

MAFiRM 2020-21

Introduction to Household Finance (HF)

Giovanna Nicodano

Collegio Carlo Alberto and Esomas, UniTo

Course objectives

Familiarizing with some concepts, facts and tools relating to the finance for common people.

Topics

Introduction to Household Finance and Life Cycle Finance

Target Date Funds and Default Investment Rules for pension plans.

How does the asset allocation of Target Date Funds vary with age? How should household portfolios vary with age? How do household portfolios vary with age?

Software: none

Prerequisites: Asset Pricing

Exam Type: written Q&A

Readings

Papers Covered during Lectures

Cocco, J., F. Gomes, and P. Menhout, 2005, see Campbell and Viceira Ch.7 or <http://faculty.london.edu/fgomes/cgm.pdf>

Bagliano F., C. Fugazza, G. Nicodano, 2014, <https://ideas.repec.org/p/mib/wpaper/260.html> or <https://academic.oup.com/rof/article/18/6/2283/1661337>

Background Readings (quickly reviewed during the Lectures) based on

Campbell JY. [Household Finance, Presidential Address to the American Finance Association](#). Journal of Finance. 2006; LXI (4) :1553-1604.

Modigliani F., The Life Cycle Hypothesis of Saving Twenty Years Later, [http://www.piketty.pse.ens.fr/files/ModiglianiNobelLecture1985\(AER1986\).pdf](http://www.piketty.pse.ens.fr/files/ModiglianiNobelLecture1985(AER1986).pdf)

Or Campbell, J.Y. and L. Viceira, Strategic Asset Allocation, 2001, Ch. 6

Ameriks, John, and Stephen Zeldes. 2004. "How Do Household Portfolio Shares Vary with Age?" Columbia University, Working Paper.

https://www0.gsb.columbia.edu/mygsb/faculty/research/pubfiles/16/Ameriks_Zeldes_age_Sept_2004d.pdf

Bagliano et al., 2019 <https://ideas.repec.org/p/tur/wpapnw/060.html>

Other Readings on the Topic

Viceira, L. "Life-Cycle Funds," 2008, in *Overcoming the Saving Slump: How to Increase the Effectiveness of Financial Education and Saving Programs*, Annamaria Lusardi, ed., University of Chicago Press.

Ahmed, J., Barber B.M., O. Terrance, Made poorer by choice: Worker outcomes in social security vs. private retirement accounts, *Journal of Banking & Finance*, 92, 2018, 311-322

Badarinza C, Campbell JY, Ramadorai T. [International Comparative Household Finance](https://www.researchgate.net/publication/305802146_International_Comparative_Household_Finance). *Annual Review of Economics* [Internet]. 2016;8
https://www.researchgate.net/publication/305802146_International_Comparative_Household_Finance

Household Finance. An Emerging Field", (2012) Luigi Guiso and Paolo Sodini, in *Handbook of the Economics of Finance*, G. Constantinides, M. Harris and R. Stulz (eds), North Holland.

Campbell JY, Shiller RJ, Viceira LM. [Understanding Inflation-Indexed Bond Markets](#). *Brookings Papers on Economic Activity*. 2009 :79-120. On pricing, see Ch.3 of Campbell Viceira Textbook