

INDV 102 Web Delivered
Lectures 791 and 910
Money, Consumers, and Family
Spring 2007

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Office Hours: By appointment

Important note: Please read this entire syllabus thoroughly. In an internet course there are no class meetings to remind you of important information, procedures, or deadlines, so if you don't read the whole syllabus, you may miss out on knowing something important which could hurt your grade. Please also check the news postings on the first page of our D2L site twice a week to see if there have been any changes, or if there is anything new.

Introduction

Did you know that according to The Administrative Office for the United States Courts, in 2001 there were 1.1 million divorces in the United States, but there were actually even more bankruptcies, 1.5 million? A child is currently more likely to go through his or her parent's bankruptcy than their divorce. More people will file for bankruptcy this year than will graduate from college.

Did you know that if current trends continue, more than one in six single mothers will declare bankruptcy by the end of the decade? That the number of single mothers in bankruptcy increased by 600% between 1983 and 2003?

Did you know that 90% of those in bankruptcy qualify as middle class as defined by typical criteria such as going to college, owning a home, or having held a good job? (Part of the reason is that declaring bankruptcy is not easy. It requires the payment of up front fees that are now in the thousands, although if successful, many debts are discharged. Many poor people just live with untenable debt, garnishments, bill collectors, etc. as best they can)

Did you know that the number of car repossessions doubled between 1998 and 2003? That the number of home foreclosures tripled between 1978 and 2003?

Did you know that the probability of a person losing his or her job increased by 28% between 1973 and 2003?

Did you know that experts calculate that an individual is now 49% more likely to be without health insurance than a generation ago? That with soaring medical costs, the number of families declaring bankruptcy in the wake of a serious illness multiplied more than twenty fold between 1978 and 2003? Did you know that between 2002 and 2004 about 1/3 of the adult population aged 18 to 65 spent some time without health insurance?

Did you know that between 1981 and 2005 average savings dropped from 11% of income to negative .5%, the first time that the average savings rate has been negative since the height of the Great Depression in 1933?

Due to changes in the economy and government protections, the United States is far more financially dangerous today than it was when your parents were your age. Then, there was a series of regulations in place to protect individuals and families. There were laws strictly limiting the interest and fees credit card companies could charge. Now, there is no limit. A credit card company can overnight raise your interest rate from 10% to 30%, or more, for any reason, or no reason – and this happens all the time, as you will read during the course. There used to be serious legal limits on mortgage interest rates and fees; now “sub-prime” mortgages have interest rates as high as 20%, and that isn’t even the worst of it. The *fees* can approach 20% of the amount borrowed.

Later you will read an article from Consumer Reports which gives an example of a woman who took out a mortgage for \$95,602, and paid \$16,204 in up front fees. She was charged \$16,000 just to borrow \$95,000, and that’s not even counting the exorbitant sub prime interest rate. A generation ago this would have been illegal. Today, 15 to 20 percent of consumers obtain such loans, in what is now called the “loan to own” industry (as in they loan to you to eventually end up owning your home and evicting you).

A generation ago loans with interest rates above 1,000% were available only from loan sharks. Today they are perfectly legal, and available in almost every major city at “Payday Loan” shops. Deregulation has allowed for ever more complicated lending and insurance products, which can seem harmless, but can have devastating provisions in the fine print. Again, all of this was illegal when your parents were your age, but with recent deregulation this is no longer the case.

As if this weren’t reason enough to learn personal finance, health care and housing costs have skyrocketed, and employment and pensions have become far less secure.

This confluence of recent events has made the United States far more dangerous financially than it has ever been in modern times. Thus, it is vastly more important today that people understand personal finance, and especially at a young age, before they have gotten so deeply in debt that they may never get out – and keep in mind that especially with the just passed bankruptcy law many debts, and with rare exception this includes student loans, can never be discharged (although, as you will learn, if you take out and administer your student loans the right way, you can ask for and receive the little known income-contingent payment plan. Then your payments will never be more than 20% of your *disposable* income, and, after 25 years, if there's any remaining balance, it is cancelled.).

The new law makes it much harder to file for bankruptcy. Many people will not be able to, which can lead to a lifetime of crushing debt and deprivation.

At the same time, if you study well the material in this course, learn how to avoid the traps and pitfalls, learn how to manage your money and be a smart shopper, and learn the power of saving, then your financial future can be very bright indeed.

Did you know that if you paid off your student loans, stayed out of debt, and saved \$100 per week in a typical balanced stock fund, that you would be worth one million dollars after 29 years, if stocks ended up earning their historic average return? Did you know that even adjusting for projected inflation, you would still be worth 1 million today dollars in 35 years?

Clearly you have a strong incentive to study hard for this course, and obviously I am trying to impress that upon you. I think this is one of the most important courses you will ever take, so I really want to motivate you to take it seriously and work diligently. In doing so, every student can look forward to a bright and prosperous future.

Books

The Two-Income Trap: Why Middle-Class Mothers and Fathers Are Going Broke

By: Elizabeth Warren and Amelia Warren Tyagi

ISBN: 0465090907

Publication Date: August 2004

Publisher: Basic Books

All Your Worth: The Ultimate Lifetime Money Plan

By: Elizabeth Warren, Amelia Warren Tyagi

ISBN: 074326987X

Publication Date: March 2005

Publisher: Free Press, The

Strapped: Why America's 20- and 30-Somethings Can't Get Ahead

By: Tamara Draut

ISBN: 0385515057

Publication Date: January 2006

Publisher: Doubleday Publishing

The Great Risk Shift

By: Jacob S. Hacker

ISBN: 0195179501

Publication Date: October 2006

Publisher: Oxford University Press, USA

These first two books, I think, are clearly the most important, and best, personal finance books on the market. They do an outstanding job of explaining the most important personal finance issues, dangers, and opportunities facing people today. They are extremely accurate and intelligent, yet at the same time very clear and accessible. There is no special math, finance, or other knowledge as a prerequisite. No one will have a problem following these books, and they are written in an interesting and enjoyable way.

The authors of these bestsellers are extremely credible and talented. Elizabeth Warren is a professor at Harvard, who has specialized in business and bankruptcy law for 25 years. She has vast experience in personal finance, and has gone before the White House, the United States

Supreme Court, and Congress to talk about these issues. Amelia Warren Tyagi, (her daughter) holds an MBA from Wharton, arguably the most prestigious business school in the world, and is a former McKinsey consultant, where she advised some of the largest corporations in America. Recently, she co-founded a health benefits firm.

These books, I believe, are far superior to the typical personal finance books on the market, which offer far less intelligent and effective advice and strategies, and tend to dwell on minutiae, rather than focusing on issues of much greater importance. These books are extremely enlightening, and I think they are likely to be some of the most important that you will ever read, potentially saving you from dire financial consequences, and helping you to build a bright and prosperous future.

The third book is an in-depth and informative analysis of the great financial changes that have occurred over the last generation for young adults and the middle aged, those 18 – 40. I especially like the way it shows how different things were for previous generations. For example, most young people don't realize that college was easily affordable in the 1950's – 1970's with extensive government funding of universities, the GI Bill, and the Higher Education Act of 1965. Almost all students graduated with little or no debt, even though most students did not work at all while going to school full time, and those who did worked far less hours than students today. The author is the Director of the Economic Opportunity Program at the respected think tank Demos.

The final book is an in-depth analysis of the great increase in economic and financial risk that has been shifted to individuals and families in recent times. It is important to realize how different things are today as opposed to when your parents were starting out. You and your family will face far greater risks given the great changes in government protections, assistance, and insurance, right at the same time as accelerated globalization and restructuring. All of you can still build very financially secure and prosperous lives, but to do so it is especially important to know the new risks, so that you may avoid or cushion them. The books author is an acclaimed political science professor at Yale.

Given its importance, I wanted to give you a strong incentive to do all of the reading. Thus, I have designed the exams so that it will be hard to get a good grade without having done all of the reading. Truly, this is for your own good. These books can make your life far more financially comfortable, and save you from some very serious, and surprisingly common, consequences.

Academic Dishonesty

All students are expected to take the exams on their own, with no help whatsoever from others. For assignments, you are allowed to ask questions and receive advice from others, just so long as the bulk of the work is your own. Academic dishonesty is extremely serious. Any evidence of such will be turned over to the Dean's office and may result in expulsion and a permanent mark on your records.

Schedule

Please note the schedule is subject to change, however any changes that do occur will not be major. You should check the news postings on the first page of our D2L site twice a week to see if there is anything new.

Week 1: January 10th – January 14th

- **Reading:**

- *The Syllabus*; please especially make sure to read carefully the introduction. It contains many important facts for your personal financial well being, and if that isn't reason enough, it will also be useful, or necessary, for some exam questions and assignments.

- *The Two Income Trap*; Introduction and Chapters 1 and 2. This week there is no assignment or discussion. This initial reading is extremely important to understanding personal finance today. Therefore, I want the course to immediately start with this core material. I have assigned nothing else this week, because I want you to be able to spend all of your study time covering the beginning of this important book. In future weeks we will discuss this material, and it will be covered extensively on exams.

Week 2: January 15th – January 21st

- **Reading:**

- *The Two Income Trap*; Chapters 3 – 5 . Again this week there is no other work, as it's best early on to put 100% of your time into reading this fundamental material, then you will be able to participate in the discussion and other activities in a much more informed and fruitful way.

Week 3: January 22nd – January 28th

- **Reading:**

- *The Two Income Trap*; Chapters 6 and 7, finishing the book.

Week 4: January 29th – February 4th

- **Reading:**

- *All Your Worth: The Ultimate Lifetime Money Plan*; Getting Started and Chapter 1 (pages 1 – 50) .

- **Discussion 1** – Begins Monday, January 29th at 12:00 AM. Ends Sunday, February 4th at 11:59 PM. All input is due by this end date and time. **Please see the discussion section below for further details.**

Week 5: February 5th – February 11th

- **Reading:**

– *All Your Worth: The Ultimate Lifetime Money Plan*; Chapter 2. This is a light week, only 19 pages of reading. I have given you a lot of reading, the first 4 weeks so we can start discussing these issues in an informed intelligent way as soon as possible, so this week I am rewarding you with a little break.

Week 6: February 12th – February 18th

- **Reading:**

– *All Your Worth: The Ultimate Lifetime Money Plan*; Chapter 3

- **Discussion 2** – Begins Monday, February 12th at 12:00 AM. Ends Sunday, February 18th at 11:59 PM. All input is due by this end date and time. **Please see the discussion section below for further details.**

Week 7: February 19th – February 25th

- **Reading:**

– *All Your Worth: The Ultimate Lifetime Money Plan*; Chapters 4 and 5.

- **REMINDER: The midterm is next week.** – It may seem funny to be throwing in a reminder, but keep in mind it is much easier to forget a midterm in an internet course than in a traditional course, where you will get regular reminders in class.

Week 8: February 26th – March 4th

- **Reading:**

– *All Your Worth: The Ultimate Lifetime Money Plan*; Chapter 6

- **Midterm:** The midterm will be released at the beginning of Wednesday, February 28th (at 12:00 AM), and students will have until the end of Sunday, March 4th (at 11:59 PM) to submit it. Typically the exam should take 2 to 5 hours, but feel free to take as much time as you'd like as long as you submit it by the deadline Sunday. D2L will also allow you to leave the exam and come back to it as much as you'd like, saving and re-opening, as long as you don't hit submit. Once you hit submit your exam is turned in, and you can't get it back. Please note that the midterm is open book, but you are required to do it on your own with no help from others whatsoever.

Week 9: March 5th – March 9th

- **Reading:**

- *All Your Worth: The Ultimate Lifetime Money Plan*; Chapters 7 and 8.

Spring Break: March 10th – March 18th

- **Have Fun!**

Week 10: March 19th – March 25th

- **Reading:**

- *All Your Worth: The Ultimate Lifetime Money Plan*; Chapter 9, and "The Last Word" (pages 221 – 273), finishing the book.

- The Plastic Trap: Soaring Interest Compounds Credit Card Pain for Millions, *New York Times*, 11/21/04.

- No Degree, and No Way Back to the Middle, *New York Times*, 5/24/05

- **Discussion 3** – Begins Monday, March 19th at 12:00 AM. Ends Sunday, March 25th at 11:59 PM. All input is due by this end date and time. **Please see the discussion section below for further details.**

Week 11: March 26th – April 1st

- **Reading:**

- Excerpt from *Irrational Exuberance*, 2nd edition, 2005, by Yale Economist Robert Shiller, pages 11 – 27. You may want to print this scan for more comfortable and convenient reading.

- In the Long Run, Sleep at Home and Invest in the Stock Market, *New York Times*, August 19th, 2005.

- Is It Better to Rent or Buy?, *New York Times*, May 25th, 2005.

- Welcome to the Dead Zone: Real Estate Bubble Deflating, CNN, May 5th, 2006.

- Phoenix: Prices, Sales Tumble, but That's 'Getting Back to Normal', *USA Today*, October 16th, 2006.

– Excerpt from *Shortchanged: Life and Debt in the Fringe Economy*, 2005, by University of Houston Political Science Professor Howard Karger, pages 110 – 143. You may want to print this scan for more comfortable and convenient reading. The scan also includes the preface and pages 4 – 38 if you are interested, but these pages are not required.

Week 12: April 2nd – April 8th

- **Reading:**

– Investment Strategy, 2006, by Richard Serlin.

- **Due: Assignment 1, Compound Interest and the Power of Saving** – Please turn it in via the D2L Dropbox by Sunday, April 8th at 11:59 PM. *Please see the assignments section below for further details.*

Week 13: April 9th – April 15th

- **Reading:**

– Our Climb To Sublime; Hold On. We Don't Need to Go There, by Cornell Economist Robert Frank, Washington Post, 5/24/99.

– Excerpts from the book *Luxury Fever*, 1999, by Cornell Economist Robert Frank; pages 1 – 32, 146 – 172. You may want to print this scan for more comfortable and convenient reading.

– A Tale of Three Couples, 2006, by Richard Serlin.

Week 14: April 16th – April 22nd

- Reading:

– *Strapped: Why America's 20- and 30-Somethings Can't Get Ahead*; Introduction and Chapters 1 and 2 (pages 1 – 90).

Week 15: April 23rd – April 29th

- **Reading:**

– *The Great Risk Shift*, by Yale Political Science Professor Jacob Hacker; pages 1 – 39 (up to, but not including, the start of the section, "The Birth of American Social Insurance"), and pages 61 – 85.

– More Companies Ending Promises for Retirement, New York Times, 1/9/06.

Week 16: April 30th – May 3rd

- **Reading:**
 - Introduction to Student Loan Material, 2006, by Richard Serlin.
 - Excerpts from *Take Control of Your Student Loan Debt*, 3rd edition, 2001, by Robin Leonard and Deanne Loonin; pages 1/2 – 1/11, 2/2 – 2/17, 3/2 – 3/17. You may want to print this scan for more comfortable and convenient reading.
 - Your Student Loan Repayment Options, 2006, NOLO Article.
 - When You Can't Pay Your Student Loans, 2006, NOLO Article.
 - Student Loan Collections, 2006, NOLO Article.
 - Course Conclusion, 2007, By Richard Serlin
- **Discussion 4 – As it is near the end of the semester, for this discussion I have given you extra time. You may have until the end of the semester, Friday, May 11th at 11:59 PM to complete your input.** The discussion begins Monday, April 30th at 12:00 AM.

Final Exam Period: May 4th – May 11th

- **Due: Assignment 2, Career Plan** – Please turn it in via the D2L Dropbox by Friday, May 11th at 11:59 PM. *Please see the assignments section below for further details.*
- **Final** – The final will be released at the beginning of Friday, May 4th at 12:00 AM, and students will have until the end of Friday, May 11th at 11:59 PM to submit it. Typically, the exam should take 4 to 7 hours, but feel free to take as much time as you'd like as long as you submit it by the deadline Friday. D2L will also allow you to leave the exam and come back to it as much as you'd like, saving and re-opening, as long as you don't hit submit. Once you hit submit your exam is turned in, and you can't get it back. Please note that the final is open book, but you are required to do it on your own with no help from others whatsoever.

Discussion

Our course will have a D2L discussion board where you can post comments and reply to the comments of others. Please see the D2L Help for further details. For each of the assigned discussions, I will provide topics and/or questions to get things started. I will also monitor the postings and occasionally chime in.

Discussion is essentially graded as *credit/no credit*. You will receive *credit* if, for each discussion, you have at least 5 *reasonable* paragraphs. For example they cannot all be 1 sentence

paragraphs, and there must be informed and thoughtful content showing that you have been keeping up with the reading.

If you do not achieve this, you will receive some level of *no credit*, meaning that you will lose 1 to 10 points off of your end of semester total, depending on how far short you are. Essentially, if you keep up with your reading and just make a good effort, don't worry; you will get *credit* and will not be penalized any points off of your total for not satisfying this requirement.

The Discussion questions/topics will be posted on the first day of the week in which the discussion is assigned at 12:00 AM (you cannot access that discussion before then). You may begin at that time, and you have until the last day of that week at 11:59 PM to complete your input.

If you have trouble getting into the discussion, you can complete your 5 paragraphs just by typing in a short essay in response to the discussion questions/topics I will pose to get things started. Your 5 paragraphs can come from replying to just one, or just some, of the discussion questions/topics. You don't necessarily have to reply to all of them. Your 5 paragraphs can also come partly, or even completely, from replying to the input of others.

A nice way to view the input of others, and to just see the entire discussion all nicely laid out on a single scrolling screen, is to hit the print view button. This is how I read the discussion. I find it provides clearly the nicest view. Also, regarding readability, please don't submit your discussion input in the form of an attachment. This makes it so that the class cannot see it displayed on the same page with the input of the others, and it requires unnecessary extra clicking to view what you have said.

Assignments

Assignment 1: Compound Interest and the Power of Saving, should not be started until you have read at least the first 165 pages of *All Your Worth: The Ultimate Lifetime Money Plan*. After that you will get much more out of it. This assignment is relatively short, so you can wait at least until then to start it. **Please be sure to first completely read all of the written instructions, and, after that, see the complete video instructions, before starting.** These are available in the Content section of D2L.

You should, however, start thinking about Assignment 2: Career Plan in the first week. This assignment will involve picking a first and second choice career and then researching and analyzing them both. This is a very important assignment as many people make tragic life altering mistakes by going into a career that they really don't enjoy because they didn't really understand what it was like. Or, they choose one career, and train for it, when there is another they would have liked so much better if only they had known about it when they were younger, but now it would be very costly, or impossible, to go back to school and switch.

The key purpose of this assignment is to have you thoroughly research and analyze what a current first and second choice career will really be like, **now**, so that you do not make an extremely costly and hard to reverse mistake. This assignment is not due until the end of the

course, but you will at least have to choose your first choice career before completing Assignment 1: Compound Interest and the Power of Saving, as Assignment 1 will involve estimating your starting pay after completing your education. And, again, I recommend that you begin thinking about this assignment in the first week.

The full instructions for both assignments, including ***important*** video instructions for Assignment 1, are in the Content section of our D2L site.

Due Dates

If assignments are turned in late, they will still be accepted, but points will be deducted depending on how late, however, I believe it is important to be reasonable and intelligently flexible. If a student has a *legitimate* excuse for late completion, such as a *serious* illness or accident, then she will not be penalized.

D2L Questions or Problems

If you have any questions or problems regarding D2L, please do not contact me, as the D2L technical support people have access to the D2L server and are trained to handle any problems or questions. They can be reached at:

Email: techhelp@email.arizona.edu

Phone: 626-TECH (8324)

Grading

Possible Points:

Requirement	Points
Assignment 1	15
Assignment 2	15
Midterm	30
Final	40
Total	100

Scale:

Points	Grade
90 – 100	A
80 – 89.99	B
70 – 79.99	C
60 – 69.99	D
59.99 or less	E

Administrative

- 1) The course abides by university policies against plagiarism, etc., within the Student Code of Academic Conduct: <http://studpubs.web.arizona.edu/policies/cacaint.htm> .
- 2) For students registered with the Disability Resource Center please submit appropriate documentation if you request reasonable accommodations, per university policy: <http://drc.arizona.edu/instructor/syllabus-statement.shtml> .
- 3) This course will follow university guidelines regarding confidentiality of student records. For details please see <http://www.registrar.arizona.edu/ferpa/default.htm>
- 4) Subject to change statement: Information contained in the course syllabus, other than the grade and absence policy, may be subject to change with advance notice, as deemed appropriate by the instructor.