

WEALTH MANAGEMENT

Module 5, 2022/23

Alexei Gorjaev
New Economic School
agorjaev@nes.ru

Course description

This course gives you an opportunity to acquire practical skills of wealth management and personal financial planning. All topics are covered from two sides: the personal (or client's) view and the industry approach. On the one side, we discuss the efficient use of financial instruments and interaction with financial intermediaries to properly manage risks and investments. On the other side, we study the structure of the WM industry, specifics of different players (private banks, management companies, robo-advisors, etc.) and their services. Throughout the course, we discuss the most recent examples and relevant cases, above all focusing on the current situation.

Course requirements, grading, and attendance policies

The course grade is based on:

- Two home assignments made in groups of 2 people: each 15%
- Three case assignments made in groups of 4 people: each 15%
- Individual final project on personal financial plan: 25%

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 managers. <i>Guest speaker: Dmitry Golosov</i>	[3] ch.1, 7 [4] ch.1 [6] [7] ch.1,15
2	Hand in & be ready to discuss HA1: the Decision case The wealth management industry. History and recent trends. Key business drivers. Major players: private banks, investment companies, family offices, 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: TBA</i>	[5]

Week	Topic	Reading
3	<p><i>Hand in & be ready to present HA2: housing</i></p> <p>Making financial decisions: quantitative and qualitative factors. Specifics of savings and loans. The role of assumptions and the power of compound interest.</p> <p>Managing risks. Major risks threatening personal financial goals. Reserve fund, insurance, and alternative risk management methods.</p> <p>Capital structuring. Different types of legal entities used by HNWI.</p>	<p>[4] ch.8</p> <p>[7] ch.2,4,8</p>
4	<p><i>Hand in & be ready to discuss HA3: investments</i></p> <p>Managing investments: from investment idea to investment strategy. Risk and return of different asset classes. Strategic and tactical asset allocation. Different investment styles. Active and passive approach to portfolio management.</p> <p><i>Guest speaker: TBA</i></p>	<p>[1] ch.8-10,14</p> <p>[3] ch.2,5,8</p> <p>[4] ch.5-7</p> <p>[7] ch.5-7</p>
5	<p><i>Hand in & be ready to present HA4: Rina Castillo case</i></p> <p>Portfolio managers. Structured products and special portfolio solutions. Selection and evaluation of mutual fund managers. Performance-based and forward-looking fund ratings.</p> <p>Alternative investments: real estate, commodities, hedge funds, private equity, illiquid assets, collectibles.</p>	<p>[3] ch.3-4, 6</p> <p>[7] ch.9-14</p>
6	<p><i>Hand in & be ready to discuss HA5: Rudy Wong case</i></p> <p>Relationship management. Risk profiling. Rational and emotional factors in relationship with the client. Dealing with behavioral biases. Effective communications with the client. The ethics code.</p> <p><i>Guest speaker: TBA</i></p>	
7	<p><i>Hand in & be ready to discuss the final project: personal financial plan</i></p> <p>Sustainable investment. ESG factors and related investment strategies.</p> <p>Course overview. Present and future of WM.</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.