The purpose of this course is to show how the state of the economy (interest rates, inflation, employment, tax rates) should influence your personal decisions about earning and spending, credit and lending, investments and insurance. You will have extensive practice in finding relevant data, using them to make systematic decisions, and discussing alternative methods to increasing your material welfare over a lifetime.

E102 fulfills several elements of the IUPUI Principles of Undergraduate Learning: (1e) making efficient use of informational resources for personal needs; (3a) applying knowledge to enhance personal lives; and (6a) making informed choices regarding conflicting situations in personal lives.

This course is intended for non-Business majors and assumes no prior courses in Economics.

Requirements: Regular attendance and preparation of homework reports, three quizzes, an hour exam, and a comprehensive final on course concepts. Attendance will not be graded separately but is essential to the preparation of homework reports, as well as quizzes. Reasonable accommodations will be made for students with disabilities, as arranged through the Adaptive Education Services (274-3241 or www.life.iupui.edu/Who/Adaptive), located in Cavanaugh 001E.

Grading: As practiced in most introductory Economics courses, grading will be about 30-35% A’s and B’s, 40-50% C’s, and 10-20% D’s or F’s. Grades will be calculated on the basis of class preparation and homework reports (20%), four quizzes (10% each), midterm exam (20%), and the final (20%). If you miss a quiz or midterm, call the instructor immediately with your reason. The best six of your eight homework reports, as listed below, will be averaged together with class preparation to yield the first component; the others will follow the indicated grade distribution.

Warning! Plagiarism is the unacknowledged quotation of others’ work and will be penalized according to the procedures of the Student Code, except that your homework reports may be prepared with one other student.

Confidentiality: Your personal information will not be revealed to anyone else. The instructor will not be available for any paid advice during the course or afterwards.

Weekly Schedule

Week 1. (Thursday, August 27). Introduction: Career choices
Reading: KDH, chapter 1, pp. 1-25.
Concepts: opportunity cost, future vs. present value, time value of money

Week 2. (Tuesday-Thursday, Sept. 1-3) Budgeting: how much can you afford?
Homework #1: preparing your personal balance sheet (due Sept. 8)
Reading: KDH, app. to chapter 1 (for classwork), chapters 2-3 especially 80-96.
Concepts: “cafeteria” plans, net worth, surplus/deficit, debt, current/liquidity ratios

3. Tax planning: how can you minimize or avoid taxes?
   Concepts: taxable income, tax incidence, marginal vs. average tax rates, avoidance/evasion.
   Homework #2: preparing a 1040 tax return (due Tuesday, Sept. 15)
   Reading: KDH, ch. 4 (pp. 106-121 and 125-130 only).
   Quiz #1 on chapters 1-4 (excerpts only) on Thursday, Sept. 10

4. Keeping your money: the costs and benefits of liquidity
   Concepts: demand deposits, credit unions, debit vs. credit card, APY
   Reading: KDH, ch. 5 (pp. 136-61), review pp. 86-96.
   Homework #3: preparing a monthly budget (due September 24)

5. Using credit intelligently: when does it pay? When not?
   Concepts: APR, credit rating
   Homework #4: obtaining and reading your credit report (due October 8)
   Reading: KDH, ch. 6 (pp. 167-195).

6. Credit cards and consumer loans: how to avoid unnecessary charges?
   Concepts: balloon loans, “teaser” loans, chapter 7 vs. chapter 13 bankruptcy
   Reading: KDH, ch. 7 (pp. 206-16, 220-21, 224-28, 231-34).
   Quiz #2 on Thursday, October 1, on chapters 5-7.

7. How to buy a car and how to minimize your costs over time
   Reading: KDH, ch. 8. (pp. 243-64)
   Concepts: leasing, warranties
   Homework #5: obtaining price for your used and your “dream” car (due Oct. 15)

8. Buying a home vs. renting: which fits your circumstances?
   Reading: KDH, ch. 9 (pp. 308-32).
   Concepts: amortization, fixed vs. adjustable mortgages

9. Hour exam Tuesday, October 20, on chapters 1-9.
   Insurance: basic principles—who needs it and when?
   Concepts: the fair premium, risk aversion vs. moral hazard
10. Managing your health plans and disability insurance
   Concepts: deductibles vs. co-pays (coinsurance), stop-loss, HMO
   Reading: KDH, ch. 11 (pp. 338-68)

11. Life insurance: how much do you need and for how long?
   Reading: KDH, ch. 12 (pp. 376-404)
   Concepts: universal vs. term insurance, cash value, annuity
   Homework #8: estimating need [p.383], getting quotes [p. 399] (due Nov. 12).
   Quiz #3 Thursday, November 5, on chapters 10-12, in class.

12. Basics of investing—reading the financial press (bring a copy of
   *The Wall Street Journal*)
   Concepts: diversification, asset allocation, portfolio balance, risk, liquidity.
   Reading: KDH, ch. 13 (pp. 411-35)

13. Stocks and bonds
   Concepts: beta, P/E ratio, the efficient market hypothesis, margin, random walk,
   yield to maturity
   Reading: KDH, chs. 14-15 (pp. 445-73, 482-504).

14. Mutual funds
   Reading: KDH, ch. 16 (pp. 512-37).
   Concepts: open-end vs. closed-end funds, exchange-traded funds, REIT, closing
   costs
   Homework #9: obtaining a mutual fund prospectus (due Dec. 1)
   Thanksgiving vacation starts Wednesday, Nov. 25.

15. Real estate investments
   Reading: KDH, ch. 17 (pp. 544-55)
   QUIZ #4, Thursday, Dec. 3, on weeks 12-15 (chapters 13-17) in class.

16. Retirement Planning: how much is enough?
   Concepts: life expectancy, estate vs. inheritance taxes, trusts, annuities, Social
   Security, defined contribution vs. defined benefit pensions.
   Homework #10: preparing a retirement plan, sources and expenses [p. 606]
   Reading: KDH, chs. 17-18. (pp. 565-602, 608-23)

   Final exam: comprehensive, with emphasis on chapters 10-18 (weeks 9-16),
   scheduled for Thursday, December 14, at 10:30 a.m.-12:30 p.m.

   Write down the names and contact information of two other students, in case you
   miss a class.

____________________________       ______________________________