FINA/MANA 7329 Behavioral Finance (3.0 credits)
(See comments from past students on the back of this page.)
Fall Semester 2023 (Mondays from 6 to 9 p.m. face to face)

Course Content

Course conceptual tools will help you to accumulate "enough" wealth to live comfortably throughout your life. Because the stock market is important for building wealth, our focus will be on operating characteristics of a) the stock market and b) you as a decision maker within it. We will examine five major questions.

1) What common errors do decision makers commit? How can one avoid them? The course psychological theories include prospect theory, heuristics and biases, and the lens model.

2) How should retirement systems be designed to minimize organizational costs and maximize employee welfare?

3) What decision processes are used by investors and how do they lead investors astray? We are "programmed" to seek patterns in information and to extrapolate from limited information. Thus, we find it easy to believe that we have found "the method" for predicting the market. Unfortunately, this is very risky because the market is extremely unforgiving. Numerous strategies for overcoming these and other errors will be presented.

4) Can the stock market be predicted? Our focus will be on long term success. It is extremely difficult to accurately predict the stock market long term.

5) Can one identify people or techniques that accurately predict the market? Due to great variations in market returns, evaluation of predictors and prediction methods is difficult.

When will FINA/MANA 7329 Behavioral Finance be taught?   During Fall Semester, 2023, the course will meet face to face from 6 to 9 p.m. on Mondays.

What are the prerequisites?

The prerequisite is graduate standing. Some investing experience would be helpful but is not required.

How will the FINA/MANA 7329 be taught?

The underlying teaching philosophy is "learning by doing." Thus, the class will minimize time spent in formal lecture and maximize time spent in exercises and other activities that promote learning. Another component of the class will be a team project. In teams of three, class members perform research for a behavioral finance topic. After analyzing the data, they will present the results orally and in a written report at the end of the term.

Who is the instructor?
Dale Rude
310J Melcher, 713/743-4673
drude@uh.edu

What are my assignments for the first day of class?
Read materials assigned on Blackboard and attend class.

Comments from Bauer Student Evaluations

I think this was a great course, especially for finance students since it presents material that is usually not presented in finance classes.

I really appreciated the section on personal finance. It is absolutely applicable to knowledge and skills needed for the business world. Plus we can each get off track with our personal plans (provided we even had good understanding of the basics). Big help - I reestablished my own financial, goals and timelines.

Instructor was greatly prepared, he was passionate about the subject and he encouraged students to think outside the box! The assignments were interesting and relevant to me.

The class is one of the best in the MBA program. Real life lessons that will not easily be forgotten.

He should be teaching more [MBA] courses. This was hands down the most interesting class of the MBA program.

Good introduction to alternative ways of thinking about finance. Food for thought on if the market can be beaten.

Loved the interactive exercises, structure of teaching materials and length of class period. Very "flexible feel to course."

Great practical exercises and good books were chosen for the class. Professor was very enthusiastic about what he was teaching.

Thanks for the course! Great job!

Great teacher! Great Class!

Dr. Rude is the best professor I've had in the whole program. He is very dedicated to his students' success. His classes are enjoyable and I've learned a lot from him. I have taken both classes he teaches now, and wish there was another!

I loved Dale's real life examples and that I learned real life lessons, not just textbook lessons from this course.

Great instructor, second class with him. I enjoyed the guest financial speaker and presentation. The stock market simulation was fun and there were several interactive activities which made the course interesting.

Dale is a great professor. I enjoyed his class thoroughly and would recommend it to anyone else.

This is, by far, the best class I have taken at Bauer. Professor should be held up as an example to other professors -- he is engaged with students and his topic. He uses FUN activities to demonstrate his point and to further student understanding. Every class is different. He stimulates a high level of independent student learning.

A Million Reasons
Bauer College Behavioral Finance Students Find Success, Wealth After Graduation

By Julie Bonnin

Published on June 22, 2022

FROM LEFT: VICKY PHAN (BBA '06), TINA NGUYEN (BBA '06), PROFESSOR DALE RUDE AND VU TRAN (BBA '06).

A behavioral finance class at the C. T. Bauer College of Business could credibly be called the "Millionaire's Club," having produced more than fifteen students who have gone on to accumulate $1 million or more after graduation.

Professor Dale Rude of the Department of Management & Leadership teaches the class, and he has assigned the book, "The Millionaire Next Door," by Thomas J. Stanley and William D. Danko, throughout decades of teaching it.

"One of my goals in the course is to give students the tools they need to become wealthy," Rude said. **"I recently became aware that several of my students from 2006 to 2011 are now millionaires. I did a follow-up survey of students from that era and have identified 25 so far that are now millionaires. All did it before age 40. I am so proud of them."**

Rude notes that like many of his students, he did not grow up in a wealthy family. His message to students is that building wealth is a step-by-step process that can be achieved even by those who earn an average salary.

Blake Salinas, (BBA '07), a Marine veteran who now is general manager of a car dealership, attended Rude's class in 2006 and began sending his former teacher Facebook updates about his growing financial status a few years ago.

"Your class, hands down, has had the biggest impact on my life," he wrote Rude. "I am reminded of and living the principles of the book on a daily basis."

Salinas graduated from U.S. Marine Officer training school following his graduation from the Bauer College and is married with three children. He said the approach he took to handling his finances was much different than that of many of his friends, who were often stressed over debt they took on. Through thoughtful budgeting and careful inexpensive investments, Salinas slowly built his net worth.

Three other former students who also say they've been able to accumulate significant wealth since taking Rude's Behavioral Finance class took part in a video chat with Rude's students last spring semester.

"The class really provided a good insight into the goals you should set for yourself," Vicky Tran (BBA '06), told the students. "The other part that motivated me was having good friends to travel that road together with."

Tran, her now-husband Vu Tran and friend Tina Nguyen took the class together. A full third of the students who have become millionaires are of Vietnamese descent, Rude said.

Vicky and Tina stressed that students should be realistic and understand they may not love the initial jobs they take after graduation. Despite being discouraged with their first jobs, the two encouraged each other about moving into better positions and sticking to the financial lessons they had learned in Rude's class. Each went on to find rewarding, long-term careers, they told the students.

"Start early, invest a little bit at a time," Tina said. "In 10 years, you'll realize the power of compound interest."

Cumulative student debt has risen since they were in school, which may make saving more challenging. But the general principles taught in Rude's class still apply, they said.

"I'm pretty sure you could be a millionaire with the mindset and focus that Dale sets out in his class," Vicky said.

https://www.bauer.uh.edu/news/2022/a-million-reasons/

Instructor: Dale Rude, 310J Melcher
713/743-4673
drude@uh.edu
Office Hours: M 5:15-5:45 p.m. and by
appointment.

Textbooks and Other Reading Material
   Notes available from Blackboard.
   Thaler, R. (2015) Misbehaving. New York: W. W. Norton and Company.
   Malkiel, B. G. (2019). A random walk down Wall Street (14th edition). New York:
      W. W. Norton and Company.

   One of the following:
   Robin, V., & Dominguez, J. (2018, 2nd ed.). Your money or your life. New York:
      Penguin Books
   Stanley, T. J., &, Danko, W. D. (1996).   The millionaire next door.   New York:
      Pocket Books.
   Stanley, T. J. (2004). Millionaire women next door. Kansas City, MO: Andrews
      McNeels Publishing.

Official Course Description
   FINA/MANA 7329: Behavioral Finance Cr. 3. (3-0). Prerequisite: Graduate standing.
Examination of individual decision behavior within a financial market context. Evaluation of
psychological explanations for market movements and anomalies. Emphasis on the application
of psychological principles to decision making behavior.

Course Content
   Course conceptual tools will help you to accumulate "enough" wealth to live comfortably
throughout your life. Because the stock market is important for building wealth, our focus will
be on operating characteristics of a) the stock market and b) you as a decision maker within it.
We will examine four major questions.
      1) How should retirement systems be designed to minimize organizational costs
and maximize employee welfare?
      2) Can the stock market be predicted? Our focus will be on long term success. It
is extremely difficult to accurately predict the stock market long term.
      3) Can one identify people or techniques that accurately predict the market? Due
to great variations in market returns, evaluation of predictors and prediction methods is difficult.
      4) What decision processes are used by investors and how do they lead investors
astray? We are "programmed" to seek patterns in information and to extrapolate from limited
information. Thus, we find it easy to believe that we have found "the method" for predicting the
market. Unfortunately, this is very risky because the market is extremely unforgiving.
      On a more formal level, behavioral finance is a) the study of how systematic
departures from rationality affect financial markets and the welfare of investors and b) a new
field focused on the interface between finance and the fields of psychology and management.
Three general topics comprise the field. The first major topic is the decision behavior of
individuals acting within a market context such as the stock market. A major focus is systematic

errors that investors make. The second is real world market anomalies, which are difficult to explain with market models such as the efficient market hypothesis. Third are applications of psychological principles to predict market movement. The emphases for the class are a) understanding individual decision behavior within a market context (85%), b) market anomalies (10%) and c) applying psychological principles to modify market model parameters (5%). All are important factors in the design of retirement systems and individual investment portfolios.

The Secrets to Success in this Course
      1. This is not a "listen, memorize, and fill in multiple choice circles" class. Instead, it is a "learn by doing and application testing" class. To be successful, attend class and perform all assignments.
      2. The most basic requirements of any job are to read, write, and follow instructions. Please do so in this class.
      3. Prepare problem assignments before class. Problem assignments are not graded in this class. When problems are assigned, however, work through them in preparation for class. The problems are excellent practice for exam questions.
      4. When examples are presented in class, jot some of the details down in your notes to aid you when reviewing for the exams.
      5. Put forth a strong effort as you prepare for the exams. Know the learning objectives forwards/backwards/inside/out for exams. Be able to apply concepts and theories to new situations. When preparing, make up new problems and apply the course concepts. Study with other members of the class.

Some Administrative Details
      1. The most efficient way to communicate with me is by email (I check email message several times per day). If convenient, summarize your questions or problem in an email. Put the class number (FINA 7329 or MANA 7329) in the heading of emails you send to me. If I receive an email from an unknown source, I often delete it without reading it.
      2. Why are two departments listed in the course designation? This class is cross listed as both FINA7329 and MANA7329. You may take this class as finance elective or as a management elective but not as both.
      3. There will be a nonrefundable laboratory fee for the class that will be collected by the instructor. This is important because a core tenet of behavioral finance is that decisions be made with money riding on the outcome. A variety of classroom games and auctions will be played for real money. You may win or lose money during these demonstrations. You will be paid your winnings and pay for your losses from the laboratory fees according to the rules of the demonstration. During the class, more money will be paid out to students than is paid in by them. However, some students will pay more money than they receive and some demonstrations will result in net losses to students in aggregate.

4. A tentative grading scale is presented below. The final grading scale will be no higher than this, but may be lower.

93+ A	73-76.99 C
90-92.99 A-	70-72.99 C-
87-89.99 B+	69.99 and below F
83-86.99 B	
80-82.99 B-	
77-79.99 C+	

6. Tentative point allocations

"Have you read?" quiz-Stanley	6 points
"Have you read?" quiz-Malkiel chapters	6 points
"Have you read?" quiz-Thaler chapters	6 points
Exam 1	90 points
Exam 2	90 points
Team Project	75 points
Horse Race Project	20 points
	293 points

7. Submit assignments via Blackboard. Submit assignments as Word attachments. Excel submissions will not be accepted for the utility project.

8. The last day for discussing your grades on Stanley, Thaler, and Malkiel quizzes, exam 1, and the horse race & wealth and happiness projects with your instructor is the last day of class. After that day, only exam 2 grades will be open for discussion.

9. The Bauer College has a policy that requires all of its instructors to be evaluated by their students. The results of these course evaluations are important to provide feedback to instructors on how their performance can be improved. In addition, these evaluations are carefully considered in promotion, salary adjustment, and other important decisions. We openly encourage students to provide feedback to instructors and the Bauer College through the evaluation process.

10. The C. T. Bauer College of Business would like to help students who have disabilities achieve their highest potential. To this end, in order to receive academic accommodations, students must register with the Center for Students with Disabilities (CSD) (telephone 713-743-5400), and present approved accommodation documentation to the instructorin a timely manner.

11. The University of Houston Academic Honesty Policy is strictly enforced by the C. T. Bauer College of Business. A discussion of the policy is included in the University of Houston Student Handbook, http://www.uh.edu/dos/hdbk/acad/achonpol.html. Students are expected to be familiar with this policy. No violations of this policy will be tolerated in this course.

Ways to Earn Points
1. "Have You Read?" Quizzes/Reaction Papers. "Have you read?" quizzes will be given on the days that 1) the Stanley book, 2) the Malkiel book, and 3) the Thaler book chapters are discussed. No makeup "Have you read?" quizzes will be given. Students who miss those quizzes can earn associated points by writing reaction papers. The topic of reaction papers will be the student's observations and reactions regarding the reading material. Reaction papers that only summarize the content of the reading will receive no more than one half of the allotted points. Reaction papers should show that all of the assigned material has been read. Minimum length for the reaction papers will be three *full* double-spaced pages (66 lines of text) plus the title page. Maximum length is five double-spaced pages (110 lines of text) plus the title page. Grades will be based upon whether you shared your reactions and upon meeting the guidelines for format of the assignment. Reaction papers are due one week after the quiz has been administered. After that date, you will be penalized one half of the points you earn. (For example,

if you earn 6 points on your reaction paper, your grade will be 3 points.)

2. Exams. Two exams, consisting of essay and short answer questions, will be administered. A list of learning objectives for each exam will be made available. The purpose of these objectives is to help you focus your attention on the material which the instructor believes is most important. Over 90% of the exam points will come from exam questions based upon the learning objectives. The remaining points, if any, will come from questions concerning material not covered by the learning objectives. During exams, students who leave the classroom, will not be allowed to continue the exam. During exams, all cell phones, pagers, etc. will be turned completely off.

3. Individual Projects. There will be no penalty the first time when you submit a late project if you submit it before the end of one week from due date. If submitted after one week from the due date, three points will be deducted. The second time you turn in a late project, three points will be deducted.

Horse Race Project. In the lens model project, you will analyze your horse race task results. It is worth 20 points.

4. Team Project. In teams, you will choose a behavioral finance topic, collect data, analyze them, and orally present a report summarizing your findings. A written executive summary, introduction, and conclusion will be submitted, as well as the PowerPoint slides used for the presentation. The team project is worth 75 points.

5. Feedback Memo for Extra Credit. Students can earn from zero to three extra credit points by submitting a feedback memo regarding the structure, conduct, and/or content of the course. Number of points earned will depend upon offering thoughtful suggestions for improvement and meeting minimum length requirements. Memos that focus only on positive aspects of the course will receive no more than 1 point.

Topics covered might include (but need not be restricted to) any of the following:

a) your experience in the class-how useful, interesting and/or appropriate the course was for you, what you learned.
b) assignments-number, structure, timing, fairness of grading
c) exams-format, coverage, fairness
d) conduct of class sessions-pace, level, activities
e) readings-number, usefulness
f) class notes and sample assignments,
g) course theories and concepts-number, appropriateness, omissions, usefulness
h) motivational strategies used by the instructor-appropriateness, effectiveness, and
i) overall structure of class-clarity, usefulness.

Minimum length: 3 full double-spaced pages (66 lines of text) plus title page.
Maximum length: 5 double-spaced pages plus title page. ***Due date is to be determined.***