

THE EDUCATION UNIVERSITY OF HONG KONG

Course Outline

Part I

Programme Title	:	Bachelor of Arts in Personal Finance; all undergraduate programmes
Programme QF Level	:	5
Course Title	:	Psychology of Money and Financial Decision Making
Course Code	:	INS4084
Department	:	Department of Social Sciences and Policy Studies & Department of Psychology
Credit Points	:	3
Contact Hours	:	39
Pre-requisite(s)	:	Nil
Medium of Instruction	:	English
Course Level	:	4

Part II

The University's Graduate Attributes and seven Generic Intended Learning Outcomes (GILOs) represent the attributes of ideal EdUHK graduates and their expected qualities respectively. Learning outcomes work coherently at the University (GILOs), programme (Programme Intended Learning Outcomes) and course (Course Intended Learning Outcomes) levels to achieve the goal of nurturing students with important graduate attributes.

In gist, the Graduate Attributes for Sub-degree, Undergraduate, Taught Postgraduate, Professional Doctorate and Research Postgraduate students consist of the following three domains (i.e. in short "PEER & I"):

- Professional Excellence;
- Ethical Responsibility; &
- Innovation.

The descriptors under these three domains are different for the three groups of students in order to reflect the respective level of Graduate Attributes.

The seven GILOs are:

1. Problem Solving Skills
2. Critical Thinking Skills
3. Creative Thinking Skills
- 4a. Oral Communication Skills
- 4b. Written Communication Skills
5. Social Interaction Skills
6. Ethical Decision Making
7. Global Perspectives

1. Course Synopsis

This course aims to enable participants to better understand the relationship between money conception and decision-making from a psychological perspective. It examines how individuals view money, make predictions, and why they make repeated mistakes in their financial decisions. The course will provide some basic concepts of the psychology of money. It will then introduce cognitive biases and heuristics and discuss these impacts on financial decision making. It will also explore how to make and encourage better financial decisions using real-life examples.

2. Course Intended Learning Outcomes (CILOs)

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

- CILO₁ introduce psychological factors that influence decision making processes with a focus on personal finance of individuals;
- CILO₂ demonstrate an understanding of various basic concepts relating to the psychology of money;
- CILO₃ acquire foundation knowledge on behavioral science and explain its implications on financial decision making;
- CILO₄ identify possible solutions and strategies to overcome psychological booby traps of financial decision making;
- CILO₅ reflect the relationship between money conception and decision-making from a psychological perspective, and be able to assist clients in reviewing and improving financial behaviors for achieving better financial well-being.

3. Content, CILOs and Teaching & Learning Activities

Course Content	CILOs	Suggested Teaching & Learning Activities
Introduction to Human Behavior in Decision-Making: Concepts of preferences and actions, following the herd, and choice architecture will be discussed.	CILO ₁	Lectures, Case Studies, Guided Group Discussions, Literature Review, Reflection and Sharing
Psychology of Money: The concepts, such as opportunity cost, relativity, mental accounting, pain of paying, effect of free, loss aversion and endowment effect, IKEA effect, fairness and reciprocity, and market and social norms, will be integral to the psychology of money, shaping decision-making, value perception, and social interactions in financial contexts.	CILO _{1,2,5}	Lectures, Case Studies, Guided Group Discussions, Literature Review, Reflection and Sharing
Behavioral Science: Its foundations and implications on financial decision making will be highlighted. Topics such as	CILO _{1,3,5}	Lectures, Case Studies, Guided Group Discussions, Literature Review, Reflection and Sharing

heuristics and biases, overconfidence, the role of emotion, and the challenges posed by limited self-control and procrastination will be explored in relation to personal finance.		
How should we think about money? What can we do to improve the ways we make decisions in general and financial decisions in particular? <ul style="list-style-type: none"> – Advice and Strategies – Mitigation of Bias – Education – Client Management 	<i>CILO</i> _{4,5}	Lectures, Case Studies, Guided Group Discussions, Literature Review, Reflection and Sharing

4. Assessment

Assessment Tasks	Weighting (%)	CILO
(a) Individual Assignments Students will be given individual assignment(s) on understanding the concepts of the psychology of money and making financial decisions.	30%	<i>CILO</i> _{1,2,3,4,5}
(b) Group Project Students will form small groups to study a topic related to the psychology of money. Each group has to submit a report (~2,000 words) and conduct a presentation by all group members, in which the instructor will ask questions to individual participants for individual evaluation.	30%	<i>CILO</i> _{1,2,3,4,5}
(c) Final Examination A 2-hour examination will be conducted at the end of the course. The coverage of questions is designed as comprehensively as possible throughout the course content.	40%	<i>CILO</i> _{1,2,3,4,5}

5. Required Text(s)

Nil

6. Recommended Readings

Ackert, L.F. & Deaves, R. (2009). *Behavioral Finance: Psychology, Decision-Making, and Markets*. Cengage Learning.

Ariely, D. (2010). *Predictably Irrational, Revised and Expanded Edition: The Hidden Forces That Shape Our Decisions*. HarperCollins Publishers.

- Ariely, D. & Kreisler, J. (2017). *Dollars and Sense: How We Misthink Money and How to Spend Smarter*. HarperCollins Publishers.
- Baker, H. K., Filbeck, G. & Nofsinger, J. R. (2019). *Behavioral Finance: What Everyone Needs to Know*. Oxford University Press.
- Belsky, G. & Gilovich, T. (2010). *Why Smart People Make Big Money Mistakes and How to Correct Them: Lessons from the Life-Changing Science of Behavioral Economics*. Simon & Schuster.
- Center for Advanced Hindsight. (2015). *Behavioral Economics Field Guide for Financial Services*. https://advanced-hindsight.com/archive/wp-content/uploads/downloads/2015/12/CAH_Field-Guide_FinancialServices.pdf
- Housel, M. (2020). *The Psychology of Money: Timeless lessons on wealth, greed, and happiness*. Harriman House.
- Kahneman, D. (2011). *Thinking Fast and Slow*. Farrar, Straus and Giroux.
- Larry, M. (2024). *Understanding Psychology and Money Dynamics: Exploring the Intersection of Mind, Wealth, and Behavioral Finance*.
- Pompian, M.M. (2012). *Behavioral Finance and Wealth Management: How to Build Investment Strategies That Account for Investor Biases* (2nd ed.). John Wiley & Sons, Inc.
- Thaler, R.H. (2015). *Misbehaving: The Making of Behavioral Economics*. W.W. Norton & Company Inc.
- Thaler, R.H. & Sunstein, C.R. (2021). *Nudge: The Final Edition*. Penguin Books.

7. Related Web Resources

Behavioral Scientist	https://behavioralscientist.org/
Center for Advanced Hindsight	https://advanced-hindsight.com/
Freakonomics	https://freakonomics.com/
Money Under 30	https://www.moneyunder30.com/
The Behavioral Economics Guide	https://www.behavioraleconomics.com/be-guide/
The Decision Lab	https://thedecisionlab.com/
Investor and Financial Education Council	https://www.ifec.org.hk/

8. Related Journals

International Journal of Consumer Studies
Journal of Consumer Affairs
Journal of Consumer Research
Journal of Family and Economic Issues
Journal of Financial Counseling and Planning
Journal of Financial Planning
Journal of Personal Finance

9. Academic Honesty

The University upholds the principles of honesty in all areas of academic work. We expect our students to carry out all academic activities honestly and in good faith. Please refer to the *Policy on Academic Honesty, Responsibility and Integrity* (<https://www.eduhk.hk/re/uploads/docs/000000000016336798924548BbN5>). Students should familiarize themselves with the Policy.

10. Others

Nil

Last updated on 4 October 2024