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Financial Literacy

Dr. Pansy L. Yang | Executive Director
Fink Center for Finance & Investments

As financial instruments have increased in availability and complexity, the danger has grown in some consumers’ inability to understand the vast array of choices. Financial literacy is defined, usually, as the ability of people to understand finance and make informed decisions for lifelong financial security.

Various bills and acts supporting financial literacy have been passed by Congress from 2000 on, and a number of organizations have been created to support financial education. One of the oldest of these organizations is the Jump$tart Coalition for Personal Financial Literacy, which first started measuring financial literacy nearly 15 years ago when the term “financial literacy” was virtually unknown. Its mission is to “improve the financial literacy of pre-kindergarten through college-age youth by providing advocacy, research, standards and educational resources”; this is representative of the movement within the U.S. to financially educate individuals starting from an early age.

We are very fortunate to have a contribution about financial literacy in this bulletin from Lewis Mandell, professor emeritus of finance at SUNY Buffalo, a leading pioneer in the field. Lewis constructed the Jump$tart Survey, and administered the survey first in 1997, and then subsequently every two years from 2000 to 2008. His decade of work has led to sobering conclusions. He finds current classroom teaching methods to be rather ineffective; i.e. students who take a high school course in personal finance do not have a greater understanding of finance than those who never take a course. In this article, he summarizes the results of the 2008 National Jump$tart Coalition Survey of high school and college students.

Bruce Carlin, associate professor in finance at UCLA Anderson and co-director of the Fink Center, shares his findings from a particular research study in which he analyzes the financial literacy of approximately 2,350 students between the ages of 13 and 19 in Los Angeles during the 2008-09 academic year. He reveals details of the study and results from this controlled empirical experiment, in which half the students received a lengthy training course prior to making financial decisions and half did not. He finds that education works in some settings. However, when extrapolation is needed, prior education may become unreliable or even detrimental, unless it is augmented with timely decision support.

1 http://jumpstart.org/mission.html
What Does Financial Literacy Training Teach Us?

Bruce Carlin | Associate Professor, UCLA Anderson

Financial literacy is defined as “the ability of people to make financial decisions in their own best short- and long-term interests” (Mandell, 2008). Unfortunately, this skill is in short supply, which may erode both personal and aggregate welfare (e.g., Lusardi and Mitchell, 2007).

Finding the best way to address the scarcity of financial literacy has focused on three distinct channels. The first is directly improving financial literacy through better education and financial literacy training (e.g., Mandell, 2009; Bernheim and Garrett, 2003; Bernheim, Garrett, and Maki, 2001), though the evidence regarding the efficacy of these efforts is mixed. The second is improving access to advice and timely decision support. For example, Bertrand and Morse (2009) show that timely, salient information about the true costs of payday loans causes people to frame their decisions more broadly and consequently take up fewer loans. Lynch (2009) argues that timely decision support—appraising consumers of the consequences of various mortgage options before they choose a home—is preferable to increased disclosure in retail mortgage transactions. The third is implementing a policy of libertarian paternalism: nudging consumers in the right direction by judiciously choosing default options, thereby limiting the harm that arises from the failure to make an informed choice (Thaler and Sunstein, 2003; Choi, Madrian, Laibson, and Metrick, 2009).

Several important issues remain unresolved, however. First, it is unclear whether financial literacy training actually affects people’s actions at an individual level, even if it does improve their knowledge about financial decisions. Indeed, many of the cited papers above analyze the uptake of information by subjects, not the effect of training on financial decisions. Second, it remains unclear how people extrapolate such training to other circumstances that are not specifically included in the training program and whether this leads to unintended consequences. Finally, it remains unknown how financial literacy training interacts with the other channels noted above.

Addressing such questions is usually difficult because the investigator is unable to control for unobserved variables that confound the analysis. For example, consider studying the effect of financial literacy training on a typical 50-year-old man. To calibrate the effect of the training, one would have to control for learned biases, previous advice, prior good and bad luck, and previous experiences. This often represents an insurmountable task.

In this research study, we evaluated the efficacy of education in a novel way by studying a population of newcomers to finance: Los Angeles students aged 13-19 years old who participated in a simulated finance experience at the Junior Achievement Finance Park of Southern California. Junior Achievement developed its curriculum and the Finance Park experience to educate young adults about personal finance and improve their ability to make sound financial decisions. Junior Achievement of Southern California provided us with data from its program during the 2008-2009 academic year.

What makes this empirical setting interesting is that some of the students received a 19-hour financial literacy training before going to the finance park, and some did not. This allowed us to study the effect of education on decisions made inside the park. The training included education in credit management, taxes, budgeting and simple investments. Students were explicitly encouraged to plan for their future, to maximize the present value of their future wealth and to minimize reliance on costly credit financing.

In the Finance Park at the Junior Achievement headquarters, both trained and untrained students were randomly assigned a fictitious adult identity, including a monthly income level, a marital status and a number of dependents (with children’s ages, if applicable). The students role-played making everyday consumer finance-related decisions: what type of insurance to buy, how much to save, whether to buy a cell phone, buying sports equipment, dining at restaurants and the like. Students made a personal budget based on their character’s monthly income, making decisions in each category while still operating within the budget. For example, a 17-year-old high school student might be asked to make the financial decisions that a 28-year-old, single mother of two might face as she took a limited budget and allocated it between housing, clothes, utilities, car expenses, education and recreation. Our data include the budget decisions of approximately 2,350 students, of whom roughly 1,700 turned in completed budgets.
Subjects in the park were not given explicit incentives to take role-playing seriously. There was ample evidence, however, that they did. Our statistical analysis of their behavior showed that they played according to the roles they were assigned: wealthier characters spent more on leisure, characters with larger fictitious families secured bigger dwellings, cut back on luxury items, and spent more on clothing and insurance. Interviews with administrators and employees at the Finance Park uniformly indicated that students took the experience seriously. This was also echoed in the student testimonials that we examined, which were contained in the efficacy evaluations of the Finance Park.

The data clearly demonstrated a strong treatment effect. This was easiest to see in a small group that went through twice, once before being educated and again afterwards. The post-treatment group had higher completion rates, saved more, spent less on immediate gratification items such as clothing, and relied less on credit financing. These behaviors were consistent with the lessons offered in the curriculum they received.

In the broader sample, students who received classroom financial literacy training made a range of choices that were also consistent with delaying immediate gratification to increase overall wealth. For example, all students were randomly assigned a costly home-improvement project, but were given latitude on how fast the loan would be amortized. The annual interest rate for home-improvement projects was roughly 21 percent. Students who received literacy training chose to make larger monthly payments on home-improvement installment plans, thereby avoiding high interest costs and lowering the present value of the financing costs they incurred (Table I, Panel A).

Nevertheless, in some situations, the students who received training systematically displayed a bias towards choices that were costlier in the long term but involved less monthly out-of-pocket cost. One important example was in making health care choices. Students in the park were presented with a range of health care options, with increasing degrees of coverage corresponding to higher levels of monthly premia. Plans that offered slightly lower monthly premia were more likely to be chosen by treated students, even though these plans exposed the participants to extensive out-of-pocket costs in the event that medical care would be needed (Table I, Panel B).

Specific features of the theme park's experiential design allow us to explore the reasons behind the difficulty that students experienced in extrapolating financial-planning heuristics to new decision settings. The Finance Park is staffed with volunteers who provide information and answer questions about the budget choices the students face. For home improvement decisions, attendants nudge students toward amortizing their packages more quickly, by encouraging students to pay more today so that they will face lower overall interest payments. The up-take of this advice is higher for students with training than without. In contrast, when health care choices are made, the attendant clarifies relevant concepts such as co-pays and premia, but does not nudge students in any

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<th>Panel A: Home-Improvement Loan Decisions</th>
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<td>Interest Payments</td>
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<th>Panel B: Health Insurance Decisions</th>
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particular direction. Without the nudge, literacy-trained students spend slightly less today on insurance plans, but this exposes them to greater expected costs in the future. Thus, the availability of timely decision support appears to be the key to the seeming inconsistency between prudent financial planning with regard to financing home improvement and imprudent financial planning with regard to health insurance. The financial literacy training tuned the students' ears to actively guided decision support, but does not equip them to conduct a similar analysis by themselves.

There are three central messages that emerged from our analysis. First, financial literacy can indeed be taught, but with important limitations. Trained students in many cases adopted the decision-making that the program stressed, but often had difficulty extrapolating the underlying principles to new settings. The second lesson was that education may have unintended consequences. The students who received the training even made some choices that were in some sense contrary to the spirit of the instruction they received. Because of this, it is probably optimal to monitor the effect of education on people's behavior over time and adjust the education accordingly. The third lesson, and perhaps the most important one, was that education and timely decision support are not distinct channels for improving consumer financial decision-making. They interact. Decision support was better utilized among the group that received financial literacy training. Timely decision support and financial literacy training are complements, not substitutes. In this light, it is likely to be optimal in the future to coordinate educational efforts with the advice channels offered in the market to maximize people's ability to make good decisions.

References


Bruce Carlin is an associate professor of finance with tenure at UCLA. Professor Carlin teaches corporate finance at UCLA and was awarded the 2008 Dean W. Robbins Award for teaching excellence. He has been recognized previously for his teaching acumen at both Duke University and the University of North Carolina. Professor Carlin’s primary research interests are in the areas of theoretical corporate finance and consumer finance. He received the 2009 Swiss Finance Award, which is given annually to the top paper in finance. He was also the 2009 recipient of UCLA’s Eric and “E” Juline Faculty Excellence in Research Award. Professor Carlin is an associate editor at the Review of Financial Studies.
The Financial Literacy of Young American Adults

By Lewis Mandell | Emeritus Professor of Finance, SUNY Buffalo

A Summary of the Results of the 2008 National Jump$tart Coalition Survey of High School and College Students.

The 2008 national Jump$tart survey of 6,856 high school seniors was the sixth such biennial survey and completed 10 years of measuring financial literacy in the United States. In 2008, the Jump$tart Coalition also conducted its first national survey designed to measure the financial literacy of college students. The two surveys present contrasting results.

The financial literacy of high school students fell in 2008 to its lowest level ever, with a score of just 48.3 percent. The average score for college students on the same 31-question exam, however, was 62.2 percent, nearly 15 percentage points above that of high school seniors. In fact, if measured on the high school senior base of 48.3 percent, college students actually did nearly 29 percent better. In addition, scores improved for every year of college, with seniors averaging 64.8 percent. The good news is that American graduates of four-year colleges are close to being financially literate and probably will be so with more life experience. The bad news is that just over a quarter of our young adults are earning four-year college degrees, and this number appears to have stabilized. This means that some three-quarters of young American adults are likely to lack the skills needed to make beneficial financial decisions.

The positive turnaround in high school financial literacy scores, first noted in the 2004 survey, continued only through 2006. Beginning with an average score of 57.3 percent in 1997, scores fell to 51.9 percent in 2000 and 50.2 percent in 2002 before staging a rebound to 52.3 percent in 2004. In 2006, the mean score increased by a tenth of a percent to 52.4 percent before falling to 48.3 percent in 2008.

When the Jump$tart Coalition® for Personal Financial Literacy first began measuring “financial literacy” in the 1997-98 academic year, the term was literally unknown. Today, hundreds of organizations promote financial literacy, members of Congress introduce bills supporting it, a Federal commission promotes it, many states have passed initiatives and serious scholarly work is being published. We have long noted with dismay that students who take a high school course in personal finance tend to do no better on our exam than those who do not. This finding has been a great disappointment to consumer educators and to those who support efforts to make courses in personal finance a requirement for high school graduation, and it points to the need for better materials and teacher training.

Financial Literacy Scores No Better for Those Who Took a High School Course in Money Management

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<tr>
<td>ALL Students</td>
<td>51.9</td>
<td>50.2</td>
<td>52.3</td>
<td>52.4</td>
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<tr>
<td>Students Who Took a Semester-Long Money Management Course</td>
<td>51.4</td>
<td>48.2</td>
<td>53.5</td>
<td>51.6</td>
<td>47.5</td>
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Source: Jump$tart, 2000-2008

1 The 253-page book summarizing the results of all of the Jump$tart surveys may be found at http://www.jumpstart.org/assets/files/2008SurveyBook.pdf
Dr. Lewis Mandell is a financial economist specializing in financial literacy. He began his professional career at the University of Michigan, where he directed the Surveys of Consumer Finances, now run by the U.S. Federal Reserve Board. In his 42-year academic career, he held professorships at a number of leading universities, most recently at the University of Washington, where he held the Kermit Hanson Professorship in Finance and Business Economics. He has been Dean of Business at Marquette University and the State University of New York at Buffalo, where he currently holds the title of Professor Emeritus. He is the author of 21 books and numerous articles, largely relating to the financial behavior and literacy of consumers.
On November 17, 2011, Bill Gross and Larry Fink joined together in conversation with Bloomberg’s Erik Schatzker. The program was broadcast on Bloomberg TV and the LA Times ran a lengthy feature on the two, detailing their rise to the top of the financial world and their shared California roots. Titled “The rise of the bond barons” and authored by Nathaniel Popper and Walter Hamilton, the following is an excerpt, reprinted with permission from the LA Times article:

When the U.S. government needed expert help in evaluating the bonds that caused the 2008 financial crisis, there were only two men it could turn to.

Larry Fink, the founder of investment giant BlackRock Inc., and Bill Gross, the founder of Pacific Investment Management Co. (Pimco), are the generally acknowledged kings of the bond universe.

Together, the companies they run hold approximately 7.5 percent of all outstanding bonds. The $1.2 trillion managed by BlackRock and the $1.1 trillion at Pimco dwarf the holdings of the next largest bond players, according to data from Pensions & Investments.

The gregarious Fink, 59, and the more reserved Gross, 67, have very different personalities and run very different companies. Fink’s asset management company, based in New York, has a much broader business model than Gross’ more focused operation in Newport Beach, but their ascension to the top of the bond world has some striking parallels.

Both men created upstart behemoths in a financial industry that tends to favor experience. Gross was one of Fink’s first big clients when he began trading bonds, and Fink used Gross as an advisor when BlackRock launched in 1989.

More strikingly, before starting their companies, they were both free-spirited California boys — Gross from the Bay Area, Fink in the San Fernando Valley. And the business training they received came not from some ivy-cloaked East Coast academic institution but at the less aristocratic business school at UCLA. They graduated within five years of each other.

“The fact that UCLA was sort of different and outside the mold — certainly from the standpoint of what I wanted to do in finance — was very advantageous,” Gross said in an interview.

“It’s not being a part of groupthink,” Fink said.

Their relationship, friendly but also rivals

Later, when Fink went off to start his current company, he went out to California with his co-founder, Ralph Schlosstein, to get Gross’ advice on creating a bond investing firm.

“One would normally think that No. 1 and No. 2. would be highly competitive and hate each other,” said Schlosstein, who has since gone on to lead Evercore Partners. “But in fact the relationship was always one of friendly competition and very high respect.”

That’s not to say, however, that there’s no rivalry:

“It would be unrealistic to think that we didn’t have our eyes on BlackRock and they didn’t have their eyes on us,” Gross said in an interview. “We’re out for their customers and they’re out for ours.”

Although Fink and Gross are both known as bond experts, they have taken their careers and their companies in very different directions. Gross has continued to focus on investing, while Fink has developed into more of a traditional CEO, leaving the day-to-day investing to others. Fink early on took his company in more directions, adding consulting and stock investing, something Pimco has only recently done.

In sum:

“What is remarkable about us is the longevity of our careers, and the successes we’ve had,” Fink said.

On how growing up in California and attending UCLA shaped their perspectives:

Fink and Gross credit their West Coast upbringing, far from the centers of financial power in cities such as New York and London, for giving them that broader perspective.
THE INAUGURAL UCLA ANDERSON INVESTING CONFERENCE

The Fink Center co-sponsored the Inaugural Investing Conference on February 10, 2012, with Kenneth Broad (‘94) and two student groups, the Investment Finance Association and Anderson Investment Association. More than 400 students, alumni and members of the local industry gathered in Korn Hall to hear well-respected executives share investing insights accumulated over years in the business, company history as well as career advice.

The conference was kicked off by James Ware, Founder of the Focus Consulting Group, a firm dedicated to helping investment leaders leverage their talent, followed by two panel discussions.

The first panel discussion, “Beating the Benchmark: Active Management and Efficient Markets” included Chris Brightman (director and head of investment management, Research Affiliates), J. David Carpenter (investment analyst, Capital Group), George Letteney (interim president and CIO, UCLA Investment Company), moderated by Drew Zager (managing director, private wealth management, Morgan Stanley). The second panel featured Steven Romick (managing partner, First Pacific Advisors) and Jonathan Sokoloff (managing partner, Leonard Green & Partners), moderated by C. Daniel Ewell, (chairman, western region investment banking, Morgan Stanley).


FINK CENTER ANDERSON STUDENT ASSET MANAGEMENT (ASAM) SPEAKER SERIES

The Fink Center Anderson Student Asset Management (ASAM) Speaker Series invites leading investment managers to speak to a select group of MBA students interested in pursuing a career in investment management. The students are members of ASAM, who manage an investment fund that aims to provide a competitive rate of risk-adjusted return to its investors, and engage in experiential learning through firm visits and guest speakers. This past fall, the following speakers presented: Michael Martin, editor of Martin Kronicle (October 11) and Mark Perry, vice president at Centinela Capital Partners (October 25).
Finance Area Speaker Series

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<tr>
<td>Sept. 30</td>
<td>Ed Van Wesep</td>
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<td>The Timing of Pay</td>
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<td>Oct. 7</td>
<td>Mark Westerfield</td>
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<td>Economic Ties: Evidence from Venture Capital Networks</td>
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<td>Oct. 21</td>
<td>Andrew Hertzberg</td>
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<td>Kenneth Ahern</td>
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<td>Dec. 2</td>
<td>Hui Chen</td>
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<td>Marketing Timing, Investment and Risk Management (Draft)</td>
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<td>Dec. 9</td>
<td>Ric Colacito</td>
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<td>Dec. 16</td>
<td>Lukas Schmid</td>
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<td>Innovation, Growth and Asset Prices</td>
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UPCOMING 2012 EVENTS

Save the Date

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<td>Private Equity Summit</td>
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<td><em>Keynote: Josh Lerner</em></td>
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<td><em>Jacob H. Schiff Professor of Investment Banking, Harvard Business School</em></td>
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<td>March 9</td>
<td>First Annual Fink Center AIA Stock Pitch Competition</td>
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<td><em>Participating student teams from UCLA, USC, HBS, Columbia, NYU</em></td>
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<td>March 15</td>
<td>Private Equity Roundtable</td>
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<td><em>Keynote: Joseph Dear</em></td>
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<td><em>Chief Investment Officer, California Public Employees' Retirements System (CalPERS)</em></td>
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For more information about any of the above events, please contact us at fink.center@anderson.ucla.edu.
Professor Mark Grinblatt's Research Highlighted in N.Y. Times Article

An article titled “What High IQ Investors Do Differently,” written by Robert Shiller, Professor of Economics and Finance at Yale University, appeared in the Sunday New York Times on February 28 highlighting Mark Grinblatt’s research on investor IQ and stock market participation.

Grinblatt is the Japan Alumni Chair in International Finance. He has authored approximately 40 scholarly papers in finance and economics, several of which have won distinguished awards, as well as a corporate finance textbook and an edited book volume. His past research, which appears in most of the major journals in finance and economics, has focused on asset pricing, rational expectations equilibria, performance evaluation, stock market anomalies, corporate finance, derivatives valuation and investor behavior. The following is reprinted with permission from the N.Y. Times.

You don’t have to be a genius to pick good investments. But does having a high IQ score help?

The answer, according to a paper published in the December issue of The Journal of Finance, is a qualified yes.

The study is certainly provocative. Even after taking into account factors such as income and education, the authors concluded that people with relatively high IQs typically diversify their investment portfolios more than those with lower scores and invest more heavily in the stock market. They also tend to favor small-capitalization stocks, which have historically beaten the broader market, as well as companies with high book values relative to their share prices.

The results are that people with high IQ’s build portfolios with better risk-return profiles than their lower-scoring peers.

Certainly, caution is needed here. IQ tests are controversial as to what they measure, and factors such as income, quality of education and family background may not be completely controlled for. But the study’s results are worth pondering for their possible implications.

The paper, by Mark Grinblatt of UCLA, Matti Keloharju of Aalto University in Helsinki and Juhani Linnainmaa of the University of Chicago, took advantage of some unusual data. The crucial numbers came from, of all places, Finland.

Why there? Two reasons. First, Finland requires all able young men to perform military service. As a result, the authors were able to obtain IQ test scores of all men conscripted in Finland from 1982 to 2001.

Second, Finland had a wealth tax, so its citizens had to report their investment portfolios to the government. This means the authors could compare the men’s IQ scores and their investing habits, as well as link those factors to other individual data. Similar data sets aren’t available in other countries, however, so we may not want to generalize too much.

Still, the results are interesting. The authors didn’t claim that people with high scores had some kind of monopoly on stock-picking genius. What they did contend was that these people tended to follow basic rules of successful investing.

In some ways, it’s a puzzle why IQ scores would matter in this regard. After all, the view that people should diversify their investments to avoid putting all their eggs in one basket is widely accepted. It’s not hard to diversify a portfolio or to have someone do it for you.

And another time-proven rule of investing — that people should put a substantial amount of their money in the stock market — might have its detractors, no matter what their IQ scores. That is especially possible given the volatility in the financial markets in recent years.

Yet only about half of all American adults have money in the stock market, directly or indirectly. So maybe something else is going on. If people can’t figure out the financial markets on their own, they can entrust their money to professionals or heed professional advice. The real problem may not be that many people lack investing savvy or smarts. Perhaps what they lack is trust or confidence in whom to trust.

Three economists, Luigi Guiso of the Einaudi Institute for Economics and Finance, Paola Sapienza of Northwestern and Luigi Zingales of the University of Chicago, argued in a paper published in 2008 that many households avoid investing directly in stocks out of vague fears that they might be deliberately misled or cheated. Using results from a survey of households, this time in the Netherlands, the economists showed that those who indicated a high level of trust were 50 percent more likely to invest in the stock market. They were also more likely to have diversified their stock holdings. The paper, titled “Trusting the Stock Market,” was published in The Journal of Finance.

Successful investing requires that we judge other people, and it relies on an ability to develop a good model of others’ minds. It requires that we put into perspective recent angry rhetoric against Wall Street and understand that, while some criticisms are surely justified, others are just as surely exaggerated.

Anyone, regardless of background or education, may worry about being misled. The professionals tell us that the stock market is the best place to invest, but such assurances don’t help us when the market swoons. Many pros assured us that housing prices would never decline, either.

But if we can somehow foster more trust in investment professionals, a full spectrum of people — whatever their IQ’s — might adopt a more successful approach toward investing.

The Consumer Financial Protection Bureau, created by the Dodd-Frank Act of 2010 and now under the command of Richard Cordray, ought to be an important vehicle to help bring about such trust by responding to complaints and making rules that will help restore confidence. The Office of Financial Education, one of its divisions, would seem to have a big role in this effort.

But there is only so much this agency can do. It has a budget amounting to less than $2 for every American adult in 2012, and much of that will go toward activities it is taking over from the Office of Thrift Supervision and other agencies.

The government, as well as those in financial and educational spheres, must think about how we can restore and strengthen ordinary people’s trust in the financial markets. It doesn’t take a high IQ to see that it’s in everyone’s interest to get basic financial decisions right.
A team led by UCLA research astronomer Michael Rich has used a unique telescope to discover a previously unknown companion to the nearby galaxy NGC 4449, which is some 12.5 million light years from Earth. The newly discovered dwarf galaxy had escaped even the prying eyes of the Hubble Space Telescope. The research is published Feb. 9 in the journal Nature.

The larger, host galaxy, NGC 4449, may be "something of a living fossil," representing what most galaxies probably looked like shortly after the Big Bang, Rich said. The galaxy is forming stars "so furiously" that it has giant clusters of young stars and even appears bluish to the eye — a sign of a young galaxy — in large amateur telescopes, he said.

NGC 4449 has a nucleus that may someday host a black hole and an irregular structure, lacking the spiral arms characteristic of many galaxies, he said. It is surrounded by a huge complex of hydrogen gas that spans approximately 300,000 light years, which may be fueling its burst of star formation.

Rich collaborated with Francis Longstaff, a professor of finance at the UCLA Anderson School of Management and an amateur astronomer, in acquiring and using a specialized telescope designed to take images of wide fields of the sky. Known as the Centurion 28 (the diameter of the mirror is 28 inches), the telescope and the observatory the astronomers used, are located at the Polaris Observatory Association near Frazier Park in Kern County, Calif.

Len Longstaff is the Allstate Professor of Insurance and Finance at UCLA Anderson. He is a certified public accountant (CPA) and a chartered financial analyst (CFA). From 1995 to 1998, Longstaff was head of fixed-income derivative research at Salomon Brothers Inc. in New York. Longstaff has also worked in the research department of the Chicago Board of Trade and for Deloitte & Touche as a management consultant. His current research interests include the following: fixed-income markets and term structure theory, derivative markets and valuation theory, credit risk, computational finance, liquidity and its effects on prices and markets, as well as the role of arbitrage in financial markets. He has published nearly 40 articles in academic and practitioner journals. Many of his valuation models have been used widely on Wall Street and throughout the global financial markets. He has extensive experience as a consultant for many Wall Street firms, mutual funds, hedge funds, commercial banks and other financial institutions, software developers and risk management firms, as well as in litigation support. He is a frequent speaker at practitioner seminars and conferences.

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Full article: http://newsroom.ucla.edu/portal/ucla/team-of-astronomers-including-228330.aspx
Congratulations to the 2012 Fink Center Investment Banking and Investment Management Fellows!
After a rigorous selection process, we are pleased to announce this year’s Fellows. All are first-year MBAs, members of the Class of 2013.

**Investment Banking Fellows**

**Matthew Cautero**
Matthew Cautero is a first-year director in the Investment Finance Association and a member of the Ski & Snowboard Club. Cautero attended Yale University, where he majored in history and was a four-year letter winner on Yale’s Varsity Football Team. Upon graduation, he joined Lazard Frères as an analyst in its Private Fund Advisory Group.

Cautero will be interning at Deutsche Bank in San Francisco this summer.

**Robert Michlovich**
Rob Michlovich is pursuing an MBA in finance at UCLA Anderson. He spent the last four years working at UBS in New York City as a portfolio specialist on the municipal sales desk. Prior to the municipal sales desk, he was a member of the 2007 Graduate Training Program at UBS. At Anderson, Michlovich is a first-year director of investment banking in the Investment Finance Association and a member of the Wine Club and the Ski & Snowboard Club.

Michlovich graduated with a bachelor’s degree in finance from Penn State University, where he was president of the Smeal Business Consulting Group and an active member of the Penn State Dance Marathon.

Michlovich has accepted a summer position at Bank of America Merrill Lynch in New York.

**Jordan Weitzen**
Jordan Weitzen is a first-year director of investment banking in the Investment Finance Association and a member of the Entrepreneurial Association.

Weitzen attended Harvard University, where he majored in economics and was a four-year starter on the Men’s Division I Varsity Volleyball Team. Upon graduation, he joined Lazard Frères as an analyst in its Private Fund Advisory Group.

Weitzen is spending the summer at Barclays in Los Angeles.

**Shiv Verma**
Shiv Verma is a member of the class of 2013 at UCLA Anderson. Prior to UCLA Anderson, Verma worked in investment management at Symphony Asset Management in San Francisco, where he was an investment analyst focused on high-yield and leveraged credit and structured products. Earlier in his career, he was an investment banking analyst for J.P. Morgan in New York. At UCLA Verma is actively involved in the Anderson Investment Association, the Sports Business Association and the Riordan Scholars program. Verma holds a degree in economics from Stanford University.

**John Hertzer**
John Hertzer is a first-year director of the Investment Association, a CFA Level III candidate and a member of the Outdoor Adventure Club. This past summer, Hertzer completed the Death Ride, a 130-mile, one-day bicycle ride in the California Sierras.

Hertzer graduated from Dartmouth with a degree in economics and was Academic All-Ivy in 2004. At Dartmouth, he was captain of the Varsity Lightweight Rowing Team and won the 2004 World Indoor Rowing Championship. After graduation, he moved to San Francisco to work for Fisher Investments in the Research group, where he worked for the past seven years. During his time there, Hertzer worked as a fundamental and quantitative research analyst, risk manager, project manager and helped the CEO research his 2006 bestseller, “The Only Three Questions That Count.”

Hertzer is doing a summer internship at Dimensional Fund Advisors.
Verma will be doing credit research for the high-yield team at Franklin Templeton this summer.

**Arun Rao**
Arun Rao is pursuing his MBA at the UCLA Anderson School of Management. He is studying investments and is a first-year director in the Anderson Investment Association and a board fellow in the Venice Community Housing Corporation. Before business school, Rao worked in the investment management industry doing equity and macro research at Sterling Stamos Capital Management, a $7 billion hedge fund and private equity subsidiary of Merrill Lynch. He also worked in business development and strategy at Hall Capital Partners, a $22 billion endowment investing firm, while completing all three levels of the CFA exam.

Prior to that, Rao was a journalist intern writing for the finance and investing section for the Economist Magazine in London and a Teach for America teacher. Rao is a dual-degree graduate with a BSE in finance from Wharton and a BA in classics from the University of Pennsylvania, where he was a Joseph Wharton Scholar and a Benjamin Franklin Scholar. He is an avid reader, runner and hiker.

Rao will be a portfolio management intern this summer at Pimco.

The Fink Center is deeply grateful to members of the finance community who have participated as mentors in the Investment Banking and Investment Management Fellowship program. Without their help, this program would not be possible. We thank the following mentors for sharing their time, expertise, and guidance with our Fellows.

**Investment Banking Mentors:**
Anish Aswani ('05, Moelis)  
Mark Brofka ('02, Evercore)  
Andrew Chassin ('03, Bank of America Merrill Lynch)  
Andrew Chien ('03, Greenhill)  
Arun Master ('02, Deutsche Bank Securities)  
James Meehan ('05, Barclays)  
David Kieske ('02, Wachovia)  
Daniel Kim ('04, Macquarie Capital)  
Samardh Kumar (MBA '02, Deutsche Bank Securities)

**Investment Management Mentors:**
Jeff Cornell ('08, Dimensional Fund Advisors)  
Peter Dillard ('07, Dimensional Fund Advisors)  
Madeleine Horton (Oaktree)  
Jason Hsu (Ph.D. '05, Research Affiliates)  
Evan Pan (FEMBA '07, CalTech Endowment Fund)  
Ted Randall (FEMBA '07, Dimensional Fund Advisors)  
Michael Terry ('04, PIMCO)  
Suzanne Trepp (FEMBA '98, WAMCO)  
Richard Weiss (American Century Investments)  
Josh Yafa ('07, Franklin Templeton)

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**WAYS TO SUPPORT THE FINK CENTER**

- Serve as a guest speaker at a Fink Center conference or event.
- Sponsor a student scholarship.
- Volunteer to speak to a student organization (e.g., Investment Finance Club, Anderson Student Asset Management, Student Investment Fund).
- Hire an Anderson MBA or MFE for an internship or full-time position.
- Serve as a guest lecturer for a finance class at Anderson.
- Contribute financially to the Fink Center and the Anderson finance program.