thurs. 2	Topic of “hot topic” paper due Chapter 3: Managing Taxes
4		Thurs. 9	Test #1 , Chapters 1-3—followed by Chapters 4 and 5 overview (Managing Cash and Savings; Making Auto and Housing Decisions)
5		Thurs. 16	Chapter 6: Borrowing on Open Account Chapter 7: Consumer Loans
6		Thurs. 23	Chapter 8: Life Insurance
7	Mar.	Thurs. 2	Chapter 9: Health Insurance
8		Thurs. 9	Test #2 , Chapters 4-8—followed by Chapter 9, continued
9		Thurs. 16	<i>SPRING BREAK MARCH 11-19, 2006</i> NO CLASSES
10		Thurs. 23	Chapter 10: Property and Casualty Insurance
11		Thurs. 30	Chapter 11: Investment Planning
12	Apr.	Thurs. 6	“Hot topic” paper due Chapter 12: Investing in Stocks and Bonds
13		Thurs. 13	Test #3 , Chapters 9, 10, 11, 12—followed by Chapter 13 Mutual Funds
14		Thurs. 20	Chapter 14: Retirement Planning
15		Thurs. 27	Chapter 15: Estate Planning
16	May	Thurs. 4	Chapter 15: Estate Planning, continued

FINALS WEEK: Thursday May 11, 5:30pm, covering chapters 13, 14, and 15.