Fall 2015

Department of Finance Newsletter, n04, Fall 2015

University of Northern Iowa. Department of Finance.

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Time flies when you're having fun and it also does when things are going well. The Finance Department has had another good year. It looks like the hard work is paying dividends for our students. One of the nice things that happened was the 2nd place finish by a group of FMA students under Professor Brett Olsen's guidance in a national competition. See the details on page 4.

The CFA students led by Professor Mir Zaman had another excellent year. For those of you who have gone through the program you know how rigorous the preparation is that Professor Zaman puts you through. Good results are never easy! Even though the university enrollment is essentially flat, the number of finance department majors has once again increased. We are now at 453 up from 404 three years ago. We have worked hard at recruiting majors and we are also benefitting from the continuously improving reputation of the department. Our graduates get good jobs and perform well after graduating.

In addition to doing a fine job in the classroom, our faculty are research active. We expect professors to maintain their intellectual capital and ensure they are teaching the latest thinking in the field. There is more to being a good professor than lecturing to students. I’ve reported the latest research interests of the faculty on page 8.

After several attempts, we now think we have a program leading to a CFP certification that will be approved by the CFP Board. We have submitted an application I expect will be returned with some modest recommendations for improvement and then we will resubmit it. If we can get final approval, we will then enroll students who can, if they choose, sit for the certification exam within a few months of graduation. Once they pass, students can then begin working to accumulate the necessary experience for final certification. This should help them get a much earlier start on financial planning careers.

We've installed a new display case containing information about student scholarships, recipients and other activities in the department. Many thanks to Jamie Harney Freeman, '93 for a generous contribution to finance the case. Jamie is at Bank of America and they are a matching company so her support was leveraged and effectively doubled. A win-win for everyone!

Speaking of generosity, the Finance Advisory Council has voted to create an endowed scholarship and merge it with the alumni scholarship we started last year. The scholarship will now be called the Finance Advisory Council and Alumni Scholarship. The beauty of an endowed scholarship is once fully funded, the income generated is paid out annually but the principal is never touched so the scholarship will help students for years to come. This type of support by the advisory council is so valuable to our students. As our state support has waned, tuition has risen causing students to take on much more debt. Tuition and fees at UNI are now about $9500 per year. What was the cost when you were here?

The Advisory Council will have a change in leadership for next year. John Steen has finished serving his second term and has turned over the reins to Mike Daugherty. Mike is currently a vice-president at Principal Financial Group. He has big shoes to fill but I know he will do a great job. Many thanks to John for his hard work and excellent leadership. The Council and I have many good conversations and they have given fine suggestions for the improvement of the department.

Administratively, the college and university have had some significant changes. Long time CBA dean Farzad Moussavi has returned to full time teaching and associate dean Leslie Wilson is serving as interim dean. Farzad did a superb job and was good to our department. I have complete confidence Leslie will continue at the same high level of leadership. The university has selected Dr. James Wohlpart as provost, the number two spot on campus. Jim comes to us from Florida Gulf Coast University and has hit the ground running. He has an inclusive, consultative administrative style and I know will move the university in the right direction.

The University, college, and department are in an excellent place. Enrollment is rising, quality is continuously improving, and alumni support is increasing. Please send me ideas, information and suggestions—I love to hear from alums!

–Fred Abraham
Ryan McMahon, from Algona, Iowa, was awarded a Rockwell Collins Finance Scholarship. He is a Finance and Accounting double major with a 3.98 GPA. Ryan completed internships at Deloitte and Transamerica, both in Cedar Rapids. After graduation he will be working at Deloitte in Cedar Rapids as a part of their tax practice.

Jacob Snyder, from Altoona, Iowa, has a 3.94 GPA and was awarded US Bank Scholars Program Scholarship. He is a Finance and Actuarial Science double major. Jacob is currently co-president of the Actuarial Science Club. He has accepted a position in the actuarial leadership development program at The Principal Financial Group in Des Moines upon graduation.

Allison Waters, from Burnsville, Minnesota, has a 3.96 GPA and was awarded the Rockwell Collins Finance Scholarship. Allie is a Finance and Actuarial Science double major. She works as a writing tutor here at UNI. She will be working at Allstate in Chicago as an actuarial analyst after graduation.

As we expand our scholarship portfolio, we want to make sure we appropriately recognize the recipients. We have created plaques for each scholarship and list all of the awards since the beginning. We needed a place to prominently showcase them and now have a beautiful display case and lettering. The funding came from our 2015 Alumni-in-Residence, Jamie Harney Freeman, along with a matching grant from Bank of America. Many thanks to both!!

–Fred Abraham
## 2015-2016 Scholarship Recipients

### Finance Scholarships
- **Rockwell Collins**
  - Allison Waters, Burnsville, MN
  - Ryan McMahon, Algona
- **US Bank**
  - Jacob Snyder, Altoona

### Real Estate Scholarships
- **Gale and Pat Bonsall**
  - Miranda Hansen, Manning
- **Steve and Lynn Graves**
  - Travis Martinek, Cresco
- **Iowa Appraisal Institute**
  - Dustin Toale, Independence
- **Nelsen Appraisal Assoc.**
  - Colin Frye, Altoona
- **Principal Financial Group Real Estate Investors**
  - Travis Martinek, Cresco
  - Tanner Westberg, Ankeny
  - Claire Reardon, Farmersburg

### 2015 Purple & Old Gold

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### Purple & Old Gold History

Named after the university colors, the traditional awards were first presented at commencement ceremonies on May 29, 1939. The awards for meritorious scholarship are the highest university honor awarded by academic departments to undergraduate students. Each student receives a certificate and a bronze medallion.

### REMEMBER...

The university is currently undertaking a large fund-raising campaign called “Focus on Students: UNI Scholarship Initiative.” If you are contacted by the UNI Foundation or anyone else from the University about contributions, please consider being generous to our students. Also, you can designate that your gift be directed to the Finance Department or any of the Department’s scholarship funds. Thanks!

> —Fred Abraham

### CONTACT US

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Cedar Falls, IA 50614-0124  
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UNI FMA Students 2nd in National Competition

A student team from the UNI Financial Management Association student organization placed second to the University of Southern Indiana in the fourth annual Private Business Valuation Challenge.

The team of seven students worked under the guidance of finance professor Brett Olsen during the Fall 2014 and Spring 2015 semesters, using propriety data and information in addition to mentoring from a valuation expert, to develop a valuation report for an actual private business. A presentation team of five submitted their presentation for evaluation by valuation experts. UNI was among the eight finalists out of 25 teams from 20 universities across the nation. The finalists traveled to Seattle to present their valuation analysis in front of four expert judges. The top 3 teams received awards, and the UNI team secured The Excellence Award for their second place finish ahead of teams from Purdue, North Carolina, Oregon, Tennessee, Maryland and Colorado State, among others.

The competition, sponsored by Seattle Pacific University and Business Valuation Resources, offers a unique opportunity for teams of US university students to assess the stand-alone value of a private company. Moss Adams LLP provided a professionally completed valuation report used as the case study (with names and locations changed for confidentiality), and the student teams updated the Moss Adams valuation report by one year and created video presentations for judges to view online. The competition provided students with invaluable experience in the area of private business valuation and the opportunity to showcase their skills against the competition from universities across the country. Students who participated are: Presenters: Garrett Ehlke, Eric Frye, Colin Frye, Jessica Pabst, and Josh Patience. Supporting team members: Austin Johnk and Jeff Burtnett.

Congratulations for an outstanding performance!

Finance Club: NEE FMA

The UNI Finance Club (FMA) is the premier student organization for finance majors at the University of Northern Iowa. Formerly, the UNI Finance Club has been known as the UNI Financial Management Association. After thorough discussion, the decision was made to change the name of our organization to the UNI Finance Club to increase student awareness. Our organization has substantially developed throughout the 2015 calendar year.

This semester has been a time of transition for the UNI Finance Club. At the beginning of the new semester, three new committees were introduced. In each of these committees, leadership positions were designed to encourage engagement. The Recruitment/Marketing Committee works to get the word out about our club, the Outreach Committee works to involve the community and various companies with our club, and the Funding Committee works to provide funding for our club. The organization saw diminishing attendance in the beginning part of 2015, which contributed to the decision that we needed to enhance the events that we provide for our members. We needed to move beyond the classroom and include networking events, competitions, and community service into the calendar. Our major events during the spring semester included a national business valuation competition (placing second in a crowd of 20 universities), volunteering time at the Northeast Iowa Food Bank, and a trip to Minneapolis to visit the Federal Reserve Bank of Minneapolis, Wells Fargo, and US Bank.

The UNI Finance Club is off to an excellent start in the fall 2015 semester. After filling all of the available leadership roles in committees, our group worked vigorously to plan out the semester schedule and increase student awareness about our organization. At the beginning of the semester, we brought in Michael Kaplan, a well-known business communication speaker, to present for our group. We also had GreatAmerica Financial Services come to speak with us about their job and internship opportunities. We have scheduled Rockwell Collins, Transamerica, Ecolab, Principal Financial Group, and Cambridge Investment Services to come present for us later this semester. Our Investments Committee will be taking part in the CFA Research competition in the fall and spring semesters as well.

The UNI Finance Club will continue to develop into a more prominent organization within the college as we gain increased exposure to UNI finance students and focus on gaining more members. This organization has the potential to significantly impact the professional development of our members and will be better able to do so with the proper resources. We are continually looking to develop relationships with more businesses and alumni, and would love to hear from you if you are interested in collaborating with us. Please contact me at clineaaa@uni.edu if you have any questions.

–Adam Cline, President
In early April 2015, I had the opportunity to visit the University of Northern Iowa campus as part of the annual Alumni in Residence event. I was representing the Department of Finance having graduated with a degree in Finance (major) and Economics (minor) in 1993. My day was filled with meetings with faculty, staff and students, both in one-on-one settings and in the classroom. Time spent with the faculty was enlightening as they shared some of the challenges the College of Business Administration faces as well as the significant accomplishments that have been made over the years. It is incredible how many opportunities the school offers students outside of the classroom to broaden their educational experience and prepare themselves for a professional career. The faculty’s dedication to not only educating the students in the traditional setting but also inspiring them to pursue professional development on campus, in the community and abroad is truly a testament of their commitment to the school and the students. Sharing my background and professional career path with young, bright and ambitious students was truly a memorable experience. It was rewarding to receive feedback from the students that sharing my missteps, successes and lessons I have learned since graduating over 20 years ago was one of the highlights of their day.

I actually began my undergraduate studies at one of the other state universities in the fall of 1989. After three semesters, I knew the educational institution I had chosen was not the right fit and I transferred to UNI in 1991. It was one of the best decisions I have made and sincerely believe the education I received and internship was instrumental in launching a successful career in Banking and Finance. Given the strong educational foundation and professional experience I received while at UNI, I was offered a position with a financial institution immediately upon graduation and was truly able to “hit the ground running” when I started and be a meaningful contributor to the team I worked with. I have been fortunate to build on this strong start to my career and now work for one of the largest financial institutions in the world in a career I find both challenging and rewarding.

After visiting the campus and returning home to South Florida, my interest in and commitment to the UNI Department of Finance and the College of Business Administration was energized and renewed. I strongly encourage alumni who may have become disconnected from the school over the years to remember the opportunities provided to us as a result of our experience and education at UNI. Although perhaps not at the forefront of your mind, I am sure we can all look back and attribute some measure of our mutual successes and accomplishments to our time at UNI. Be mindful of giving back, not only as a way to say “thank you” but more importantly, to provide support for an institution that is preparing our future business leaders.

– Jamie Harney Freeman
Reception for Finance and Real Estate Majors

Here are some photos from the annual major reception. Finance and Real Estate majors and faculty meet and greet over pizza and cookies.

This was a great opportunity for us to get to talk to our students outside of class and also for them to see the professors they will take or visit with those they have taken. A good time was had by all!
The Real Estate Program

Art Cox | Director of the Center for Real Estate Education

Our approval from the Appraiser Qualification Board has been renewed. When it was initially received, we were just the third real estate program to have their approval. Three years later there are only 7 programs approved, including UNI. This a great endorsement and streamlines tremendously the process of real estate graduates to become certified and licensed, for both commercial and residential.

We were ranked as the 12th best real estate program in the United States by rentapplication.com. One of the strengths mentioned in their ranking is our close ties with the real estate industry and how we connect students with the industry both inside the classroom and out.

Enrollment has grown nicely over the last couple years. There were 76 Real Estate majors in the fall of 2013. The number for the fall of 2015 is 98. There are also 14 students pursuing a minor in Real Estate.

Jeff Stokes and Art Cox attended the Iowa Commercial Real Estate Expo in West Des Moines on September 29 along with 15 students. This is a daylong educational and networking event sponsored by the Iowa Commercial Real Estate Association and the Iowa Chapter CCIM.

Attendance at Rho Epsilon, the student real estate club, has been very good this semester. Every meeting has had about 40 or more students in attendance with two companies generally presenting at each meeting.

The 20th Annual Rho Epsilon Golf Outing was held on Friday, October 16. We welcomed industry professionals from all over the Midwest. The industry professionals golfed with real estate students providing the students tremendous networking opportunities. The students were paired whenever possible with professionals in their desired career path.

A Charity Monopoly Tournament was held in West Des Moines on April 30, 2015. The lead sponsor of the event was Peoples Company and UNI alumnus, Steve Bruere. The event raised approximately $6000 for the real estate program. Real estate students were invited to play in the tournament and one of them was the overall winner of the Monopoly tournament competition. If you’ve never seen a bunch of real estate people playing Monopoly it is a sight to behold! It is no wonder they are so successful in the real world!

We have full color brochures describing the exciting and varied career opportunities in real estate, both residential and commercial. We are happy to send you copies to give to prospective students and their parents.

—Art Cox

Looking for Good Employees?

As a graduate of the UNI finance program, you are well acquainted with the high quality education we provide. We have three–soon to be four–emphases in the major that allow the program to be tailored to individual student needs and interests. Importantly, this allows our graduates to be well suited to a variety of jobs in the finance area. If your firm is looking for bright, well prepared finance graduates, let me know and I will forward some resumes to you. Thanks, we appreciate any help you can give our students!

—Fred Abraham
At a university like UNI, faculty have many responsibilities. Obviously, they are expected to teach classes and in our department and college, that is the number one priority. But, there's more. In addition to disseminating knowledge by teaching, faculty are expected to create it through research. A nice by-product of research is that it goes a long way towards ensuring faculty are current in their field and teaching the latest ideas to our students. Teaching and research are complements, not substitutes. Further, it benefits faculty in the form of intellectual exercise. All minds, even good ones need to be regularly challenged! Here is the research our faculty are currently working on:

### Current Faculty Research

#### Art Cox, Dick Followill, and Brett Olsen

have an article entitled “Evaluating the Mortgage Rate Buydown Decision” forthcoming in the Journal of Financial Planning. The paper develops and explains an algorithm that can be used by planners and homeowners regarding the mortgage rate buydown decision. One of the complexities facing homeowners when making a new home mortgage decision is whether or not to pay upfront points to secure a lower loan rate. The mathematics can be daunting and tedious and most homeowners do not have the mathematical expertise to easily evaluate this decision. The model provides a decision rule as to whether a particular mortgage buydown makes economic sense within a present value framework and is straightforward enough that homeowners will quickly and easily be able to discern the optimal decision in their given circumstances.

#### Dick Followill and Brett Olsen

have published “A Closed-Form, After-Tax, Net Present Value Solution to the Mortgage Refinancing Decision” in the current volume of The Engineering Economist. Prior to its publication the article was featured by Industrial Engineering Magazine which published the following executive summary:

- **Brett Olsen** is looking at how a firm's corporate governance structure changes around bankruptcy. Periods of financial distress represent an episode during the firm's life that requires an effective governance structure in the interests of the shareholders. Changes in corporate governance structure are examined as firms approach and emerge from Chapter 11 bankruptcy. In general, a more effective governance structure includes characteristics such as smaller boards of directors, more independent boards, a split of the CEO and board chair positions, and higher equity ownership by managers and directors. Preliminary results show that firms are using the bankruptcy process to significantly change their governance characteristics, yet despite these changes, performance following emergence does not improve, and the changes in governance structure do not alter the likelihood that the firm will emerge.

- **Adam Smedema**, in his current research, “Idiosyncratic Volatility and Firm-Specific News: A Deeper Pricing Puzzle,” he and his coauthors investigate the low volatility anomaly. In this anomaly, low volatility stocks outperform high volatility stocks. If volatility captures risk, then low risk stocks have higher average returns than high risk stocks. This is puzzlingly backwards. The most promising explanation for the negative relation between idiosyncratic volatility and subsequent returns stems from idiosyncratic volatility limiting arbitrage. Smart-money arbitrageurs who make money by correcting mispriced stocks tend to avoid high volatility stocks so the likelihood of mispricing increases with volatility. Since mispricing is most likely to occur during news announcements, the pricing of news volatility (volatility contemporaneous to news announcements) should be stronger than that of non-news volatility (volatility without an identified news announcement). Puzzlingly, they find the opposite: Non-news volatility has robust negative price while news volatility does not seem priced. As such, they conclude that the pricing of idiosyncratic volatility is beyond just its function as a limit of arbitrage.

- **Jeff Stokes** is working on another farmland value paper where he simultaneously models the real options to delay a sale (purchase) by the seller (buyer). From 1980 to about 2003, observed farm real estate values in Iowa were more closely in line with capitalized cash rents plus a buyer's threshold value associated with the purchase delay option. Since 2003, Iowa farm real estate values have been more closely in line with capitalized cash rents plus a seller's threshold value associated with the sale delay option. This may imply that since 2003, buyers of farmland have paid more than capitalized cash rents in an effort to secure the option to sell the land at a later date in anticipation of a capital gain. While it may also signal the potential for capital gain speculation, only 2013 may have been characterized by any significant speculation. The yield on 10-year Treasury securities increased unexpectedly that year while observed average farmland values in Iowa were about $1,000 per acre higher than predicted by the model.

- **Frank Thompson** is currently doing research on financial planning for college students and their parents, as well as, the more traditional topics of financial institution risk, and government sponsored insurance programs.

- **Mir Zaman** says anecdotal evidence suggest that Initial Public Offering (IPO) are less common on Mondays and on days after holidays than on other days. Furthermore, extant research in IPO pricing have documented that on average IPOs are underpriced i.e., the first day's closing price is greater than the offer price. He proposes to examine the initial returns (defined as PriceClosing -PriceOffer)/PriceOffer)) of stocks that go public on Mondays and on days after holidays and compare it to initial returns for stocks that go public on other days of the week. This will provide additional evidence on the process of pricing IPOs and the determinants of IPO underpricing.
A Conversation with Professor Frank Thompson

Professor Frank Thompson earned his BS in Mathematics in 1971, MS in Actuarial Science in 1975, an MA in Economics in 1976 and completed his PhD from the University of Nebraska in Economics and Actuarial Science in 1977. He joined the Finance Department as head in 1990 and is the longest serving professor in the department. He teaches a variety of courses and is an expert in financial investment recommendations. Here is an “elevator interview” with him.

How did you wind up at UNI?

In 1990, I came to UNI from a tenured position in the AACSB accredited Carl Lindner College of Business at the University of Cincinnati. Although I had served as Director of Insurance and Actuarial Science, as well as, PhD coordinator in Finance, I hadn't experienced being head of an academic department. I decided to see whether I could help UNI achieve AACSB accreditation by becoming the first head of the Finance Department in 1990. Prior to my coming to UNI, there have been several attempts to achieve AACSB accreditation with no success. In 1993 UNI became an AACSB accredited institution.

Do you ever get used to the snow and cold?

Prior to returning to Iowa in 1990, my wife and I lived in Ames when I served as a Finance professor at Iowa State in their Department of Industrial Administration. We knew that winters would have ice and snow, much more so than Cincinnati and Washington DC where we had lived previously. However, we have learned to tolerate the weather in Iowa which changes all the time.

What are the best things about the UNI Finance Department?

The UNI Finance Department is located in a nice building with classes that have adequate blackboards and electronic media.

What is your favorite class to teach?

One of the classes I have enjoyed teaching during my 34 years in the classroom is Life Contingencies, a course that covers the mathematical foundations to Actuarial Science with a good amount of Finance thrown in.

What’s your most interesting classroom memory?

The most memorable was when one of the MBA Financial Management classes surprised me with a huge framed picture of all the students and a large graph of the Dow over the years, as a thank you gift. Over the years I have enjoyed hearing from my students and I’m humbled by their accomplishments.

Have students changed in your 25 years here?

I can’t say that students have changed in terms of their pursuit of knowledge. I do believe that there are more distractions which challenge the time that could be spent studying. Thankfully, many Iowa students continue to exhibit a strong work ethic.

Describe the research publication that makes you most proud.

I believe that research should serve the greater good. To that end, the 35 plus referred publications, research reports to the Federal Home Loan Bank Board, Epilepsy Foundation grant study, court testimony, and newspaper article citations are equally important to me.

You’re also an actuary. How does that fit with teaching finance courses?

Actuarial Science requires that you evaluate risks using elegant math, while having an appreciation of the limitations with any given model. Today, after the 2008 financial market meltdown, to give students an appreciation of how to appropriately use financial models is needed now more than ever. My actuarial background allows me to give students this additional perspective.

If you could change anything in your career, what would it be?

Although I was able to complete two research assignments to the federal government, one as an AACSB Federal Faculty Fellow, I wasn’t able to complete an overseas research assignment. During my 10 year stint at the University of Cincinnati, I was offered a research appointment to work for a multi-line insurer in the UK, but logistically it didn’t fit with our family plans.
Welcome to this edition of the UNI Finance Department newsletter and welcome on behalf of the UNI Finance Advisory Board. Our purpose is to advise, strengthen, promote, and support the students, faculty, curriculum, programs, funding, and relations of the Department of Finance at the College of Business, University of Northern Iowa. It is a privilege to serve on this board. We meet twice per year in April and October with our last meeting being October 2nd at the Curris Business Building. We currently have 18 members with the following occupations represented: Investment Advisors, Insurance specialists, Insurance Executives, Bankers, Corporate Controllers, Risk Management Specialists, Financial Advisors, Financial Analysts, and Portfolio Managers. We have recent UNI graduates as well as those who have been out for several years. Finally, we have some non UNI graduates from the business world (I am one). This diversity results in lively discussions on the many issues affecting the Finance Department. Here are a few bullet points from our October meeting:

- Accreditation review by AACSB coming in January
- Internships
- Scholarships
- Enrollment numbers
- Student-Faculty engagement
- Alumni engagement
- Job Placement
- Curriculum Reviews

I would like to briefly discuss two areas where we are seeing strong progress.

Financial Management Association(FMA) -This association has been around and part of the UNI campus for several years. In recent years meeting attendance and activities have lagged. Faculty member Brett Olsen took on this challenge and has reinvigorated our local chapter. Attendance has more than doubled and even more the members are actively involved. Thanks Brett for taking ownership of this group.

Wealth Management Emphasis - Deb Giarusso has taken on the challenge of promoting this new emphasis within the department. Classes have been added after the emphasis was added in the Fall of 2013 and more classes will be added in 2015. The objective of this emphasis is to have it registered with the Certified Financial Planner Board of Trustees as a CFP Board registered program. The department and advisory board both recognize that there will be an increasing need for advisors as baby boomers are entering retirement at record paces (I am one!).

The department is active as you can see and I encourage you to get involved by touching base with the department AND please consider investing dollars in the department by supporting scholarships. If you have ideas for the advisory board, please contact me John Steen @ john.steen@mylsb.com.

Finally, we are excited about the direction of the department and the energy and dedication of the leadership and staff to make this a strong and cohesive department that is recognized around the country as turning out quality Finance graduates. This will benefit all of us- students, faculty, and alumni alike. Thank you!

–John E. Steen, SVP
The debt dilemma

The process for eliminating debt is anything but an easy-to-solve financial equation. Many people wonder if they should pay off their debt as quickly as possible or invest their money, letting debt payments run their course.

The answer depends on whom you ask. Theories about balancing investing with debt vary widely.

Some financial experts say freedom from debt is the most important goal. Others say it’s more about the math: Your money should go toward investing if your investments earn a higher rate of return than your debts cost you. Still others focus on the emotional aspect: how comfortable are you with a certain level of debt?

Neither one nor the other

Better yet, perhaps, is a balanced approach to wealth management. If you’re like most people, you’ll need to manage finances for both present and future needs. That means paying off some debt today while simultaneously investing with an eye on the future.

Although your decisions should take into account your own needs and circumstances, consider the following guidelines for handling debt in light of investing goals:

Save for a rainy day. Before paying down debt (beyond required payments) or settling on an investment strategy, make it your first priority to put funds aside for an emergency reserve. We recommend six months or more of living expenses; an absolute minimum is three months’ worth. These funds should be in traditional savings or very short-term, highly liquid, non-volatile investments.

Your future first. As a general rule, your long-term investment plan should take priority over applying extra amounts toward debt. Be careful as well not to let “lifestyle creep,” a tendency toward more expensive tastes and luxury consumption, impede your investment outlook.

By contributing to a long-term investment plan as early as possible, you may set yourself up for a brighter future. If paying down debt is also a priority, you’ll want to examine your personal budget to decide how much to direct each month toward investing and how much toward debt repayment.

Just remember, there are no magic numbers. In general, the best advice is to make sure your investment strategy fits your financial expectations for the future.

Prioritize your debts. With an emergency fund in place and your investment strategy up and running, putting any extra money toward your debts is also a smart way to go. But how do you decide which debts to pay down first?

One approach is to start with the smallest debts first to eliminate at least some of your debt burden and interest payments in a timely manner. It also makes sense to pay off high-interest debts like private student loans and credit card debt more quickly.

Federal student loans and mortgages might be lower priorities, because their rates are often lower and their terms are longer. Vehicle loans might fall somewhere in the middle. Tax considerations might also come into play.

It’s personal. As you divide and conquer debt, don’t forget to consider the emotional side of your strategy. If paying off a certain debt will help you feel more secure, you might want to go with your gut feeling.

You’ll enjoy a growing sense of financial freedom as you stay on course and get your debt under control. As it shrinks over time, you may find you have more funds available for enjoying the present and focusing on the future.
One of my most important goals since becoming department head is to establish an endowed scholarship for our finance majors. As states have struggled for money they have reduced appropriations to colleges and Iowa is no exception. Tuition has risen significantly and many of our graduates leave with significant debt loads—more so than any previous generation.

Last year we established the Finance Department Alumni Scholarship and had many contributors. This year the Finance Advisory Council voted to also create a scholarship. In order to better leverage the dollars we have decided to combine them into the Finance Advisory Council and Alumni Scholarship. I can think of no better way to give back than to contribute to this scholarship. Please consider a donation to help our students. It’s a good thing to do. We have included a form and envelope you can use.

If the time isn’t right for you to contribute, we want to hear from you anyway. Please just use the back of the form to tell us what’s happening with you. We and your former classmates are interested. Thanks!!

—Fred Abraham

We rely heavily on the generous financial support of our friends for things like this newsletter, scholarships, tutors, and a host of other things that improve the quality of our program. Below is a list of individuals and companies who have helped us up to October 31, 2015. Note the matching gifts by companies which significantly leverage contributions. Thanks to one and all!!

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<td>AEGON/Transamerica Foundation</td>
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