

**AAEC 3104: FINANCIAL PLANNING FOR PROFESSIONALS**  
**Fall, 2008**

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Office Hours: **Anytime** by appointment, or call/e-mail to see if available. To schedule an appointment, e-mail me 2-3 times available in your schedule; I'll meet one of them.

**Catalog Description:**

Analysis of financial needs, from the context of the individual, household or small business owner, related to financial situation (cash management and use of debt), income taxes, risk management, retirement planning, investment planning, estate planning, and other special needs. Utilizes mathematical and computing skills. PRE: 2104 or AHRM 2304; FIN 3134 or ACIS 1504; or permission of the instructor. (3H, 3C)

**COURSE OBJECTIVES:**

Following successful completion of this course, the student should be able to:

1. Demonstrate an understanding of the importance and use of time value money concepts in financial planning.
2. Solve and interpret financial planning topical problems (listed below) utilizing mathematical and computing skills.
3. Analyze and evaluate the financial situation needs using financial statements and ratio analysis.
4. Analyze and evaluate income tax planning needs including implications for employee benefits, insurance and annuities, investments, and retirement planning.
5. Analyze and evaluate risk management needs for employee benefits or individual policies for life, health, disability, long term care, property, and liability insurance.
6. Analyze and evaluate needs for funding education costs or other special needs.
7. Analyze and evaluate needs for employer-sponsored and individual retirement planning products as well as strategies for retirement planning.
8. Analyze and evaluate needs for investment planning and portfolio management.
9. Analyze and evaluate estate planning needs.

**TEXT:**

Dalton, M. A., Dalton, J. F., Cangelois, R. R., Guttery, R. S., Westerman, S. A. (2008). *Personal Financial Planning: Theory & Practice*. St. Rose, LA: KaplanFinancial.

**CRITERIA FOR EVALUATION:** (Plus/minus grades will be given.)

|                        |            |            |
|------------------------|------------|------------|
| Exam 1                 | 22%        | 100        |
| Exam 2                 | 22%        | 100        |
| Exam 3                 | 22%        | 100        |
| <u>Active Learning</u> | <u>34%</u> | <u>100</u> |
| TOTAL                  | 100%       | 500        |

Active learning consists of the following (weighted relative to the time/effort involved):

- End of chapter questions/problems for homework
- Investment portfolio project
- Investment scavenger hunt project
- Client letters (2)
- In-class exercises (e.g., note cards, quizzes, group work, participation, etc.)
- Profile of financial planning provider (e.g., website, services, regulations, etc.)

**Grading Scale:**

|                   |          |                         |             |
|-------------------|----------|-------------------------|-------------|
| 93+               | A        | 90-92/80-82/70-72/60-62 | A-/B-/C-/D- |
| 87-89/77-79/67-69 | B+/C+/D+ | 83-86/73-76/63-66       | B/C/D       |

**Exams** are self-contained, covering only those chapters included for the individual test. Exams are not retroactive to previous chapters. The final exam is similar to the other exams and is not comprehensive.

**Exams** are generally not given after the assigned date. If for some reason you must be absent on an exam date, please make arrangements **prior** to that date to take the exam. Should something unusual occur on the day of an exam to prevent you from coming, we will **discuss** the situation. Make-up exams are not guaranteed.

**Late Paper Policy**

Please note due dates for assignments. Papers are due during class; or if not in attendance, earlier during the assigned day. Papers submitted late will be penalized: 5 points for the first day and 2 points for every subsequent day. Should special problems and/or circumstances prevent you from completing your assignment on time the late penalty *may* be waived. Please bring special problems or constraints to my attention as soon as possible.

**In support of the Honor System**, “Any student who gives or receives information concerning a test, quiz or examination . . . or violates the professor’s specific instructions for the particular work, or who falsifies, verbally or in writing, any circumstances relevant to his academic work, shall be . . . (in) violation of the Honor Code.”

**THE HONOR CODE WILL BE STRICTLY ENFORCED IN THIS COURSE. ALL ASSIGNMENTS SUBMITTED SHALL BE CONSIDERED GRADED WORK and TO BE COMPLETED INDEPENDENTLY (unless otherwise explained in class). ALL ASPECTS OF YOUR COURSEWORK ARE COVERED BY THE HONOR SYSTEM.**

***ANY SUSPECTED VIOLATIONS OF THE HONOR CODE WILL BE PROMPTLY REPORTED TO THE HONOR SYSTEM AND YOU WILL NOT BE NOTIFIED BY THE INSTRUCTOR.***

**HONESTY IN YOUR ACADEMIC WORK WILL DEVELOP INTO PROFESSIONAL INTEGRITY. THE FACULTY AND STUDENTS OF VIRGINIA TECH WILL NOT TOLERATE ANY FORM OF ACADEMIC DISHONESTY.**

*Any student who feels that he or she may need an accommodation because of a disability (learning disability, attention deficit disorder, psychological, physical, etc.), please make an appointment to see me.*

**In support of Classroom Civility & the Learning Environment...**if you do not come to class with the intent of engaging in the learning process, then don’t come! Please do NOT come to class and distract

other students with your behavior (i.e., routinely coming late or leaving early; sleeping in class; chatting with your neighbor, etc.). I have, and will continue to, personally focus the attention of the class on you and tell you to leave the classroom. Please be respectful of your classmates, just as you will be expected to be respectful of your colleagues on the job.

### **Class Policies**

As *professionals*, let's make a commitment to:

- ✓ Start class on time, end class on time!
- ✓ Turn off the cell phones prior to starting class.
- ✓ Interact and support a collaborative learning environment.
- ✓ Come to class prepared to contribute, to discuss, to add insights or to ask questions.
- ✓ Act as a professional financial advisor – study, think, behave, reflect, question, and work – like you truly are committed to this career.
- ✓ Reflect professional behavior by demonstrating ethical behavior.
- ✓ Respect the other members of the team and communicate what is working and not working – that's the only way collaboration succeeds.

Bottom line: if you lack the professional responsibility to come to class prepared, *please* respect your classmates and do not come! Come to class prepared to contribute and engage in the learning process! Don't come to class hoping to "soak up" what you didn't bother to do in advance.

***I reserve the right to cancel class and not revisit the content if I judge the class to be unprepared to fully engage in the day's activities. The content will, however, still be covered on the exam or in assigned projects.***

In support of your professional growth and development, expand your horizons by reading the following:

- *Journal of Financial Planning* <http://www.fpanet.org/journal/>
- *Investment Advisor* <http://www.investmentadvisor.com>
- *Financial Advisor* <http://www.fa-mag.com>
- *Financial Planning* <http://www.financial-planning.com>
- *Bloomberg Wealth Manager* <http://wealth.bloomberg.com>

***Tentative Semester Schedule***

| <b>DATE</b>  | <b>TOPIC</b>   | <b>ASSIGNMENT</b>  |
|--|--|--|
| <p>WEEK 1<br/><b>August 25</b></p> <p><b>August 27</b></p> | <p>Understanding Financial Planning</p> <p>Understanding the Profession</p> <ol style="list-style-type: none"> <li>1. Financial planning process and introduction to CFP Board’s <i>Financial Planning Practice Standards</i></li> <li>2. Economic, social, political, and technological environmental impacts to financial planning</li> <li>3. Evolution of financial planning</li> <li>4. Content of a comprehensive plan</li> <li>5. Certification, designations, licenses, and key participants</li> <li>6. Role of the planner</li> <li>7. Special needs planning</li> </ol>                   | <p><u>Skim/Review</u>: Chapter 1, 18 and pp. 81-84 (special needs planning)</p> <p><u>Skim/Review</u>: PDF on Bb: LGK, Ch. 1; Altfest: WebChapter C Regulations</p> <p><u>Skim/Review</u>: Bb: PlanBuilder FactFinder (See Financial Statements folder)</p> <p>Bb: Handout for discussion and to guide your reading: <i>Understanding the Profession</i> – skim/read for the answers</p> |
| <p>WEEK 2<br/><b>Sept. 1</b></p> <p><b>Sept. 3</b></p>     | <p>Financial Statements</p> <ol style="list-style-type: none"> <li>1. Statement of financial position               <ol style="list-style-type: none"> <li>a. Treatment of retirement resources</li> <li>b. Treatment of taxation and liquidation costs on net worth</li> </ol> </li> <li>2. Cash flow statements</li> <li>3. Pro forma</li> <li>4. Interpretation of statements (e.g. financial ratios)</li> </ol> <p>Financial Statements <i>continued</i></p>   | <p>Chapter 4</p> <p><b>Review of financial planning firm’s website DUE</b><br/>(Do not profile a national product provider such as Ameriprise, FirstCommand, Fidelity, etc. You are to profile a financial planning firm – could be planners affiliated with Ameriprise, FirstCommand, or Fidelity – but not the corporate website.)</p>   |
| <p>WEEK 3<br/><b>Sept. 8</b></p> <p><b>Sept. 10</b></p>    | <p>Budgeting and emergency fund</p> <ol style="list-style-type: none"> <li>1. Income projection and purchasing power</li> <li>2. Discretionary and non-discretionary</li> <li>3. Budgeting techniques</li> <li>4. Planning discretionary cash flow</li> <li>5. Emergency fund adequacy</li> <li>6. Liquidity vs. marketability</li> <li>7. Liquidity substitutes</li> </ol> <p>Financing strategies &amp; asset acquisition</p> <ol style="list-style-type: none"> <li>1. Credit reports and FICO</li> <li>2. Types of credit</li> <li>3. Bankruptcy</li> <li>4. Consumer protection laws</li> </ol> | <p>Chapter 4</p> <p><b>Ch. 4: Financial Statements &amp; Ratio HW Due</b></p>  |

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|                                  | <ul style="list-style-type: none"> <li>5. Buying vs. leasing</li> <li>6. Computation of lease payment</li> <li>7. Impact on financial statements</li> <li>8. Mortgage types and selection</li> <li>9. How much home is affordable?</li> <li>10. Refinancing</li> </ul>  |  |
| <b>WEEK 4</b><br><b>Sept. 15</b> | <b>Planning Basics: Time Value of Money (TVM)</b> <ul style="list-style-type: none"> <li>1. Review of basics (financial calculator, spreadsheets)</li> <li>3. Uneven cash flows</li> <li>4. Sensitivity of interest rates and time</li> <li>5. Growing annuities</li> <li>6. APR</li> <li>7. Real vs. nominal</li> <li>8. Structured and legal settlements</li> <li>9. Monetary windfalls</li> <li>10. Business valuation (DCF)</li> </ul>  | Chapter 6  |
| <b>Sept. 17</b>                  | TVM <i>continued</i>  | Chapter 6<br><b>Ch. 4: 1<sup>st</sup> Client letter: Financial Situation DUE</b> |
| <b>WEEK 5</b><br><b>Sept. 22</b> | <b>Income Tax &amp; Tax Planning</b> <ul style="list-style-type: none"> <li>1. Filing status</li> <li>2. Gross income</li> <li>3. Adjustments</li> <li>4. Standard/itemized deductions <ul style="list-style-type: none"> <li>a. Types</li> <li>b. Limitations</li> </ul> </li> <li>5. Personal and dependency exemptions</li> <li>6. Taxable income</li> <li>7. Tax liability <ul style="list-style-type: none"> <li>a. Rate schedule</li> <li>b. Kiddie tax</li> <li>c. Self-employment tax</li> </ul> </li> <li>8. Tax credits</li> <li>9. Payment of tax <ul style="list-style-type: none"> <li>a. Withholding</li> <li>b. Estimated payments</li> </ul> </li> <li>10. Alternative minimum tax (AMT)</li> </ul> | Chapter 13<br><b>Ch. 4 TVM HW Due</b>  |
| <b>Sept. 24</b>                  | Income Tax & Tax Planning <i>continued</i><br><br>Education Funding <ul style="list-style-type: none"> <li>1. Needs analysis</li> </ul>   | Chapter 13<br><b>Ch. 13 Income Tax HW Due</b><br><br>Chapter 7                   |

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| <p>WEEK 6<br/><b>Sept. 29</b></p>  | <p>Education Funding</p> <ol style="list-style-type: none"> <li>1. Needs analysis</li> <li>2. Financing education <ol style="list-style-type: none"> <li>a. Financial aid process and determinants of financial aid</li> <li>b. Sources of financial aid (e.g., loans, grants, scholarships)</li> <li>c. §529 Plans, Coverdell</li> <li>d. UTMA/UGMA</li> <li>e. Treasury bonds</li> <li>f. Retirement plans</li> <li>g. Strategies</li> </ol> </li> <li>3. Taxes and education (credits, deductions)</li> <li>4. Education planning policy statement</li> </ol> | <p>Chapter 7</p>   |
| <p><b>Oct. 1</b></p>   | <p>Education Funding <i>continued</i></p>  | <p><b>Ch. 7 Education Funding HW Due</b></p>   |
| <p><b><i>Friday, October 3, LAST DAY to DROP WITHOUT GRADE PENALTY</i></b></p> |  |  |
| <p>WEEK 7<br/><b>Oct. 6</b></p>  | <p><b><i>Exam 1</i></b></p>  |  |
| <p><b>Oct. 8</b></p>   | <p><b>Exam Review</b><br/>Intro to Insurance &amp; Risk Management</p>   | <p>Chapters 8, pp. 299-304</p>   |
| <p><b>Oct. 10, Friday</b></p>  | <p><b><i>Fall Break</i></b></p>  |  |
| <p>WEEK 8<br/><b>Oct. 13</b></p>   | <p>Managing Life Risks</p> <ol style="list-style-type: none"> <li>1. Introductory topics <ol style="list-style-type: none"> <li>a. Protecting standard of living (disability, life insurance, long-term care)</li> <li>b. Protecting wealth and property (auto, homeowners, liability, umbrella, disaster)</li> <li>c. Health Care coverage (HMOs, PPOs)</li> </ol> </li> <li>2. Applications <ol style="list-style-type: none"> <li>a. Insurance needs analysis</li> <li><b>b. Policy selection (group, government, and private)</b></li> </ol> </li> </ol>     | <p>Chapter 9,<br/>exclude pp. 390 – 397, except for p. 395, Section 125 plans and FSAs</p> |
| <p><b>Oct. 15</b></p>  | <p>Managing Life Risks, <i>continued</i></p>   | <p>Chapter 9</p>   |
| <p>WEEK 9<br/><b>Oct. 20</b></p>   | <p>Managing Health, Disability, &amp; LTC Risks</p>  | <p>Chapter 9<br/><b>Ch. 9 Life Insurance HW Due</b></p>                                    |

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| <p><b>Oct. 22</b></p>   | <p>Personal Property &amp; Liability Insurance</p> <ol style="list-style-type: none"> <li>1. Introductory topics <ol style="list-style-type: none"> <li>a. Protecting wealth and property (auto, homeowners, liability, umbrella, disaster)</li> </ol> </li> <li>2. Applications <ol style="list-style-type: none"> <li>a. Insurance needs analysis</li> <li><b>b. Policy selection (group, government, and private)</b></li> </ol> </li> </ol>   | <p>Chapter 10</p>  |
| <p>WEEK 10<br/><b>Oct. 27</b></p> <p><b>Oct. 29</b></p>         | <p>Personal Property &amp; Liability Insurance<br/><i>continued</i></p> <p>Intro to Investment Concepts</p> <ol style="list-style-type: none"> <li>1. Introductory topics</li> <li>2. Review of investment vehicles <ol style="list-style-type: none"> <li>a. Difference between insurance risk and investment risk</li> <li>b. Risk and return</li> <li>c. Types of investment risk</li> <li>d. Measurement of risk</li> <li>e. Efficient Market Theory</li> </ol> </li> <li>3. Applications <ol style="list-style-type: none"> <li>a. Objective risk tolerance</li> <li>b. Matching goals and risk tolerance to portfolio allocation</li> </ol> </li> <li>4. Passive vs. active management</li> </ol> | <p>Chapter 10</p> <p>Chapter 12, Supplements A, B, C</p> <p><b>Ch. 10: 2<sup>nd</sup> Client letter: HO/Auto DUE</b></p>           |
| <p>WEEK 11<br/><b>November 3</b></p> <p><b>November 5</b></p>   | <p>Intro to Investment Concepts <i>continued</i></p> <p>Intro to Investment Concepts <i>continued</i></p>   | <p>Chapter 12, Supplements A, B, C</p> <p><b>Ch. 12: Mutual Fund Scavenger Hunt Due</b></p> <p>Chapter 12, Supplements A, B, C</p> |
| <p>WEEK 12<br/><b>November 10</b></p> <p><b>November 12</b></p> | <p>Intro to Investment Concepts <i>continued</i></p> <p><b>Exam 2</b></p>   | <p>Chapter 12, Supplements A, B, C</p> <p><b>Ch. 12: Investments Project Due</b></p>   |
| <p>WEEK 13<br/><b>November 17</b></p> <p><b>November 19</b></p> | <p>EXAM 2 Review/Investment Project Discussion</p> <p>Intro to Retirement Planning</p> <ol style="list-style-type: none"> <li>1. Sources of income <ol style="list-style-type: none"> <li>a. Pensions</li> <li>b. Social Security and other government plans</li> </ol> </li> </ol>   | <p>Chapters 15, 16</p> <p><b>Optional: Extra Credit Book Review Due</b></p>  |

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|  | <ul style="list-style-type: none"> <li>c. Personal savings</li> <li>d. Reverse annuity mortgages</li> <li>2. Retirement needs analysis</li> <li>3. Tax-advantaged accounts</li> <li>4. Techniques for retirement projections</li> </ul>  |  |
| <b><i>Friday, November 21 Last day for rescheduling 3 exams in 24 hours – see your Academic Dean</i></b> |  |  |
| <b><i>Thanksgiving Break</i></b>   |  |  |
| <b>WEEK 14</b><br><b>December 1</b>  | Intro to Retirement Planning <i>continued</i>  | Chapters 15, 16  |
| <b>December 3</b>  | Intro to Retirement Planning <i>continued</i>  | Chapters 15, 16<br>Ch. 15/16 2 <sup>nd</sup> Client letter: Retirement DUE |
| <b>WEEK 15</b><br><b>December 8</b>  | Intro to Estate Planning <ul style="list-style-type: none"> <li>1. Characteristics and consequences of property titling</li> <li>2. Methods of property transfer at death</li> <li>3. Estate planning documents</li> <li>4. Incapacity planning</li> <li>5. Powers of attorney</li> <li>6. Intro to estate and gift taxes</li> </ul> | Chapter 17   |
| <b>December 10</b>   | Intro Estate Planning <i>continued</i>   |  |
| <b>December 15</b>   | <b><i>FINAL EXAM</i></b><br><b>Monday, 3:25 – 5:25 p.m.</b>  |  |