

SEP 10 2013

13-64
APP- 9/17/13

Senate Info- 10/8/13

Undergraduate Distance Education Review Form

(Required for all courses taught by distance education for more than one-third of teaching contact hours.)

Existing and Special Topics Course

Course: ECON 143 Financial Wellness

Instructor(s) of Record: Dr. Nicholas Karatjas

Phone: 724-357-2640 Email: karatjas@iup.edu

Step Two: Departmental/Dean Approval

Recommendation: Positive (The objectives of this course can be met via distance education)

Negative

Stephani M. [Signature] 9/10/2013
Signature of Department Designer Date

Endorsed: [Signature] 9/10/13
Signature of College Dean Date

Forward form and supporting materials to Liberal Studies Office for consideration by the University-wide Undergraduate Curriculum Committee. Dual-level courses also require review by the University-wide Graduate Committee for graduate-level section.

Step Three: University-wide Undergraduate Curriculum Committee Approval

Recommendation: Positive (The objectives of this course can be met via distance education)

Negative

Gail Sechrist 9/17/13
Signature of Committee Co-Chair Date

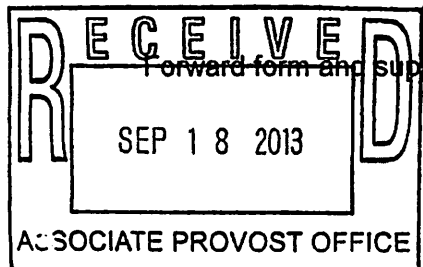
Forward form and supporting materials to the Provost within 30 calendar days after received by committee.

Step Four: Provost Approval

Approved as distance education course Rejected as distance education course

[Signature] 9/19/13
Signature of Provost Date

Forward form and supporting materials to Associate Provost.



Received
SEP 10 2013
Liberal Studies

**Undergraduate Distance Education Review Form
(Required for all courses taught by distance education for more than
one-third of teaching contact hours.)**

Existing and Special Topics Course

Course: ECON 143 Financial Wellness

Instructor(s) of Record: Nicholas Karatjas

Phone: 724-357-4855

Email: karatjas@iup.edu

Step One: Proposer

A. Provide a brief narrative rationale for each of the items, A1- A5.

1. How is/are the instructor(s) qualified in the distance education delivery method as well as the discipline?

Distance Education Qualifications: Dr. Karatjas is a qualified instructor who has used a variety of platforms in some of his classes. When he used WebCT, he used tools for grading, discussions, internet resources, readings, syllabi, and assignments. He participated in a Moodle workshop and attended a Desire2Learn workshop. In addition, Dr. Karatjas has evaluated other online software provided by various textbook publishers. He previously used Aplia, MyEconLab, MyFinanceLab, and EconPortal. Dr. Karatjas wrote the distance learning proposals for ECON 101 Basic Economics, ECON 121 Principles of Macroeconomics, and ECON 122 Principles of Microeconomics. He offered ECON 122 Principles of Microeconomics (with Dr. Todd Potts) on-line in the Winter 2008 session using CourseCompass and MyEconLab (a close substitute for Aplia), which is produced by Pearson. He also offered ECON 101 and ECON 121 Principles of Macroeconomics on-line in different Winter sessions. He is currently offering ECON 101 Basic Economics using EconPortal (produced by Worth Publishing) with a substantial online component comprised of homework problems, e-text, and various other readings. In the Spring 2013 semester he is offering ECON 143 for the first time and it too has a substantial online component. He is using MyFinance Lab for that class.

Discipline Qualifications: Dr. Karatjas has the following qualifications to teach Basic Economics:

- Professor and Chairperson of the Department of Economics
- Ph.D., Economics, State University of New York at Stony Brook
- M.A. in Economics from the State University of New York at Stony Brook
- B.A. in Economics from George Washington University
- Taught Basic Economics many times during his employment at IUP
- Co-authored a successful survey textbook Basic Economics (second edition), Macmillan Publishing Company, 1990 (with James Dyal); first edition, 1985; Study Guide to Accompany Basic Economics (second edition), Macmillan Publishing Company, 1990 (with James Dyal); first edition, 1985; and, Instructor's Manual for Basic Economics (second edition), Macmillan Publishing Company, 1990 (with James Dyal); first edition, 1985

- Manuscript/software reviewer/consultant for a variety of economics publishers
- Areas of expertise are Economic Education, Health Economics, Managerial Economics, and Tourism Economics

2. How will each objective in the course be met using distance education technologies?

Objective 1:

Identify the impact of personal, cultural, and social factors on one's financial and emotional wellness.

Expected Learning Outcome 1:

Informed Learners

How Objective # 1 will be met – Students will read Chapter 1 in Keown's *Personal Finance: Turning Money Into Wealth* (which will be available in hard copy at the IUP bookstore and electronically via MyFinanceLab) as well as reviewing the associated power point slides which will be provided in MyFinanceLab. This material will begin the discussion of financial planning and explain why it is so important. Students will learn how to set financial goals and relate personal finance lessons to the recent economic downturn. Students will complete a quiz on this chapter. In addition, they will write and email a paper titled "Your relationship with money: A personal narrative." This assignment will require students to examine their personal relationship with money and what money represents to them. Students will evaluate various factors that have shaped their view of money, and analyze how their view of money will influence their quality of life in the future.

Objective 2:

Develop, implement, evaluate, and revise an appropriate money management program.

Expected Learning Outcome 2 and 3:

Empowered and Responsible Learners

How Objective # 2 will be met – Students will read chapters 2, 3, and 4 in Keown's *Personal Finance: Turning Money Into Wealth*. Chapter 2 will require students to calculate their level of net worth and analyze where their money comes from and where it goes. They will learn to use financial ratios to identify financial strengths and weaknesses. Chapter 3 will introduce students to the importance of compounding. They will understand the power of time and learn to calculate the present value of money. Chapter 4 will introduce students to tax planning and strategies. Upon the completion of each chapter, students will complete a quiz to test their understanding of the concepts presented in these chapters. In addition, to the quizzes, students will examine their income and expenses, and then create a **financial wellness self-improvement plan** that includes a personal budget, and short-term and long-term financial goals, and a plan to address and improve personal financial weaknesses. The plan will be evaluated throughout the course, and emphasis will be placed on creating a plan that can be used throughout a student's lifetime. Students will **evaluate the effectiveness of their self-improvement plan and revise** their plan at the end of the course. Finally, students will filling out a 1040EZ tax return to prepare them for the future when they have to complete their tax returns.

Objective 3:

Learn about cash management and various credit situations. In addition, students will understand the use of insurance to deal with risk. They will demonstrate actions to take when resolving a consumer complaint regarding a good or service.

Expected Learning Outcome 2 and 3:

Empowered and Responsible Learners

How Objective # 3 will be met – Students will read chapters 5, 6, 7, and 8 in Keown’s *Personal Finance: Turning Money Into Wealth*. These chapters deal with cash and credit. Chapter 5 will assist students in their ability to manage cash. They will examine various cash management alternatives. Chapter 6 will examine using credit cards. Students will understand the costs of credit, different types of credit cards, and learn what determines their credit worthiness. Chapter 7 will explore various consumer loans and stress the importance of controlling one’s debt. Finally, Chapter 8 will examine the home and automobile decision.

Students will also read chapters 9 and 10. Chapter 9 will describe the major types of life and health insurance available. Chapter 10 examines property and liability insurance. Upon the completion of each chapter, students will complete a quiz to test their understanding of the concepts presented in these chapters. In addition, students will create a **consumer letter of complaint** regarding a specific good or service. Letter will address problems with quality, durability, and/or cost of the good or service. Effective written communication abilities will be evaluated. Ethical and behavioral consequences related to consumer rights and responsibilities will be addressed.

Objective 4:

Use information literacy skills to seek and evaluate financial wellness-related information.

Expected Learning Outcome 2:

Empowered Learners

How Objective # 4 will be met – Students will read chapters 11, 12, 13, 14, and 15 in Keown’s *Personal Finance: Turning Money Into Wealth*. These chapters examine investment basics by studying the securities, bond, and mutual funds markets in Keown’s *Personal Finance: Turning Money Into Wealth*. Upon the completion of each chapter, students will complete a quiz to test their understanding of the concepts presented in these chapters. Also, students will access relevant finance-, economics-, and consumer affairs-related websites throughout the course (Bureau of Labor Statistics, Better Business Bureau, Federal Trade Commission, Internal Revenue Service, Bureau of Consumer Protection, etc.) to collect, interpret, and apply information related to assignments and exercises (such as how to read the Wall Street Journal).

Objective 5:

Identify the benefits of a healthy relationship with money and consequences of an unhealthy relationship with money.

Expected Learning Outcome 1 and 2:

Informed and Empowered Learners

How Objective # 5 will be met – Students will read chapters 16, 17, and 18 in Keown’s *Personal Finance: Turning Money Into Wealth*. Chapter 16 will examine retirement planning. They will understand how to set up a retirement plan and monitor it. Chapter 17 will study estate planning. Through the completion of this chapter, students will understand the importance of a will and review the process of drafting a will. Chapter 18 is titled, “Fitting the Pieces Together.” It is designed to tie all of the previous chapters together and focus on understanding the importance of starting a financial plan early and continuing to monitor it to ensure financial success. Students will examine and evaluate how a positive attitude, self esteem, and personal concepts of success, career, work, achievement, money, and wealth can be used to achieve a healthy financial relationship.

The sample lessons that are attached provide examples of different types of assignments. The first exercise is a graphing exercise. Using graphing tools, the student is to draw what happens when there is a change in supply and how that affects equilibrium price and quantity. The second exercise is a fill-in-the-blank which asks about the effect of a simultaneous change in demand and supply. Finally, the third contains a short reading and a question related to that reading. Below the three questions, is a key of the types of help available to the student. Other types of questions which will be included are numerical problems requiring students to compute the answer and discussion questions which will be graded on the basis of evidence of some critical thinking about the topic and precision in stating arguments. These questions could also provide the basis for threaded discussions.

3. How will instructor-student and student-student, if applicable, interaction take place?

The course is intended to promote interaction between the student and instructor and among students, if possible. The course will use a variety of methods to foster this interaction.

Instructor-student interaction will be able to take place through the use of at least three different methods:

- A. Email
- B. Threaded discussion
- C. Live, online video office hours through Skype held throughout the week

In addition, if there are specific problems/issues that cannot be addressed/resolved using the above methods, telephone calls can be exchanged between the instructor and student(s).

Student-student interaction will be able to take place through the use of the following four methods:

- A. Email
- B. Threaded discussion
- C. Chat rooms
- D. Telephone calls if necessary

One example of the interaction will be through the use of articles posted on MyFinanceLab. Students will be asked to write their reactions and then respond to other students' comments. Another example is the use of problem sets. Students will be asked to complete practice and required problems and would be expected to interact with the instructor if they have any difficulties. Since economics is a way of thinking, development of critical thinking skills is essential. The writing examples given above will be used to evaluate how well they understand the information.

4. How will student achievement be evaluated?

Student achievement will be evaluated using three methods:

- A. Practice and required problem sets graded by MyFinanceLab. (These problem sets are coordinated to each chapter of reading in the textbook. In addition, there are readings for many of the chapters, with a set of objective questions.)
- B. Objective exams graded by the instructor.
- C. Threaded discussions graded by the instructor.

Assignments will be itemized on the MyFinanceLab website. Dates for their final completion will be listed (see copy of front page of my MyFinanceLab web site, which lists what is due, an area for announcements, the textbook chapters, and an area for additional materials).

Assignments will be assessed promptly and grades will be returned to students immediately. Criteria for evaluation will be detailed on the syllabus. For example, for essays students will be evaluated on their ability to critically analyze the problem, the degree to which the essay reflects an understanding of the material, and their ability to communicate effectively.

5. How will academic honesty for tests and assignments be addressed?

After reviewing various approaches to dealing with academic honesty, a number of strategies will be used. All tests will be timed for completion and have a closing date and ending time clearly noted on the website. The tests will be generated from a large test bank which will allow for randomized tests. Due dates for assignments will be used to keep students on track with the course work. As suggested in other distance education courses, the use of an “honor code” statement will be included to let students know they are responsible for proper conduct and integrity in all academic work. Students will also be made aware of what will happen if a violation occurs. Finally, every time students log in to the MyFinanceLab website, they must enter their self-created username and password for authentication.

- B. Place the Undergraduate Distance Education Review Form on top of the Proposal and then submit to the department or its curriculum committee the responses to items A1-A5, the current official syllabus of record, along with the instructor developed online version of the syllabus, and the sample lesson. This lesson should clearly demonstrate how the distance education instructional format adequately assists students to meet a course objective(s) using online or distance technology. It should relate to one concrete topic area indicated on the syllabus.**

SYLLABUS OF RECORD

I. Catalog Description

ECON 143 Financial Wellness

3 class hours

0 lab credits

Prerequisites: None

3 credits

(3c-0l-3cr)

Theories and principles related to the physical, social, and emotional wellness aspects of individual money management. Information is focused on building a sound financial foundation as a college student, and can be applied throughout the lifespan to ensure future financial well-being. Successful completion of this course fulfills the Liberal Studies Dimensions of Wellness requirement. This course is cross-listed with FCSE 143 and FIN 143. Other 143 courses will also fulfill this requirement, and any of these courses may be substituted for each other and may be used interchangeably for D or F repeats but may not be counted for duplicate credit.

Note: Economics majors cannot take this course to satisfy major requirements.

II. Course Outcomes and Assessment (Expected Undergraduate Student Learning Outcomes – EUSLO)

Objective 1:

Identify the impact of personal, cultural, and *social* factors on one's financial and emotional wellness.

Expected Learning Outcome 1:

Informed Learners

Rationale:

“Your relationship with money: A personal narrative” assignment will require students to examine their personal relationship with money and what money represents to them. Students will evaluate various factors that have shaped their view of money, and analyze how their view of money will influence their quality of life in the future.

Objective 2:

Develop, implement, evaluate, and revise an appropriate money management program.

Expected Learning Outcome 2 and 3:

Empowered and Responsible Learners

Rationale:

Students will examine their income and expenses, and then create a **financial wellness self-improvement plan** that includes a personal budget, and short-term and long-term financial goals, and a plan to address and improve personal financial weaknesses. The plan will be implemented throughout the course, and emphasis will be placed on creating a plan that can be used throughout a student's lifetime. Students will **evaluate the effectiveness of their self-improvement plan and revise** their plan at the end of the course.

Objective 3:

Demonstrate actions to take when resolving a consumer complaint regarding a good or service.

Expected Learning Outcome 2 and 3:

Empowered and Responsible Learners

Rationale:

Students will create a **consumer letter of complaint** regarding a specific good or service. Letter will address problems with quality, durability, and/or cost of the good or service. Effective written communication abilities will be evaluated. Ethical and behavioral consequences related to consumer rights and responsibilities will be addressed.

Objective 4:

Use information literacy skills to seek and evaluate financial wellness-related information.

Expected Learning Outcome 2:

Empowered Learners

Rationale:

Students will use information literacy skills to access four financial wellness articles from reliable sources during the course. Students will then interpret, evaluate, and **review each journal article**. Students will also access relevant finance-, economics-, and consumer affairs-related websites throughout the course (Bureau of Labor Statistics, Better Business Bureau, Federal Trade Commission, Internal Revenue Service, Bureau of Consumer Protection, etc.) to collect, interpret, and apply information related to assignments and exercises [**Filling out a 1040EZ tax return, How to read the Wall Street Journal exercise, Scholarship or grant application**].

Objective 5:

Identify the benefits of a healthy relationship with money and consequences of an unhealthy relationship with money.

Expected Learning Outcome 1 and 2:

Informed and Empowered Learners

Rationale:

The **book report and/or presentation** will allow students to identify the traits shared by people who have a healthy relationship with money share. Students will examine and evaluate how a positive attitude, self esteem, and personal concepts of success, career, work, achievement, money, and wealth can be used to achieve a healthy financial relationship.

III. Course Outline

A. The dimensions of wellness (1 hour)

1. Emotional
2. Occupational
3. Social
4. Intellectual
5. Spiritual
6. Physical
7. Financial

B. What is financial wellness? (2 hours)

1. Financial wellness & mental and emotional health
2. Financial wellness & physical health
3. Causes and consequences of growing income inequality
4. Individual versus society (e.g. personal debt versus national debt)
5. Manias, bubbles, panics

C. Decision-making (3 hours)

1. Scarcity
2. Opportunity cost
3. Short-run versus long-run planning (goal setting)
4. Cost and benefit balance
5. Financial planning steps and professional resources

D. The meaning of money (2 hours)

1. Role of money
2. Inflation -- purchasing power
3. Time value of money
4. Rule of 72

E. Human Capital (3 hours)

1. Labor Markets
2. Occupations and expected earnings

F. Income Management (10 hours)

1. Money management
 - i. Budgeting
 - ii. Risk management (introduction to risk associated with various financial institutions, accounts, and instruments)
2. Taxes
Exercise: Completing a 1040EZ tax return
3. Interest rates-everything you always wanted to know
4. Financial institutions and accounts
 - i. Depository institutions: commercial banks, savings institutions, credit unions
 - ii. Nondepository institutions: finance companies, securities firms, insurance companies, investment companies
 - iii. Checking, savings, certificate of deposit, etc. accounts
5. Financial instruments and risk
 - i. Stocks
 - ii. Bonds (Corporate and government)
 - iii. Mutual funds
 - iv. Real estate
 - v. Commodities
 - vi. Hedge funds and derivatives

Exercise: How to read and interpret financial information (examples may include the Wall Street Journal and/or related websites)

Midterm Exam (1 hour)

G. Credit (4 hours)

1. Credit cards, debit cards
2. Personal loans and rent-to-own guidelines
3. Managing debt
4. Credit rating

H. Bankruptcy (1 hour)

I. Retirement Planning (2 hours)

1. Social Security
2. Defined benefit plans
3. Defined contribution plans
4. Individualized Retirement Accounts (IRAs)
 - i. Traditional
 - ii. Roth
 - iii. SEP

- iv. SIMPLE
 - 5. Deferred income
- J. Consumer Expenditures and Savings (8 hours)**
- 1. Paying for college
 - i. Free Application for Federal Student Aid (FAFSA)
 - ii. Student loans
 - iii. Scholarships
 - iv. Grants
 - v. Work study
 - vi. Working to pay your way

Exercise: Scholarship or grant application
 - 2. Housing
 - i. Renting versus buying
 - ii. Mortgages
 - 1. Types of mortgages and financing
 - 2. Calculating mortgage payments and interest
 - iii. Housing pricing data sources (e.g. apartments.com, zillow.com, trulia.com)
 - iv. Landlord and tenant rights
 - v. Insurance
 - 3. Automobile
 - i. What type of vehicle do you need?
 - ii. Choosing a new or used model
 - iii. Should you purchase or lease a vehicle?
 - iv. Warranties
 - v. Lemon laws
 - vi. Financing
 - 1. Types of financing (dealer, depository institutions)
 - 2. Calculating monthly payment and total cost of financing
 - vii. Auto pricing data sources (e.g. Edmunds.com, kbb.com)
 - viii. Insurance
 - 4. Saving
 - 5. Other (examples)
 - i. Rent-to-own contracts
 - ii. Cell phone contracts
 - iii. Internet service contracts
 - iv. Cable service contracts
- K. Your rights as a consumer (2 hours)**
- 1. Consumer agencies and organizations
 - 2. Consumer legislation
 - 3. Identity theft
 - 4. Advertising
- L. International economics – why you should care (3 hours)**
- 1. Exchange rates – currency values
 - 2. Balance of payments
 - 3. International trade
 - 4. International investing

Final exam – during final exam week (2 hours)

IV. Evaluation Methods

- 50% Mid-term and Final Exams
- Each exam will consist of multiple choice and short answer essay questions.
- 40% Writing assignments
- Your relationship with money: A personal narrative
 - Book report and/or presentation
 - Consumer letter of complaint: Students will identify a specific good or service they have purchased and have had problems with the quality, durability, and/or cost of the good or service. Students will write a letter of complaint to the appropriate entity, and will relate ethical and behavioral consequences to consumer rights and responsibilities. If students cannot determine a cause for complaint, a scenario will be provided. Effective written communication skills will be evaluated.
 - Financial wellness self-improvement plan: Development & implementation (personal budget, short-term and long-term financial goals, and a plan to address and improve personal financial weaknesses)
 - Financial wellness self-improvement plan: Evaluation and revision (end of course assessment and revision of self-improvement plan)
 - Journal article reviews
- 10% Exercises
- Completing a 1040EZ tax return
 - How to read and interpret financial information
 - Scholarship or grant application: Students will search for a possible relevant scholarship or grant.

V. Grading Scale

Grading Scale: A: ≥90%; B: 80-89%; C: 70-79%; D: 60-69%; F: <60%

VI. Attendance Policy

The course attendance policy will be consistent with the university undergraduate attendance policy included in the Undergraduate Catalog.

VII. Examples of textbooks, supplemental books and readings

- Textbook to be chosen by instructor. Examples include:
 - Garman, E. T. (2006). *Consumer economics issues in America* (9th ed.). Independence, KY: Cengage Learning.
 - Goldsmith, E. B. (2009). *Consumer economics issues and behaviors* (2nd ed.). Upper Saddle River, NJ: Pearson Education, Inc.
 - Kapoor, J.R., Dlabay, L.R., & Hughes, R.J. (2012). *Personal finance* (10th ed.). New York, NY: McGraw-Hill/Irwin.
 - Reiboldt, W. & Zelenak, M. J. (2009). *Consumer economics: The consumer in our society* (15th ed.). Scottsdale, AZ: Holcomb Hathaway Publishers.
 - Siegel, R. & Yacht, C. (2009). *Personal finance*. Nyack, NY: Flat World Knowledge, Inc.

Supplemental reading:

- Required book for book report. Instructor will provide students with a list of books to select from. One of the following or others may be chosen.

- Bach, D. (2004). *The automatic millionaire: A powerful one-step plan to live and finish rich*. New York, NY: Broadway Books.
 - Chilton, D. (1997). *The wealthy barber*. Roseville, CA: Prima Publishing.
 - Clason, G. S. (2005). *The richest man in Babylon*. New York, NY: Signet.
 - Fowles, D. (2008). *The everything personal finance in your 20s and 30s: Erase your debt, personalize our budget, and plan now to secure your future*. Avon, MA: Adams Media.
 - Franklin, D. (2006). *So you graduated college: A financial guide to life after graduation*. Los Altos, CA: Keystone Enterprises LLC.
 - Kobliner, B. (2009). *Get a financial life: Personal finance in your twenties and thirties*. New York, NY: Simon and Schuster.
 - Orman, S. (2007). *The money book for the young, fabulous & broke*. New York, NY: Penguin Group.
 - Richards, C. (2012). *The psychology of wealth: Understand your relationship with money and achieve prosperity*. New York: McGraw Hill.
 - Schor, J. B. (1998). *The overspent American: Why we want what we don't need*. NY: Basic Books.
 - Stanley, T., & Danko, W. (2010). *The millionaire next door*. Lanham, MD: Taylor Trade Publishing.
 - Tisdale, S., & Kennedy, P. (2007). *The true cost of happiness*. Hoboken, NJ: JohnWiley & Sons, Inc.
 - Tyson, E. (2011). *Personal finance in your 20s for dummies*. Indianapolis, IN: Wiley Publishing Inc.
 - Wood, J. G. (2010). *From ramen to riches: building wealth in your 20s: Or spending, saving, investing and managing your money to get rich slowly, but surely*. San Diego, CA: The Tannywood Group, Inc.
 - Young Fisher, S. (2009). *The complete idiot's guide to personal finance in your 20s and 30s*. New York, NY: Penguin Group.
- Four scholarly-journal articles to be reviewed. Instructor or student (with instructor approval) will choose articles.

VIII. Special Resource Requirements

None.

IX. Bibliography

Better Business Bureau of Western Pennsylvania. (2012). Western Pennsylvania consumer and business reviews, reports, ratings, complaints, and accredited businesses – Pittsburgh BBB. Retrieved from <http://westernpennsylvania.bbb.org/>

Federal Trade Commission. (2012). FTC bureau of consumer protection. Retrieved from <http://www.ftc.gov/bcp/index.shtml>

Financial literacy and Education Commission. (2012). MyMoney. Retrieved from <http://www.mymoney.gov/>

Hoyer, W., & MacInnis, D. J. (2008). *Consumer behavior* (5th ed.). Mason, OH: South-Western.

Kanner, A. D., & Kasser, T. (2003). *Psychology and consumer culture: The struggle for a good life in a materialistic world*. Washington, DC: American Psychological Association.

- Kilbourne, J. (2000). *Can't buy my love: How advertising changes the way we think and feel*. NY: Touchstone.
- Lury, C. (2011). *Consumer culture* (2nd ed.). Piscataway, NJ: Rutgers University Press.
- Pennsylvania Office of Attorney General. (n.d.). Renting a home or apartment: Leases and security deposits. Retrieved from <http://www.attorneygeneral.gov/consumers.aspx?id=405>
- Practical Money Skills for Life. (2012). Financial literacy for everyone. Retrieved from <http://www.practicalmoneyskills.com/>
- Rapaille, C. (2006). *The culture code: An ingenious way to understand why people around the world live and buy as they do*. NY: Broadway Books.
- Sassatelli, R. (2007). *Consumer culture: History, theory, and politics*. London: SAGE.
- Schor, J. B. (2004). *Born to buy: The commercialized child and the new consumer culture*. NY: Scribner.
- Sorenson, H. (2009). *Inside the mind of the shopper: The science of retailing*. Upper Saddle River, NJ: Wharton School Publishing.
- Underhill, P. (2008). *Why we buy: The science of shopping--updated and revised for the internet, the global consumer, and beyond*. NY: Simon & Schuster.
- Zukin, S. (2004). *Point of purchase: How shopping changed American culture*. NY: Routledge.

Your relationship with money: A personal narrative
ECON 143: Financial Wellness

Assignment instructions:

The people around us contribute to our view of money and our relationship with it. This begins when we are young and continues throughout our lifetime. In this writing assignment, you will examine your relationship with money and how that relationship was formed. You will also examine how consumer culture has shaped your view of money, and imagine what you would like your financial future to be in 20 years.

Requirements:

The paper should address the questions below and should be written in paragraph form using APA style formatting (<http://owl.english.purdue.edu/owl/resource/560/1/>).

- Your report should be typed, double-spaced on standard-sized paper (8.5" x 11") with 1" margins on all sides.
- Use 12 pt. Times New Roman font.
- Include a page header at the top of every page. To create a page header, insert page numbers flush right. Then type "TITLE OF YOUR PAPER" in the header flush left.
- Your report should include a title page.

Questions to guide your writing:

Your view of money:

What is money to you? Does it represent power, status, and/or respect? Do you value money? Does it make you happy? How do you use money? What is your relationship regarding saving money? What is your relationship regarding spending money?

Social and cultural aspects of money:

Do you use money to compare yourself to others socially? Do you tie your self-worth and self-esteem to the amount of money you have or the possessions you own/can purchase? What possessions do you consider to be necessities? Are your needs influenced by what those around you consider essential? What do you value more: personal possessions and the status they provide, or financial security? How do you perceive you fit into the American consumer culture?

Personal lessons regarding money:

Was money or the lack of money a big factor in your childhood? Who taught you valuable lessons about money? List 3 examples of lessons you have learned by observing or talking to others about money. Explain how you will use these lessons throughout your lifetime.

Your financial future:

Picture your financial future in 20 years. Describe the quality of life that you see. What are you driving, wearing, and eating? Where do you live and what type of dwelling will you call home? What activities do you participate in during your free time that require money? Are there other people in the life you are imagining? Will you earn enough to meet your needs and theirs? How about wants? How do your values relate to the picture you imagined? Is the quality of life imagined probable on the income you will earn? Will you have negative feelings toward yourself if your life does not turn out as imagined? How is the life you imagined influenced by the consumer culture in which we live?

Your relationship with money: A personal narrative

Grading Rubric/Criteria:

Introductory paragraph	Weak (1)	Good (3)	Strong (5)
Your view of money	Written with little to no description and detail (3)	Written with some description and detail (5)	Written descriptively and in detail (7)
Social and cultural aspects of money	Written with little to no description and detail (3)	Written with some description and detail (5)	Written descriptively and in detail (7)
Personal lessons regarding money	Written with little to no description and detail (3)	Written with some description and detail (5)	Written descriptively and in detail (7)
Your financial future	Written with little to no description and detail (3)	Written with some description and detail (5)	Written descriptively and in detail (7)
Closing paragraph	Weak (1)	Good (3)	Strong (5)
Transitional words and phrases are used to maintain coherence and establish sequence within and between paragraphs	Weak (1)	Good (2)	Strong (3)
Grammar and usage	3 or more errors (1)	1-2 errors (2)	No errors (3)
Spelling, capitalization, and punctuation	3 or more errors (1)	1-2 errors (2)	No errors (3)
APA formatting	4 or more errors (1)	2-3 errors (2)	1 error or less (3)

**ECONOMICS 143: Financial Wellness
Distance Education Syllabus
Indiana University of Pennsylvania**

Dr. Nicholas Karatjas
karatjas@iup.edu

Course Description: Theories and principles related to the physical, social, and emotional wellness aspects of individual money management. Information is focused on building a sound financial foundation as a college student, and can be applied throughout the lifespan to ensure future financial well-being. Successful completion of this course fulfills the Liberal Studies Dimensions of Wellness requirement. This course is cross-listed with FCSE 143 and FIN 143. Other 143 courses will also fulfill this requirement, and any of these courses may be substituted for each other and may be used interchangeably for D or F repeats but may not be counted for duplicate credit.

Note: Economics majors cannot take this course to satisfy major requirements.

Course Material:

Textbook: Personal Finance. Turning Finance into Wealth, 6/E; Arthur J. Keown (Pearson, 2013).

New hard copies of the textbook will be available at the IUP Bookstore. Alternatively, you may purchase an e-text through the MyFinanceLab website. This website is where you will access all of the course quizzes.

Other Materials: You will need a computer with access to the Internet.

Course Objectives: Upon completion of this course, students will be able to

- Objective 1: Identify the impact of personal, cultural, and *social* factors on one's financial and emotional wellness.
- Objective 2: Develop, implement, evaluate, and revise an appropriate money management program.
- Objective 3: Demonstrate actions to take when resolving a consumer complaint regarding a good or service.
- Objective 4: Use information literacy skills to seek and evaluate financial wellness-related information.
- Objective 5: Identify the benefits of a healthy relationship with money and consequences of an unhealthy relationship with money.

Course Plan: For each objective listed above, you will...

- a. Read the relevant chapters(s) in the text as well as the power-point slides provided.
- b. Complete a quiz for each chapter.
- c. Write and submit a 2-3 page paper on "Your relationship with money: a personal narrative." A grading rubric will be supplied to students (see syllabus of record).
- d. Participate in an online discussion of discussion questions provided by the instructor.

Course Grade: The course grade is determined as follows:

- Quizzes (18 total): 60%
- Writing Assignments on "Your relationship with money": 15%
- Message Board Participation (three total topics): 15%
- Other written assignments/problems: 10%

The following grading scale will be used:

A: 90% and over, B: 80%-89%, C: 70%-79%, D: 60%-69%, F: below 60%

**ECONOMICS 143: Financial Wellness
Distance Education Syllabus
Indiana University of Pennsylvania**

Dr. Nicholas Karatjas
karatjas@iup.edu

Course Description: Theories and principles related to the physical, social, and emotional wellness aspects of individual money management. Information is focused on building a sound financial foundation as a college student, and can be applied throughout the lifespan to ensure future financial well-being. Successful completion of this course fulfills the Liberal Studies Dimensions of Wellness requirement. This course is cross-listed with FCSE 143 and FIN 143. Other 143 courses will also fulfill this requirement, and any of these courses may be substituted for each other and may be used interchangeably for D or F repeats but may not be counted for duplicate credit.

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Other Materials: You will need a computer with access to the Internet.

Course Objectives: Upon completion of this course, students will be able to

- Objective 1: Identify the impact of personal, cultural, and *social* factors on one's financial and emotional wellness.
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Office Hours: I regularly check my email and you are welcome to email me anytime/any day. In addition, I will be available for video conferencing via Skype and Google chat (username to be distributed once the class roster is finalized) and will be regularly reading and responding to questions on the course message board.

Course Outline:

Chapter 1 The Financial Planning Process	Objective #1
Chapter 2 Measuring Your Financial Health and Making a Plan	Objective #2
Chapter 3 Understanding and Appreciation the Time Value of Money	Objective #2
Chapter 4 Tax Planning and Strategies	Objective #2
Chapter 5 Cash or Liquid Asset Management	Objective #3
Chapter 6 Using Credit card: The Role of Open Credit	Objective #3
Chapter 7 Using Consumer Loans: The Role of Planned Borrowing	Objective #3
Chapter 8 The Home and Automobile Decision	Objective #3
Chapter 9 Life and Health Insurance	Objective #3
Chapter 10 Property and Liability Insurance	Objective #3
Chapter 11 Investment Basics	Objective #4
Chapter 12 Securities Markets	Objective #4
Chapter 13 Investing in Stocks	Objective #4
Chapter 14 Investing in Bonds and Other Alternatives	Objective #4
Chapter 15 Mutual Funds: An Easy Way to Diversify	Objective #4
Chapter 16 Retirement Planning	Objective #5
Chapter 17 Estate Planning: Saving Your Heirs Money and Headaches	Objective #5
Chapter 18 Financial Life Events—Fitting the Pieces Together.	Objective #5

As a terminating final activity students will evaluate the effectiveness of their financial self-improvement plan and revise their plan based on the material they have covered.

Bibliography:

Better Business Bureau of Western Pennsylvania. (2012). Western Pennsylvania consumer and business reviews, reports, ratings, complaints, and accredited businesses – Pittsburgh BBB. Retrieved from <http://westernpennsylvania.bbb.org/>

Federal Trade Commission. (2012). FTC bureau of consumer protection. Retrieved from <http://www.ftc.gov/bcp/index.shtml>

Financial literacy and Education Commission. (2012). MyMoney. Retrieved from <http://www.mymoney.gov/>

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
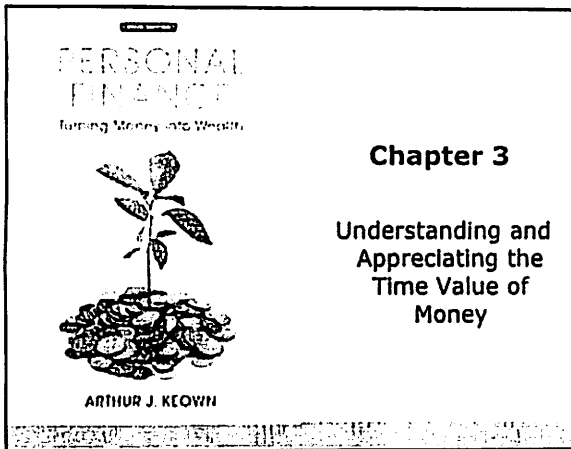
Zukin, S. (2004). *Point of purchase: How shopping changed American culture*. NY: Routledge.

SAMPLE LESSONS

The aim of this module is to meet Objective


Included:

- **Power point slides to accompany Chapter 3.**
- **Sample problems based on the material presented in Chapter 3 (I have included sample screens from MyFinanceLab. They show they different tools available for students to use.**
- **Sample objective questions for Chapter 3.**




Learning Objectives

1. Explain the mechanics of compounding.
2. Understand the power of time and the importance of the interest rate in compounding.
3. Calculate the present value of money to be received in the future.
4. Define an annuity and calculate its compound or future value.




Introduction

- Always comparing money from different time periods
- A dollar received today is worth more than a dollar received in the future
- Everything in personal finance involves time value of money




Compound Interest and Future Values

- Interest paid on interest.
- Reinvestment of interest paid on an investment's principal
- Principal is the face value of the deposit or debt instrument.



How Compound Interest Works

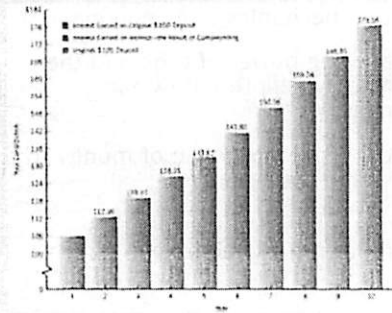
- Future value (FV) = Present Value (PV) x Amount it has increased by the end of 1 year $(1+i)$
- Future value—the value of an investment at some point in the future
- Present value—the current value in today's dollars of a future sum of money



How Compound Interest Works

- Annual compounding—reinvesting interest at end of each year for more than 1 year
- $FV = PV \times \text{Amount Present Value has increased by the end of } n \text{ years } (1+i)^n$
- n is equal to the number of years during which compounding occurs

Figure 3.1 Compound Interest at 6 Percent Over Time



The Future-Value Interest Factor

- The value of $(1+i)^n$ used as a multiplier to calculate an amount's future value.
- Found in certain tables
- $FV = PV \times \text{Future-Value Interest Factor}$

Table 3.1 Future Value of \$1 (single amount), Future-Value Interest Factor

Below are the future value interest factors for a specific time period and interest rate. For example, to find the future value interest factor for 5 percent and 10 years, simply move down the 5% column until you reach the row for 10 years; the future value interest factor is then calculated as follows:

Future value = present value \times future value interest factor
 or $FV = PV \times \text{Future value interest factor}$

n	5%	6%	7%	8%	9%
1	1.050	1.050	1.050	1.050	1.050
2	1.102	1.102	1.102	1.102	1.102
3	1.158	1.158	1.158	1.158	1.158
4	1.218	1.218	1.218	1.218	1.218
5	1.282	1.282	1.282	1.282	1.282
6	1.351	1.351	1.351	1.351	1.351
7	1.426	1.426	1.426	1.426	1.426
8	1.507	1.507	1.507	1.507	1.507
9	1.594	1.594	1.594	1.594	1.594
10	1.688	1.688	1.688	1.688	1.688
11	1.789	1.789	1.789	1.789	1.789
12	1.897	1.897	1.897	1.897	1.897
13	2.013	2.013	2.013	2.013	2.013
14	2.138	2.138	2.138	2.138	2.138
15	2.272	2.272	2.272	2.272	2.272
16	2.416	2.416	2.416	2.416	2.416
17	2.570	2.570	2.570	2.570	2.570
18	2.735	2.735	2.735	2.735	2.735
19	2.911	2.911	2.911	2.911	2.911
20	3.099	3.099	3.099	3.099	3.099

The Rule of 72

- How long will it take to double your money?
- Numbers of years for a given sum to double by dividing the investment's annual growth or interest rate into 72.

The Rule of 72

- Example: If an investment grows at an annual rate of 9% per year, then it should take $72/9 = 8$ years to double.

Compound Interest with Nonannual Periods

- Compounding may be quarterly, monthly, daily, or even a continuous basis.
- Money grows faster as the compounding period becomes shorter.
- Interest earned on interest more frequently grows money faster.

Figure 3.2 Time Value of Money Calculator on MyFinanceLab

TVM Calculator

PV: \$ Rate: %

PMT: \$ Periods:

FV: \$ Annual

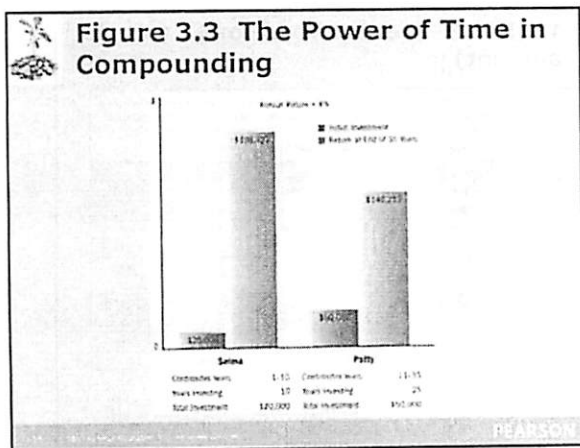
Calculator Clues

Before solving problem:

1. Set to one payment per year
2. Set to display at least four decimal places
3. Set to "end" mode

Working a problem:

1. Positive and negative numbers
2. Enter zero for variables not in the problem
3. Enter interest rate as a %, 10 not 0.10



The Importance of the Interest Rate

- The interest rate plays a critical role in how much an investment grows.
- Higher interest rate—"Daily double"
- "Compound interest is the eighth wonder of the world."

Table 3.2 The Daily Double

Day	"Daily Double" (10% at 100% Compounding) Daily Would Become
1	\$0.01
2	0.02
3	0.04
4	0.08
5	0.16
6	0.32
7	0.64
8	1.28
15	161.04
20	5,242.88
25	167,772.16
30	5,368,709.12
31	10,737,418.24

Present Value

- What's it worth in today's dollars?
- Strip away inflation to see what future cash flows are worth today.
- Inverse of compounding.
- **Discount rate** is the interest rate used to bring future money back to present.



Present Value

- The present value of a future sum of money is inversely related to both the number of years until payment will be received and the discount rate.
- $PV = FV \text{ at the end of } n \text{ years } (FV_n) \times \text{Amount } FV \text{ has decreased in } n \text{ years } [1/(1+i)^n]$

PEARSON



Present Value

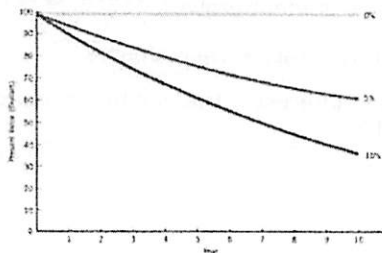
- Tables can be used to calculate the $[1/(1+i)^n]$ part of the equation.
- This is the Present-Value Interest Factor
- $PV = FV \times \text{Present-Value Interest Factor}$

PEARSON



Figure 3.4 The Present Value of \$100

As you can see by looking at the two downward sloping lines in the graph, the higher the interest rate, the lower will be the present value of \$100 received in the future. And, the longer it is until you receive the \$100, the smaller its present value.



PEARSON



Table 3.3 Present Value of \$1 (single amount)

Instructions: Each present value interest factor corresponds to a specific time period and interest rate. To find the present value interest factor for 6 percent and 10 years, simply move down the $i = 6\%$ column until you reach its intersection with the $n = 10$ years row; 0.558. The present value is then calculated as follows:

$$\text{present value} = \text{future value} \times \text{present-value interest factor}$$

n	4%	5%	6%	7%	8%
1	0.962	0.952	0.943	0.935	0.926
2	0.925	0.907	0.890	0.873	0.857
3	0.889	0.864	0.840	0.818	0.794
4	0.855	0.823	0.792	0.763	0.735
5	0.822	0.784	0.747	0.712	0.681
6	0.790	0.746	0.705	0.666	0.630
7	0.760	0.711	0.665	0.623	0.583
8	0.731	0.677	0.627	0.582	0.540
9	0.703	0.645	0.592	0.544	0.500
10	0.676	0.614	0.558	0.508	0.463
11	0.650	0.583	0.527	0.475	0.429

PEARSON



Present Value Example

- You're on vacation in Florida and you see an advertisement stating that you'll receive \$100 simply for taking a tour of a model condominium.
- You discover that the \$100 is in the form of a savings bond that will not pay you the \$100 for 10 years.
- What is the PV of the \$100 to be received 10 years from today if your discount rate is 6%?

PEARSON



Annuities

- An annuity is a series of equal dollar payments coming at the end of each time period for a specific number of time period.

PEARSON

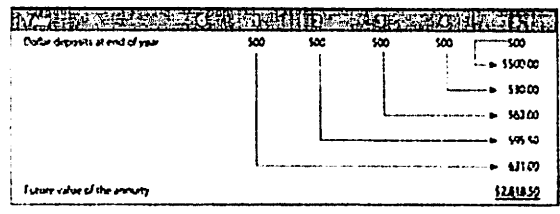


Compound Annuities

- A compound annuity involves depositing an equal sum of money at the end of each year for a certain number of years, allowing it to grow.
- You want to know how much your savings will have grown by some point in the future.
- Sum up a number of future values.



Table 3.4 Illustration of a 5-Year \$500 Annuity Compounded at 6%



Compound Annuities

- Future value of an annuity = Annual payment (PMT) x Future-Value Interest Factor of an annuity (from table).



Table 3.5 Future Value of a Series of Equal Annual Deposits (annuity), Future-Value Interest Factor of an Annuity

Instructions: Each future value interest factor of an annuity corresponds to a specific time period (number of years) and interest rate. For example, to find the future value interest factor of an annuity for 6 percent and 5 years, simply locate down the i = 6% column until you reach its intersection with the n = 5 years row (6.37). The future value is calculated as follows:

$$\text{Future value} = \text{annual payments} \times \text{future value interest factor for an annuity or } FV = PMT \times FVIFA$$

n	6.00%	6.50%	7.00%	7.50%	8.00%
1	1.000	1.000	1.000	1.000	1.000
2	2.063	2.095	2.095	2.070	2.080
3	3.127	3.157	3.124	3.112	3.244
4	4.200	4.233	4.175	4.143	4.326
5	5.272	5.328	5.231	5.175	5.407
6	6.353	6.422	6.287	6.205	6.507
7	7.442	7.543	7.364	7.244	7.627
8	8.539	8.643	8.421	8.260	8.767
9	9.644	9.751	9.571	9.417	9.927
10	10.757	10.867	10.711	10.570	11.107
11	11.878	11.987	11.862	11.734	12.207



Compound Annuities Example

- You'll need \$10,000 for education in 8 years. How much must you put away at the end of each year at 6% interest to have the college money ready?



Present Value of an Annuity

- To compare the relative value of annuities, you need to know the present value of each.
- Need to know what \$500 received at the end of the next 5 years is worth given discount rate of 6%.
- Sum up the present values.

Table 3.6 Illustration of a 5-Year \$500 Annuity Discounted Back to the Present at 6%

Year	0	1	2	3	4	5
Dollars received at end of year		500	500	500	500	500
		\$471.50	445.00	420.00	396.00	372.50
Present value of the annuity	\$2,100.00					

Present Value of an Annuity

- $PV \text{ of an annuity} = \text{Annuity Payment or (PMT)} \times \text{Present-Value Interest Factor of Annuity (from table)}$

Table 3.7 Present Value of a Series of Annual Deposits (annuity), Present-Value Interest Factor of an Annuity

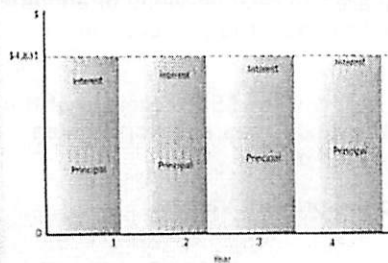
Instructions: Each present value interest factor for an annuity corresponds to a specific time period (number of years) and interest rate. For example, to find the present value interest factor of an annuity for 4 percent and 5 years, simply move down the 5% column until you reach its intersection with the 5 = 5 years row. 4.212. The future value is then calculated as follows:
 $\text{present value} = \text{annual payment} \times \text{present value interest factor for an annuity}$

n	4%	5%	6%	7%	8%
1	0.962	0.952	0.943	0.935	0.926
2	1.886	1.859	1.833	1.808	1.783
3	2.775	2.723	2.671	2.624	2.577
4	3.630	3.546	3.463	3.387	3.312
5	4.452	4.329	4.212	4.100	3.991
6	5.242	5.016	4.892	4.767	4.623
7	6.002	5.786	5.642	5.495	5.296
8	6.733	6.463	6.210	5.979	5.747
9	7.435	7.108	6.832	6.515	6.247
10	8.111	7.722	7.390	7.024	6.715
11	8.760	8.306	7.937	7.499	7.179

Amortized Loans

- Loans paid off in equal installments.
- You borrow \$16,000 at 8% interest to buy a car and repay it in 4 equal payments at the end of each of the next 4 years. What are the annual payments?
- $PV = \text{Annual payment} \times \text{Present-Value Interest Factor of an annuity}$

Figure 3.5 Loan Amortization Schedule Involving a \$16,000 Loan at 8% to Be Repaid in 4 Years



Perpetuities

- A perpetuity is an annuity that continues to pay forever.
- $\text{Present value of a perpetuity} = \text{annual dollar amount provided by the perpetuity} \div \text{annual interest (or discount) rate}$.



Summary

- The cornerstone of time value of money is compound interest.
- Using future-value interest factors from tables, you can determine how much investments will grow over time.
- The interest rate or the number of years that your money is compounded for increase future values.



Summary

- Use the present-value interest factor to find present value of future value.
- An annuity is a equal dollar periodic payment of investment earnings or paying off installment loans.

Chapter 3 Understanding and Appreciating the Time Value of Money

Overview

1 2 3 4 5 6 7 8 9 10

Problem P3-1

0 correct | 0 of 29 complete

Your mother just won \$436,297 from splitting a Nobel Prize with three coworkers. If she invests her prize money in a diversified equity portfolio returning 5 percent per year, approximately how long will it take her to become a millionaire, before accounting for taxes? Click on the table icon to view the *FVIF* table.

If she invests her prize money in a diversified equity portfolio returning 5 percent per year, to become a millionaire, before accounting for taxes, it will take her years. (Round to the nearest year.)

Help me solve this

View an example

Animation

eText pages

Financial calculator

Ask my instructor

Data table to be used to solve the problem (see next page)

Enter any number or expression in the edit field, then click Check Answer.

All parts showing

CLEAR ALL

CHECK ANSWER

CLOSE

Student: Nick KARATJAS
 Instructor: Nick KARATJAS
 Date: 6/4/13

Course: ECON 143 Financial Wellness
 Book: Keown: Personal Finance TMW 6e
 Time: 8:20 PM

Problem P3-1 Your mother just won \$436,297 from splitting a Nobel Prize with three coworkers. If she invests her prize money in a diversified equity portfolio returning 5 percent per year, approximately how long will it take her to become a millionaire, before accounting for taxes? Click on the table icon to view the *FVIF* table.

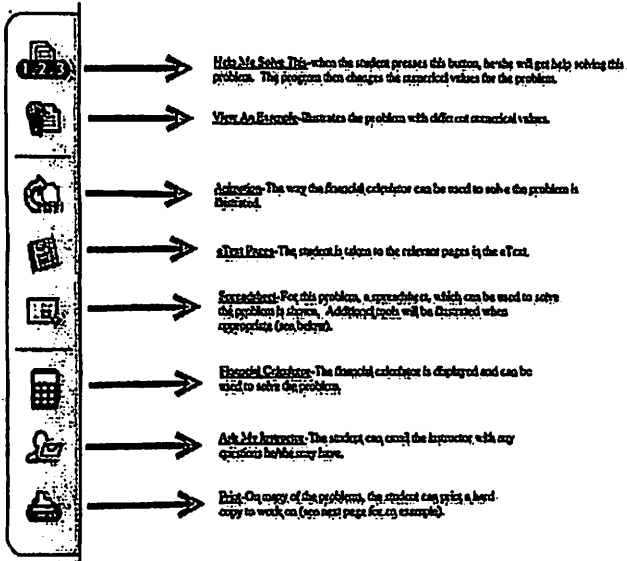


If she invests her prize money in a diversified equity portfolio returning 5 percent per year, to become a millionaire, before accounting for taxes, it will take her years. (Round to the nearest year.)

Data Table

Future-value interest factor of \$1 for n periods.

Period	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%
1	1.010	1.020	1.030	1.040	1.050	1.060	1.070	1.080	1.090	1.100	1.110
2	1.020	1.040	1.061	1.082	1.103	1.124	1.145	1.166	1.188	1.210	1.232
3	1.030	1.061	1.093	1.125	1.158	1.191	1.225	1.260	1.295	1.331	1.368
4	1.041	1.082	1.126	1.170	1.216	1.262	1.311	1.360	1.412	1.464	1.518
5	1.051	1.104	1.159	1.217	1.276	1.338	1.403	1.469	1.539	1.611	1.685
6	1.062	1.126	1.194	1.265	1.340	1.419	1.501	1.587	1.677	1.772	1.870
7	1.072	1.149	1.230	1.316	1.407	1.504	1.606	1.714	1.828	1.949	2.076
8	1.083	1.172	1.267	1.369	1.477	1.594	1.718	1.851	1.993	2.144	2.305
9	1.094	1.195	1.305	1.423	1.551	1.689	1.838	1.999	2.172	2.358	2.558
10	1.105	1.219	1.344	1.480	1.629	1.791	1.967	2.159	2.367	2.594	2.839
11	1.116	1.243	1.384	1.539	1.710	1.898	2.105	2.332	2.580	2.853	3.152
12	1.127	1.268	1.426	1.601	1.796	2.012	2.252	2.518	2.813	3.138	3.498
13	1.138	1.294	1.469	1.665	1.886	2.133	2.410	2.720	3.066	3.452	3.883
14	1.149	1.319	1.513	1.732	1.980	2.261	2.579	2.937	3.342	3.797	4.310
15	1.161	1.346	1.558	1.801	2.079	2.397	2.759	3.172	3.642	4.177	4.785
16	1.173	1.373	1.605	1.873	2.183	2.540	2.952	3.426	3.970	4.595	5.311
17	1.184	1.400	1.653	1.948	2.292	2.693	3.159	3.700	4.328	5.054	5.895
18	1.196	1.428	1.702	2.026	2.407	2.854	3.380	3.996	4.717	5.560	6.544
19	1.208	1.457	1.754	2.107	2.527	3.026	3.617	4.316	5.142	6.116	7.263
20	1.220	1.486	1.806	2.191	2.653	3.207	3.870	4.661	5.604	6.727	8.062
25	1.282	1.641	2.094	2.666	3.386	4.292	5.427	6.848	8.623	10.835	13.585
30	1.348	1.811	2.427	3.243	4.322	5.743	7.612	10.063	13.268	17.449	22.892
35	1.417	2.000	2.814	3.946	5.516	7.686	10.677	14.785	20.414	28.102	38.575
40	1.489	2.208	3.262	4.801	7.040	10.286	14.974	21.725	31.409	45.259	65.001
50	1.645	2.692	4.384	7.107	11.467	18.420	29.457	46.902	74.358	117.391	184.565



Personal Finance: Turning Money into Wealth, 6e (Keown)
Chapter 3 Understanding and Appreciating the Time Value of Money
Sample Quiz Questions

3.1 Compound Interest and Future Values

1) Your money grows faster as the compounding period becomes longer.

Answer: FALSE

2) An investment earning twelve percent interest per year should double in value in approximately four years.

Answer: FALSE

3) The present value of a financial asset is what you should be willing to pay today for that financial asset.

Answer: TRUE

4) The _____ Principle states that a dollar today is worth more than a dollar in the future.

- A) Future value of money
- B) Discounted value of money
- C) Adjusted value of money
- D) Time value of money
- E) Annuity value of money

Answer: D

5) The current value in today's dollars of a future sum of money is called

- A) future value.
- B) adjusted value.
- C) compounded value.
- D) present value.
- E) discounted value.

Answer: D

6) The dollar value of an investment at some future point in time is also known as

- A) future value.
- B) present value.
- C) compounded annuity.
- D) the time value of money.
- E) calculated value.

Answer: A

7) By allowing the interest that you earn on an investment to stay in the investment and to earn interest on the interest you have already earned is called what?

- A) the power of of present value
- B) the power of compound interest
- C) the power of simple interest
- D) the power of time
- E) the power of future value

Answer: B

8) A one-time investment of \$200 at a 10% Annual Rate of Return yields \$242 in two years. The \$242 is known as the

- A) present value.
- B) compound value.
- C) principal plus interest.
- D) future value.
- E) annuity value

Answer: D

9) John Madrid put \$1,000 into a mutual fund yielding an 18% Annual Rate of Return. Using the Rule of 72 calculate approximately how long will it take to double in value.

- A) three years, four months
- B) three years, seven months
- C) four years
- D) four years, four months
- E) five years

Answer: C

10) This helpful investment rule-of-thumb tells you approximately how many years it takes for a sum of money to double in size.

- A) rule of compound interest
- B) rule of 72
- C) rule of 100
- D) rule of future value
- E) rule of annuity doubling

Answer: B

11) By the Rule of 72, what annual interest rate would be required to turn \$100 into \$200 in approximately six years?

- A) 4%
- B) 8%
- C) 12%
- D) 16%

Answer: C