Course: Private Wealth Management – Managing Individual Investor Portfolios

Lecturer	Prof. Dr. Konstantin Kostin, Prof. Dr. Bernd Mühlfriedel
Course Language	English
Conditions of participation	**In terms of form:** none
	In terms of content: none
Examination	presentation (50%) and oral exams (50%)
Pre-examination requirements	None
Part of final grade	Yes
Required for pass	Yes
Learning outcomes / Competences	After successful completion of this course, students are – on a basic level – able to manage private assets according to defined principles and goals. Knowledge and understanding: • distinguish between an asset and a liability with focus on bettering savings, and ensuring that not more money is going out than coming in; • understand the difference between how rich people and average people choose to get paid; • distinguish private wealth management from other fields of asset management; • discuss how source of wealth, measure of wealth, and stage of life affect an individual investors' risk tolerance; • understand the theory of life-cycle saving and investing; • explain the influence of investor psychology on risk tolerance and investment choices; • explain potential benefits, for both clients and investment advisers, of having a formal investment policy statement; • explain the process of creating an investment policy statement; • distinguish between required and desired return and explain how these affect the individual investor's investment policy; • explain how to set risk and return objectives for individual investor portfolios and discuss the impact that ability and willingness to take risk have on risk tolerance; • discuss the major constraint categories included in an individual investor's investment policy statement; • discuss current developments in financial markets and their impact on individual investor portfolios; Abilities/Transfer: • prepare and justify an investment policy statement for an individual investor; • determine the strategic asset allocation that is most appropriate for an individual investor's specific investment objectives and constraints; • apply gained knowledge in practical investment decision settings.

	Learning outcomes:
	• Knowledge enhancement
	o Gaining a good understanding of the terms and definitions related to private wealth management and their difference to other areas of investment management
	o Acquiring knowledge on the «4 whales of sucess»
	o Acquiring knowledge about the factors influencing the needs and goals of individual investors and their assessment
	o Acquiring knowledge about the different investment alternatives available for individual investors
	o Understanding the importance of different legal frameworks, taxation and pension systems for individual investor decision-making
	• Change of awareness
	o Understanding of different challenges in financial markets under consideration before the background of the markets history and external and internal factors
	o Ability to map opportunities for short-term, mid-term and long-term financial gains in each market
	• Personal competence
	o Improvement of presentation and self-reflection abilities via discussions, case studies, group work and presentation
	o Learning to find innovative creative solutions to money problems
	o Approaching whatever happens with financial intelligence and turning it into a gain even if it looks otherwise at first sight
Content	**Day 1** Introduction to private wealth management & investor characteristics. Introducing the concept of financial intelligence: learning the difference between an asset and a liability with focus on bettering your savings, and ensuring that not more money is going out than coming in. The session gives the insights on how to manage money using financial intelligence. **Day 2** Investment Policy Statement. Learning the difference between how rich people and average people choose to get paid. Understanding the choice and the outcome between average people and the rich: choosing to get paid based on time — on a steady salary or hourly rate (average people) or working on commissions, choosing stock options, profit sharing over higher salaries and building and owning businesses (rich). Calculating risk and determining the level of comfort under uncertainty conditions. Learning how to have money work for you – by being your own boss, starting a company and investing. **Day 3.** Changing the mindset: introducing the «4 whales of success». Accounting: building up financial literacy or the ability to read and interpret numbers; Investments: how money creates money; Understanding the markets: understanding supply and demand; Legal framework: how to build wealth respecting the rules.

	Day 4 Asset Allocation. *«The rich focus on their asset columns while everyone else focuses on their income statements».* Applying the lessons learned: having the money work for you. **Day 5** International differences in individual investor asset management – Examples of Germany & Russia. Applying financial intelligence in developing markets & capitalizing on opportunities. Understanding cultural differences and business communications in Germany & Russia. Locating and capitalizing on business opportunities in Russia. Mapping consumer profiles and successful marketing strategies. Applying industrial marketing in order to understand what local companies are looking for. **Day 6** Learning to find innovative creative solutions to money problems. Approaching whatever happens with financial intelligence and turning it into a gain even if it looks otherwise at first sight. Finding solutions to questions like: «If an opportunity lands in your lap and you have no money and the bank won't talk to you, what else can you do to get the opportunity to work in your favour? ». Learning how to see more opportunities than everybody else. *«The single most powerful asset we all have is our mind. If it is trained well, it can create enormous wealth».* **Day 7** Current issues in financial markets and their effect on individual investor portfolios. *«It's not the smart who get ahead, but the bold».*
Media	Projector with laptop, flipchart, blackboard
Literature	No prior reading necessary. The reading requirements will be addressed in class.