

WEALTH MANAGEMENT

Module 5, 2020/21

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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 made in groups of 2 people: each 10%
- Three case assignments made in groups of 4 people: each 10%
- Individual home assignment on personal financial plan: 15%
- Closed-book written exam: 35%

Active class participation may add up to 5% bonus points (note that quality rather than quantity of your interventions will count).

Course contents

Week	Topic	Reading
1	Wealth management and personal financial planning. What is wealth management? Personal financial goals based on the life cycle. Long-term personal financial strategy based on capital structuring. Typical obstacles and mistakes. Role of wealth advisors. <i>Guest speaker: Andrey Paranich, Director, Association "National League of Financial Advisors"</i>	[3] ch.1, 7 [4] ch.1 [6] [7] ch.1,15
2	<i>Hand in & be ready to present HA1: housing</i> Making financial decisions: quantitative and qualitative factors. Specifics of savings and loans. The role of assumptions and the power of compound interest. Means of payment. Pros and cons of cash, debit and credit cards, crypto-currencies. 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.2,4,8

Week	Topic	Reading
3	<p><i>Hand in & be ready to discuss Case 1: the Decision</i></p> <p>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. <i>Guest speaker: Valery Chumachenko, CEO, ChGK Online</i></p>	[5]
4	<p><i>Hand in & be ready to present HA2: investments</i></p> <p>The investment process. Understanding a client's risk attitude. Dealing with behavioral biases. Risk and return of different asset classes. The role of diversification. Strategic and tactical asset allocation. Different portfolio manager styles. Financial intermediaries. Selection and evaluation of mutual fund managers. Performance-based and forward-looking fund ratings.</p>	[1] ch.8-10,14 [3] ch.2,5,8 [4] ch.5-7 [7] ch.5-7
5	<p><i>Hand in & be ready to discuss Case 2: Rina Castillo</i></p> <p>Alternative investments: real estate, commodities, hedge funds, private equity, illiquid assets, collectibles. International investing. Structured products and special portfolio solutions. Tax considerations. <i>Guest speaker: TBA</i></p>	[3] ch.3-4, 6 [7] ch.9-14
6	<p><i>Hand in & be ready to discuss Case 3: Rudy Wong</i></p> <p>Relationship management. Rational and emotional factors in relationship with the client. Specifics of different generations. Effective communications with the client. Ethics code.</p>	
7	<p><i>Hand in & be ready to discuss HA3: personal financial plan</i></p> <p>Sustainable investment. ESG factors and related investment strategies. <i>Guest speaker: TBA</i></p>	

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 professor, students, and guest speakers from the industry. Students should prepare in advance to the classes by studying the assigned readings, be ready to present their home 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.

The additional up-to-date reports and readings will be provided 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.