

**COURSE DATA****Data Subject**

<b>Code</b>	43798
<b>Name</b>	Personal finance
<b>Cycle</b>	Master's degree
<b>ECTS Credits</b>	3.0
<b>Academic year</b>	2021 - 2022

**Study (s)**

<b>Degree</b>	<b>Center</b>	<b>Acad. Period</b>
2171 - M.U. en Ciencias Actuariales y Financieras	Faculty of Economics	2 First term

**Subject-matter**

<b>Degree</b>	<b>Subject-matter</b>	<b>Character</b>
2171 - M.U. en Ciencias Actuariales y Financieras	9 - Finance	Optional

**Coordination**

<b>Name</b>	<b>Department</b>
LUCIA LOPEZ, JULIO JESUS	113 - Financial and Actuarial Economics

**SUMMARY**

This **Personal Finance** course brings the contributions of the so-called Behavioural Finance to the curriculum of the Finance student, through its application to the field that enjoys the greatest consensus about its usefulness and pedagogical validity: the analysis of individual financial decision-making. Behavioural finance explains the actions of individual investors in financial markets based on features of human behaviour that diverge from the usual assumption of rational behaviour. Special attention is paid to suboptimal spending decisions as well as the main debt and investment mistakes.

**PREVIOUS KNOWLEDGE**



### Relationship to other subjects of the same degree

There are no specified enrollment restrictions with other subjects of the curriculum.

### Other requirements

This is one of the three subjects included the module Specialization: Finance, together with Bank management and Credit risk and securitization, which are scheduled on the second term of the second year, after completing all the compulsory modules. This module can be considered as an extension of the module Finance and introduction to insurance, which is taken in the second term of the first year, and it allows to delve into one of the specific fields of the Masters degree: the Finance one.

## OUTCOMES

### 2171 - M.U. en Ciencias Actuariales y Financieras

- Students should apply acquired knowledge to solve problems in unfamiliar contexts within their field of study, including multidisciplinary scenarios.
- Students should be able to integrate knowledge and address the complexity of making informed judgments based on incomplete or limited information, including reflections on the social and ethical responsibilities associated with the application of their knowledge and judgments.
- Students should communicate conclusions and underlying knowledge clearly and unambiguously to both specialized and non-specialized audiences.
- Students should demonstrate self-directed learning skills for continued academic growth.
- Ser capaces de construir modelos adecuados al entorno económico empresarial a partir de las posibilidades que ofrecen las modernas tecnologías de la información y de la computación.
- Saber realizar una gestión integral del riesgo y alcanzar los conocimientos suficientes para dar respuesta a los riesgos actuales y a los que puedan surgir resultado del cambiante entorno económico, financiero y social, con vistas a dirigir y gestionar todo tipo de entidades financieras y aseguradoras.
- Poseer las habilidades suficientes para participar en una conversación de negocios y estar capacitado para leer literatura actuarial al menos en dos de los idiomas oficiales de la Unión Europea.
- Conocer el código de conducta del Actuario así como las normas más relevantes de la práctica profesional.
- Saber tomar decisiones relacionadas con los riesgos evaluables económicamente.
- Alcanzar sólidos fundamentos para la toma de decisiones financieras: asignación de recursos en el tiempo bajo incertidumbre, estructura y funcionamiento de los mercados financieros, valoración de activos y selección de carteras.



## LEARNING OUTCOMES

Techniques and skills for analysing how and why human irrationality affects financial decision-making.

## DESCRIPTION OF CONTENTS

### 1. Overview of behavioural finance

1. Behavioural finance
2. Rationality versus irrationality
3. Analysis of individual financial decision making
4. Investor psychology and asset pricing theory
5. Other applications

### 2. Heuristics and biases

1. Availability
2. Representativeness
3. Anchoring
4. Other biases

### 3. Other behavioural principles

1. Framing
2. Reference point
3. Loss aversion
4. Other principles and concepts

### 4. Suboptimal spending decisions

1. On valuing things
2. Heuristics and biases related to buying decisions

### 5. Debt mistakes

1. Excessive borrowing and choosing the wrong type of debt
2. Topics on disclosure requirements and consumer financial regulation

**6. Investment mistakes**

1. Diversification mistakes
2. Active investing mistakes
2. Additional factors and mistakes in investment decisions

**WORKLOAD**

ACTIVITY	Hours	% To be attended
Theory classes	15,00	100
Classroom practices	15,00	100
Development of group work	8,50	0
Development of individual work	8,50	0
Study and independent work	19,50	0
Readings supplementary material	8,50	0
<b>TOTAL</b>	<b>75,00</b>	

**TEACHING METHODOLOGY**

In theory classes the main theoretical concepts are studied, and cases and evidence that support the theory are discussed.

The remaining classes are mainly devoted to debates and other tasks, such as presenting and defending essays and reports individually or by a group of students.

**EVALUATION**

The evaluation will consider the following items (each one weighed as indicated):

1. A continuous assessment based on:
  - a) Class participation and the attitude towards the instructor and the classmates (20% of the final grade).
  - b) Assignments (50% of the grade). Every student or group of students (whose composition and size will be determined in the classroom) will have to submit the tasks assigned by the instructor, or some other similar task proposed by the students and previously accepted by the teacher. The objectives of the assignments may include, among others: (i) Analyse some complementary reading; (ii) Analyse some video related to the topics covered during the course; (iii) Prepare and carry out a debate about a controversial issue; (iv) Provide additional evidence, conducted and analysed by the students themselves, supporting any of the concepts studied in class. (Typically it will replicate some experiment, survey or empirical study previously carried out by others.); (v) Suggest some strategy that may help to avoid mistakes and biases studied in class.



Usually, the assignments must be presented and defended in the classroom, and a brief written report will have to be submitted at the discretion of the instructor. Assignments will have to be handed in before the deadline indicated in class by the instructor in order to be considered for the final grade.

2. A written final exam at the end of the term (30% of the grade).

Additional rules:

1. For the second examination call, the same criteria of evaluation and weighting as for the first call will be used. Those students who are evaluated on the second call will maintain the grade obtained in all the items above except the final exam, and they will not be allowed to complete any tasks or homework that had not been previously considered for the first call.

2. Exams will be regulated by Article 13 on examination fraud of the “Reglament d’avaluació i qualificació de la Universitat de València per a títols de grau i màster, ACGUV 108/2017”. Additionally, all the assessment tasks and assignments will be subject to the regulation on plagiarism detailed in Article 15.2 of the same “Reglament”.

## REFERENCES

### Basic

- Ackert, L. F. y R. Deaves (2010): Behavioral Finance: Psychology, Decision-Making, and Markets, International Edition, South-Western, Cengage Learning.
- Ariely, D. (2008): Las trampas del deseo. Ariel Ediciones. (Traducción de: Predictably Irrational, Harper Collins Publishers Ltd., 2008.)
- Thaler, R.H. y C.R. Sunstein (2009): Un pequeño empujón (Nudge), Taurus. (Traducción de: Nudge, Yale University Press, 2008; Nudge, Revised and expanded edition, Penguin Books, 2009).

### Additional

- Bazerman, M. H. y D.A. Moore (2009): Judgement in Managerial Decision Making, 7th edition, John Wiley & Sons.
- Shefrin, Hersh (2002): Beyond greed and fear. Oxford University Press.

## ADDENDUM COVID-19

**This addendum will only be activated if the health situation requires so and with the prior agreement of the Governing Council**



The teaching of the 2020-2021 academic year to which this Teaching Guide refers is programmed in face-to-face mode.

If at any time, during the course, for justified and supervening causes it cannot be carried out as planned, the responsible teaching staff will communicate more specific and detailed information about the changes that should be made through Aula Virtual (the virtual classroom) of the subject.

