

WEALTH MANAGEMENT

Module 5, 2019/20

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Course description

In this course you will acquire practical skills of wealth management and personal financial planning. We will discuss the efficient use of financial instruments and interaction with financial intermediaries in managing risks and investments. Throughout the course, we will discuss all topics from two sides: the personal view and the industry approach to deal with these issues.

Course requirements, grading, and attendance policies

The course grade will be based on:

- Two home assignments: 15% each
- Two case assignments (made in groups of 4 people): 20% each
- Closed-book written exam: 30%

The final class will include the defense of the second case solutions by the groups and written exam. Active class participation may add up to 5% bonus points (note that quality rather than quantity of your interventions will count).

Course contents

Class	Topic	Reading
1	<i>Hand in & be ready to present Home assignment 1</i>	[3] ch.1
	Personal finance. Why money is never enough? Personal financial goals based on the life cycle. Capital structuring and personal financial planning. Making financial decisions based on both quantitative and qualitative factors.	[4] ch.1 [6] [7] ch.1-3,15
	How to manage risks. Major risks threatening personal financial goals. Role of the reserve fund and insurance. Different types of insurance vs. alternative risk management methods.	[4] ch.8 [7] ch.4

Class	Topic	Reading
2	<i>Hand in & be ready to discuss the Decision case</i> The wealth management industry. History and recent trends. Key business drivers. Major players: private banks, wealth managers, robo-advisors. Client segments and their typical needs. Open vs. closed architecture. Offshore vs. onshore products. Career perspectives in the wealth management industry.	[3] ch.7 [5]
3	<i>Hand in & be ready to present Home assignment 2</i> How to invest money. Investment profiling, asset allocation, and portfolio rebalancing. Traditional investments (stocks, bonds, and mutual funds) vs. alternative investments (real estate, commodities, hedge funds, illiquid assets, etc.). Financial intermediaries. Selection and evaluation of different types of financial intermediaries. Protection of consumer rights.	[1] ch.8-10,14 [3] ch.2-3,5,8 [4] ch.5-6 [7] ch.5-7,9-12,14
4	<i>Hand in & be ready to discuss the Rina Castillo case</i> Case 2 defense and exam	

Description of course methodology

The course is taught as a mix of lectures with interactive discussions of key concepts and mini-cases. The classes will involve a lot of interaction between professors and students. We shall discuss the clash between academic and business views represented by the two professors. Students should prepare in advance to the classes by studying the assigned readings, be ready to present their home project assignments and actively participate in the discussions.

Sample tasks for course evaluation

Sample questions from the home assignment:

Carry out the quantitative analysis of the housing problem: renting an apartment vs. buying it with a mortgage loan. Specify the underlying assumptions, which should be realistic and based on the current market situation. Compute the corresponding cash flows for each of the two alternatives. Which alternative is more valuable? What are the key drivers of your result? Which of the two alternatives would you choose based on your quantitative analysis: renting an apartment or buying it with a mortgage loan?

Course materials

There are many readings covering different aspects of wealth management, but there is no basic textbook for the course. [1] describes how financial planners make asset allocation for clients. [2] is an investment guide for an individual investor, written by a very successful portfolio manager of Yale University endowment fund. [3] contains a lot of practical information on personal investment, from investor profiling to offshore investments, capital-protected products, and financial consultants. [4] is a basic level reading on personal finance, discussing risks of different financial instruments and containing many real-life stories. [5] is a classical advanced

reading on private banking. [6] describes practical aspects of constructing a personal financial plan. [7] is a new book describing many practical aspects of wealth management in Russia.

Most of these readings may seem slightly outdated, since the WM industry is changing fast due to fintech developments. Therefore, we provide additional up-to-date reports and readings at my.NES.

1. Evensky, Horan, Robinson, 2011, The New Wealth Management: The Financial Advisor's Guide to Managing and Investing Client Assets.
2. Swensen, 2005, Unconventional Success: A Fundamental Approach to Personal Investment.
3. Беккер, 2009, Не потеряй! О чем умолчал «папа» Кийосаки? Философия здравого смысла для частного инвестора.
4. Горяев, Чумаченко, 2011, Финансовая грамота.
5. Мод, Молино, 2003, Private Banking. Элитное обслуживание частного капитала.
6. Паранич, Личный финансовый план: инструкция по составлению.
7. Смирнова, 2020, Деньговодство. Руководство по выращиванию ваших денег.

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.