

# WEALTH MANAGEMENT

Module 5, 2017/18

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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 the private banking approach to deal with these issues.

## Grading

The course grade will be based on:

- Home assignment 1 on housing (made in groups of 2 people): 15%
- Home assignment 2 on investments (made individually): 15%
- Two case assignments (made in groups of 4 people): 30% (15% each)
- Home project on personal financial plan (made individually): 30%
- Class participation: 10% (note that quality rather than quantity of your interventions will count)

## Course contents

Class	Topic	Reading
1	<b>Personal financial planning.</b> Why money is never enough? Personal financial goals based on the life cycle. Long-term personal financial strategy based on capital structuring. Role of financial instruments and intermediaries. Typical obstacles and mistakes. <i>Mini-case: car loan</i> <i>Guest speaker: TBA</i>	[3] ch.1 [4] ch.1 [6]

Class	Topic	Reading
2	<i>Hand in Case 1: the decision</i> <b>The wealth management industry.</b> History and recent trends. Key business drivers. Major players: private banks, wealth managers, legal advisors. Client segments and their typical needs. Open vs. closed architecture. Offshore vs. onshore products.	<b>Overview of the course.</b> Discussion of home projects.
3	<i>Hand in Home assignment 1: mortgage vs. rent</i> <b>Savings vs. loans.</b> How to make savings. The power of compound interest. How to compute the full cost of loan and make it lower. Specifics of car and mortgage loans. <b>Means of payment.</b> Pros and cons of banknotes, debit and credit cards, e-money.	[5] [4] ch.2-4
4	<b>How to manage risks.</b> Major risks threatening personal financial goals. Role of the reserve fund and insurance. Different types of insurance. Pros and cons of the endowment life insurance. Pension insurance. <i>Mini-case: life insurance</i> <i>Guest speaker: TBA</i>	[4] ch.8
5	<i>Hand in Home assignment 2: analysis of the game Portfolio</i> <b>How to invest money.</b> 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.). Role of structured (e.g. capital-protected) products. <i>Mini-case: investments</i> <i>Guest speaker: TBA</i>	[3] ch.2-3,5,8 [4] ch.5-6
6	<i>Hand in Case 2: Rina Castillo</i> <b>Financial intermediaries.</b> Selection and evaluation of different types of financial intermediaries. Performance evaluation and ratings of portfolio managers. Protection of consumer rights. <i>Guest speaker: TBA</i>	[4] ch.9
7	<i>Hand in Home project: personal financial plan</i> <b>Financial fraud.</b> How to deal with fraud in bank cards, loans, investments, etc. <i>Mini-case: fraud</i>	

## Description of course methodology

The course is taught as a mix of lectures with interactive discussions of key concepts and mini-cases. Students are expected to prepare in advance to the classes by studying the assigned readings.

## Sample tasks for course evaluation

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### **Individual home assignment on investments**

You should play the [Portfolio](#) game with the goal of protecting your savings from inflation. The project should include the final report of the game containing the annual returns for the instruments you chose. In the project you should describe your investment strategy and motivate the choices you made through the game. In addition, describe what you would change in your strategy in the real world compared to the game.

## Course materials

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[1] is an excellent reading on investment summarizing many theoretical and practical insights. [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 popular reading on personal finance, discussing risks of different financial instruments and containing many real-life stories. [5] is an advanced reading on private banking. [6] describes practical aspects of constructing a personal financial plan. [7] is a very useful collection of Vedomosti publications on various topics related to financial markets.

1. Antti Ilmanen, 2011, Expected Returns: An Investor's Guide to Harvesting Market Rewards.
2. David Swensen, 2005, Unconventional Success: A Fundamental Approach to Personal Investment.
3. Исаак Беккер, 2009, Не потеряй! О чем умолчал «папа» Кийосаки? Философия здравого смысла для частного инвестора.
4. Алексей Горяев, Валерий Чумаченко, 2011, Финансовая грамота.
5. Дэвид Мод, Филип Молино, 2003, Private Banking. Элитное обслуживание частного капитала.
6. Андрей Паранич, Личный финансовый план: инструкция по составлению.
7. Серия изданий «Путеводитель частного инвестора», 2007-2011.

## Academic integrity policy

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