Economics 43: Introduction to Financial Decision-Making

3 Units Summer Quarter 2025
TuTh 10:30 am-12:00 pm

Professor Annamaria Lusardi (alusardi@stanford.edu)
Office Hours: Wed: 1.30 to 2.30 PM (SIEPR, office 224)

The Course Satisfies the Social Inquiry Ways Requirement.

This course will be held in person. The slides accompanying the lectures will be available on Canvas. Information about the TA sections will be provided on Canvas. If possible, professors' and teaching assistants' office hours will be in person; otherwise, information will be available on Canvas via Zoom.

Course Objectives

This course will equip you with essential knowledge and skills to make informed financial decisions. You will learn about managing personal finances, including budgeting, saving, investing, and borrowing. Our goal is to empower you to achieve financial security and independence through sound financial decision-making.

This course will cover various topics to help you navigate your financial journey. You will explore real-world scenarios, case studies, and common financial mistakes to develop a strong foundation in personal finance. By the end of this course, you will be better equipped to handle your financial decisions and plan for the future.

Course Organization

Each lecture will focus on important aspects of personal finance, using data analysis, case studies, and real-world applications.

The course includes engaging discussions on managing debt, investing wisely, and planning for significant financial milestones. Several problem sets, sample exam questions, and review sessions will be provided to ensure you grasp and can apply the material. The primary course material will be lectures supplemented by online tools and many practical applications.

Evaluating Progress

There will be two midterms and one final exam (held during the scheduled exam time). In addition, there are problem sets and modules to keep you on track with the material covered in class.

Grading

Grades will be determined as follows:

- **Midterms:** 25% (2/3 allocated to the higher score and 1/3 to the lower score)
- **Final:** 50%
- **Problem sets and modules/case studies:** 20%
- **Class attendance/participation:** 5%

If you are an athlete who has to be away from campus or have other legitimate reasons not to be able to attend classes, please contact the head TA and we will find a way to make up for class participation in other ways.

There are a total of 7 problem sets/exercises (about one per week).

There will be a penalty of 10% for late delivery of problem sets/exercises, which increases to 50% if the delay is more than a week.

Midterms are scheduled on weeks 3 and 6 of the course.

Midterms and finals will be taken in person, but accommodation can be made for those who are unable to do so and have proper justifications. Please contact the head TA at least 1 week before the exam, if you need accommodation.

Class Participation:

Class participation and attendance will be documented through collection of attendance at random times.

AI-Use Policy

Students are encouraged to utilize AI tools to enhance their learning experience. AI can be used for research, analysis, and generating ideas, provided it is appropriately cited. All AI-generated content should reflect the student's own understanding and analysis. Plagiarism or presenting AI-generated work as personal work without acknowledgment is strictly prohibited.

For detailed guidelines, please refer to the AI-Use Policy Document.

Course Sessions and Topics

Week 1: 6/22- 6/26| Building a Financial Literacy Foundation

- **Session 1 - Tue 6/23: Introduction to Personal Finance**
  Introduction to the course objectives, requirements, and the teaching team. Discussion about the importance of personal finance, the basics of financial literacy, and common financial challenges. We will start by understanding why financial literacy is critical to your future.
- **Session 2 - Thu 6/25: Financial Foundations**
  Understanding the basics. This session lays the groundwork for your financial education. It explores saving, including the time value of money. It also provides practical applications of present and future value calculations. Learn why interest rates are at the basis of most financial decisions.

Week 2: 6/29- 7/3 | Mastering Budgeting and Long-Term Saving Strategies

- **Session 3 - Tue 6/30: Budgeting and Money Management**
  Developing and maintaining a personal budget, creating financial statements, and understanding the importance of financial planning. Dive into creating and sticking to a budget that works for you.
- **Session 4 - Thu 7/2: The Life-Cycle Model of Saving**
  Exploration of the life-cycle model of saving, including how people save for the future, social security, wages, and job-related financial planning. Activities will include practical exercises in bargaining your salary.

Week 3: 7/6 - 7/10 | Navigating Borrowing and Credit Management

- **Session 5 - Tue 7/7: Borrowing**
  Analysis of consumer credit options, student loans, and the implications of borrowing. Understand how to borrow responsibly and avoid common pitfalls.
- **Session 6 - Thu 7/9: FICO Scores and High-Cost Methods of Borrowing**
  Discussion of credit scores, their impact on borrowing, and the risks associated with high-cost borrowing methods. Learn how to manage and improve your credit score.

Week 4: 7/13 - 7/17| Evaluating Housing Choices and Educational Investments

- **Session 7 - Tue 7/14: Housing and Mortgages**
  Evaluating the financial aspects of housing and understanding different mortgage options. Learn about mortgage points and when it is useful to refinance.
- **Session 8 - Thu 7/16: Investing in Education**
  Understanding the long-term financial benefits and costs of investing in higher education. Discussion of financing options, returns on educational investments, and strategies for minimizing educational debt.

Week 5: 7/20 - 7/24 | Fundamentals of Investing and Fixed Income Assets

- **Session 9 - Tue 7/21: Investing Basics**
  Introduction to investing principles, including risk management, asset allocation, and the basics of stocks and bonds. Discover how to start investing wisely to grow your wealth over time.
- **Session 10 - Thu 7/23: Bonds and Other Fixed Income Assets**
  Overview of bonds and other fixed-income assets. Discussion of their role in a diversified portfolio and how they fit into personal financial planning.

Week 6: 7/27 – 7/31 | Advanced Investment Strategies and Tax Efficiency

- **Session 11 - Tue 7/28: Advanced Investing Concepts**
  Exploring diversification, portfolio management, and advanced investment strategies. Discussion on mutual funds, ETFs, and active vs. passive investing. Learn how to build a diversified portfolio that matches your financial goals.
- **Session 12 - Thu 7/30: Personal Taxes**

  Introduction to personal taxes in the U.S., including marginal and effective tax rates, deductions and exemptions, federal, state, and local taxes, payroll and capital gains taxes. Learn how taxes affect personal finance decisions.

Week 7: 8/3 - 8/7 | Taxes and Planning for Retirement

- **Session 13 - Tue 8/4: Taxes and Tax Planning**

Overview of tax planning strategies, including tax-deferred savings, deductions, and credits. Learn how to maximize tax efficiency in personal finances and how to minimize your tax liability legally and effectively.

- **Session 14 - Thu 8/6: Planning for Retirement**
  Strategies for retirement planning, including tax-efficient saving, IRAs, and 401Ks. Understanding the importance of early and consistent saving for retirement and how to have enough to live comfortably when you stop working.

Week 8: 8/10 - 8/13 | Managing Insurance and Practical Financial Advice

- **Session 15 - Tu 8/11: Insurance in the Financial System and in Your Personal Finance**
  Learn the basics of insurance. Discussion about different types of insurance and how they fit into personal financial planning. Focus on protecting personal assets and managing risk.

- **Session 16 - Wed 8/13: Summary and Practical Financial Advice**
  Recap of the course and list of the best advice we can provide you. Discussion on next steps for personal financial growth and security. We'll wrap up with actionable advice to continue your financial journey.

SUPPLEMENTAL MATERIALS

WSJ, NYT, FT and HBS articles or cases will be posted occasionally. There are widely used online materials and these may be of interest:

Schwab: https://www.schwab.com/investment
Fidelity: https://www.fidelity.com/what-we-offer/overview
NerdWallet: http://www.nerdwallet.com/

A valuable additional resource throughout your Stanford career is Mind Over Money: https://mindovermoney.stanford.edu/

FINANCIAL CALCULATOR

Every student must have access to a financial calculator. Many are available for free or very low cost and can be downloaded on your smartphone. We recommend Ez Calculators on Apple's App Store.

COVID-19 POLICY

Below are various links to the university updated COVID-19 guidelines:
https://studentaffairs.stanford.edu/covid-guidance
https://healthalerts.stanford.edu/covid-19/#:~:text=Stanford%20strongly%20recommends%20masking%20in,of%20requiring%20masks%20in%20classes.
https://covid19.sccgov.org/covid19-guidelines

STUDENTS WITH DOCUMENTED DISABILITIES

Students who may need academic accommodation should register with the Office of Accessible Education (OAE). Professional staff will evaluate each student's needs, support appropriate and reasonable accommodations, and prepare an Academic Accommodation Letter for faculty. To get started, or to re-initiate services, please visit oae.stanford.edu. The OAE is located at 563 Salvatierra Walk. If you receive an Academic Accommodation Letter, please email a copy to head TA Nick Grasley. Email: ngrasley@stanford.edu.

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