

Spring 2010

Topics in Finance: Managing Retirement Wealth

6 Classes Tuesdays 6:00 to 9:00PM

B40.3176

1.5 Credits

Office Hours 5:00 to 6:00 on Tuesdays

John H. Biggs

Former Chairman and CEO of TIAA-CREF, one of the largest Retirement Income Providers in the U.S.; Executive in Residence and Adjunct Professor of Finance at Stern

This course has three broad subjects:

- (1) What are successful strategies for individuals to accumulate, manage and protect their retirement wealth? The course will also explore why most Americans fail to find such strategies.
- (2) What are opportunities in managing the \$12 trillion of accumulated U.S. retirement wealth? What are the opportunities for investors, advisors and analysts?
- (3) What are the problems and solutions for financing our national government retirement related entitlements?

Textbooks:

Text books for the course will cost less than \$50 (current Amazon.com prices for new editions) and include three paperbacks.

- Coming up Short by Alicia Munnell on 401(k) plans
- Fundamentals of Employee Benefit Program, a handbook published by the Employee Benefit Research institute
- Restoring Fiscal Sanity the Brookings Institute

## Teaching Method

Lectures, debates and guest presentations will be used in the course. Experts on 401(k)s, investing, and managing corporate pension funds will present their distinct perspectives.

Student participation will be expected as current events raise questions.

Case studies and interesting media coverage will be put on Blackboard for class discussion.

Since student participation will be recognized in grading please be sure to keep your nameplate in front of you.

## Grading

Class participation: 20% (attendance will help this element)

One take-home problem set: 40%

One 5 to 10 page research paper: 40 %

## Outline of Classes (Preliminary)

### Session 1

Accumulating Retirement Wealth

Advantages with Defined Contribution (DC) over Defined Benefit (DB)

Successes and failures of DC plans

Riskiness of DB plans

Arithmetic of tax deferral (Roth vs. traditional)

#### Readings:

From Munnell, EBRI Handbook and papers posted on Blackboard

### Session 2

Wealth Retirement through DC plans

How behavioral finance can “nudge” savers toward better strategies

Advantages of later retirement

Varieties of DC plans (401k's, IRA's, 403(k)'s and self-employed)

Guest expert on investing personal funds

Readings:

Munnell, EBRI and papers on Blackboard

Session 3

DB Plans from Corporate Viewpoint

Riskiness of DB plans

Conflicts with financial reality and economic optimists

De-risking DB plans

Basic asset-liability management

Readings:

EBRI handout, papers posted on Blackboard

Session 4

How to escape DB plans – cash balance and other hybrids. Comparable DC plans.

Unintended consequences of federal regulation

Pension Benefit Guarantor Association

Guest lecturer on DB plans

Readings:

EBRI and papers posted on Blackboard

Session 5

How to spend retirement wealth

Longevity vs. early retirement

Annuities -- fixed and variable

Long term care insurance

Readings:

EBRI and papers on Blackboard

Session 6

Over regulation of tax favored plans

How to manage federal entitlements (Social security, Medicare, PBGC)

How to fix Medicare, Social Security, Medicaid and the PBGC

Guest pension lawyer

Readings:

Brookings: Restoring Financial Security

Papers on Blackboard