

**INDV 102 Web Delivered
Money, Consumers, and Family
Lectures 60, 791, and 910
Spring, 2008**

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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 once 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 89% 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 upfront 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 upfront 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 some 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 discharged.).

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

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.

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 at least once a week to see if there is anything new.

Week 1: January 16th – January 20th

- **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.

- *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 22nd – January 27th

- **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 28th – February 3rd

- **Reading:**

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

Week 4: February 4th – February 10th

- **Reading:**

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

- **Discussion 1** – Begins Monday, February 4th at 12:00 AM. Ends Sunday, February 10th at 11:59 PM. All input is due by this end date and time. *Please see the discussion section of this syllabus below for further details.*

Week 5: February 11th – February 17th

- **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 fundamental 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 18th – February 24th

- **Reading:**

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

- **Discussion 2** – Begins Monday, February 18th at 12:00 AM. Ends Sunday, February 24th 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 25th – March 2nd

- **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: March 3rd – March 9th

- **Reading:**

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

- **Midterm:** The midterm will be released at the beginning of Thursday, March 6th (at 12:00 AM), and students will have until the end of Sunday, March 9th (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 10th – March 14th

- **Reading:**

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

Spring Break: March 15th – March 23rd

- **Have Fun!**

Week 10: March 24th – March 30th

- **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 24th at 12:00 AM. Ends Sunday, March 30th 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 31st – April 6th

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

Week 12: April 7th – April 13th

- **Reading:**

- Investment Strategy, by Richard Serlin.
- **Due: Assignment 1, Compound Interest and the Power of Saving** – Please turn it in via the D2L Dropbox by Sunday, April 13th at 11:59 PM. *Please see the assignments section below for further details.*

Week 13: April 14th – April 20th

- **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, by Richard Serlin.

Week 14: April 21st – April 27th

- **Reading:**

- Excerpts from, *The Great Risk Shift*, 2006, 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. You may want to print this scan for more comfortable and convenient reading.

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

Week 15: April 28th – May 4th

• **Reading:**

– Student Loans, by Richard Serlin.

– Private Loans Deepen a Crisis in Student Debt, *New York Times*, June 10th, 2007.

– Senate Floor Statement, Proposed Bill Ending Private Student Loan Bankruptcy Exemption, by Dick Durbin (D-IL), 6/7/07

– Financial Aid Gets an Overhaul, *San Francisco Chronicle*, 9/6/07

– 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 16: May 5th – May 8th

• **Reading:**

– Course Conclusion, 2007, By Richard Serlin

– So You Think your 401K Money is Safe, *Los Angeles Times*, December 12th, 2006

- **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 16th at 11:59 PM to complete your input.** The discussion begins Monday, May 5th at 12:00 AM.

Final Exam Period: May 9th – May 16th

- **Due: Assignment 2, Career Plan** – Please turn it in via the D2L Dropbox by Friday, May 16th 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 9th at 12:00 AM, and students will have until the end of Friday, May 16th 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. Like with the midterm, D2L will 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. Also like the midterm, 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 the first 165 pages of *All Your Worth: The Ultimate Lifetime Money Plan* (Week 8). After that you will get much more out of it.

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

that 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. Again, I recommend that you begin thinking about the Career Plan assignment in the first week.

The full instructions for both assignments are in the Content section of our D2L site. Assignment 1: Compound Interest and the Power of Saving is due by Sunday, April 13th at 11:59 PM. Assignment 2: Career Plan is due by Friday, May 16th, at 11:59 PM. Both assignments are to be turned in via the D2L Dropbox.

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)

Printing and Backing Up

Aside from your two books, all other materials for this course are downloaded from D2L. You could just read these materials from your computer screen, but for most students it will usually be better to print them, and this is especially true for articles over 10 pages, and for more complicated articles.

There are several important advantages to reading off of paper, rather than a computer screen. First, you can usually get more comfortable. If, say, your neck is uncomfortable, or getting tired, this can distract from what you're reading, and hurt your concentration. The same is true if your eyes get tired or irritated, and that happens a lot less with paper and ink. The reasons are technical. They have to do with the physics of how monitors work, but it's well proven that a good print is easier on the eyes than a monitor. Flat panels are better than the larger, old

fashioned, CRT's, but a good print is still easier on the eyes than even the best current flat panel monitors.

Another advantage, *which can often be very valuable*, is that with paper you can underline and write notes on the article. This can often help greatly with comprehension and concentration. It really can make a difference in helping you to focus on, and really think about, the material. Plus, often your own notes, in your own particular way of speaking and thinking, can be really helpful to look back on and re-read when reviewing the article.

For books as well, I encourage you to write in them and underline. This will cost you very little money if you re-sell the book, relative to the cost of your education. It's well worth it in return for greater academic success and learning.

In about five to ten years, tablet computers will probably get so good that for most academic and other purposes they will be better for reading and note taking than paper. They will become very light, very thin, and with resolution virtually as good as paper. So, they will have pretty much the advantages of paper. They will have the comfort and the ease on the eyes, and you will be able to underline and write notes on articles with a stylus. But a great advantage over paper is that all of this – the articles plus your underlining and notes is saved on the hard drive.

You could save the class notes from every course you ever took, and all the articles with your notes and underlining, in essentially zero physical space on your hard drive. On paper, with notebooks and binders, this would take a huge amount of your home's space, and be very heavy. It also would not be searchable like an electronic version. It would be a lot harder to find things than with an electronic version. In fact, with ever improving handwriting recognition, even the content of your handwritten notes will be searchable.

And, wherever you go, it will be easy to carry around all of your information from every course you have ever taken, as well as, eventually, more and more of your books, as books will increasingly become available in electronic version (with copyright protection technology).

In addition, it's easier to lose paper than *well backed up* electronic information. I'll talk more about backing up soon, but let me first finish up discussing tablet computers. Today, we don't have tablet computers that are good enough to be very popular. The best today are not bad, but they're still kind of thick and heavy. The resolution, especially when writing on the screen, is clearly worse than paper, and the size of the screen is usually much smaller than a standard piece of paper. If you have a tablet computer that you like, fine, use it, but most students won't have one, and for them, usually, it will be better to print, and this is especially true for articles over 10 pages, and for more complicated articles.

Printing only costs about 2 to 5 cents per page, including paper, with a laser printer, and about twice that much with an ink jet, so typically it will cost under \$20 to print everything in this course if you have a laser printer, and under \$40 if you have an ink jet. Thus, it's well worth the money to print an article if it will make even a small difference in your academic success and learning. This is a good high return investment of money, as is your education in general.

Now to backing up. It's generally important that you do this. The best way to back up is to a remote server over the internet, and it's inexpensive – even free for under 2 GB! Let's take the free example. A company called Mozy offers free back up of up to 2 GB. This is enough to hold all of the Microsoft Office documents from every course you have ever taken. If you want to add larger files like photos, scans, and databases, you might have to pay for additional server space.

The Mozy software is very good. It's very quick and easy to register and set up. Once you have done so, every night Mozy will back up all of the folders and files you have chosen, over the internet to one of its servers in Utah. The Mozy servers themselves are highly backed up and secure, and the data transfer is also very secure with a high level of encryption. Once you're set up, backing up happens automatically. There's no work on your part, and again it's free up to 2 GB.

How do they make money? They're hoping you will eventually store more than 2 GB, and will pay to upgrade. Also, once they assemble a large population of free subscribers, they may start charging in the future, but it will probably only be less than \$10 per year given that Dell has an online backup service called DataSafe that charges \$9 per year for up to 3 GB.

Online backup is much better than an external hard drive or CDs. External hard drives can get stolen or damaged. CDs can get lost, and you certainly don't want to waste time every night making new ones. In addition, when you back up online you can access the files from anywhere, for example when you're at the main library sitting at a university computer, when you're at a friend's place, or when you're visiting your family.

You can sign up for Mozy at: <http://mozy.com/home> . Dell DataSafe is available at:

<http://www.dell.com/content/topics/topic.aspx/global/shared/services/datasafe/datasafe?c=us&l=en&s=dhs> .

I strongly recommend that you sign up for online back up, and back up all of your important files for this, and all other courses. Hard drive crashes and thefts are not that rare.

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.