Week 9 Midterm Project

Project Overview

This midterm project invites you to reflect on your personal journey through Weeks 1–8 and synthesize behavioral economics and finance concepts into concrete action. The project is graded on **completion and honest reflection**, not achievement.

You do *not* need to have accomplished everything described below. If you have not yet taken action in a particular area (spending reduction, income expansion, financial investment, human capital development), simply describe your plans, barriers, and next steps.

- **Format**: 1,500–2,500 words
- **Structure**: Address each of the four questions below
- **Submission**: Written report (PDF or document)

1 Spending Reduction and Income Expansion

1.1 What to Include

Reflect on your efforts (or lack thereof) in two areas:

1.1.1 Spending Reduction

- **Have you reduced spending?** If yes: which categories did you target, what behavioral tools did you use (mental accounting, pre-commitment, environmental design), and what results did you achieve (dollar amounts, percentages, timeframe)?
- **If not yet**: describe the main barriers (lack of time, unclear priorities, loss aversion, etc.). What would need to change for you to begin?
- **Behavioral analysis**: which psychological biases or obstacles were most active in your spending patterns? Which tools from Weeks 2 and 4 resonated most with you?

1.1.2 Income Expansion

- **Have you attempted side income generation?** If yes: what project or business did you pursue, how much time/capital did you invest, and what revenue did you generate?
- **If not yet**: what skills could you monetize? What barriers prevent you from starting (time, confidence, unclear demand, loss aversion)?
- **Connection to course**: how has your understanding of "turning yourself into an asset" (Week 1) influenced your thinking about income diversification?

2 Financial Investment Allocation

2.1 What to Include

Translate accumulated savings into a concrete investment plan aligned with your risk attitude.

2.1.1 Risk Assessment

- **How would you classify yourself?** Risk-averse, risk-neutral, or risk-seeking? Base this on your responses to Week 5–8 materials and your own intuition.
- **Time horizon and liquidity**: when do you need access to this capital? How much volatility can you tolerate?
- **Capital available**: approximately how much can you invest right now (even if just a small amount)?

2.1.2 Portfolio Allocation

- **Create a specific allocation** across 3–5 asset classes (e.g., fixed income, equities, real estate, money market). Include percentages and specific instruments (e.g., index fund, bond fund, REIT, savings account).
- **Justify your choices**: explain why this allocation makes sense given your risk attitude, time horizon, and behavioral tendencies. Reference Expected Utility Theory (Week 5) or Prospect Theory (Week 7) where applicable.
- **Address behavioral risks**: what behavioral biases might tempt you to abandon this plan? (e.g., myopic loss aversion from checking daily, overconfidence in individual stocks, anchoring to past prices). How will you defend against these?
- **Implementation**: will you invest immediately or gradually? How often will you monitor and rebalance?

3 Building Human Capital and Public Presence

3.1 What to Include

Assess your progress (or plans) in transforming from consumer to producer and building yourself as an asset.

3.1.1 Have You Taken Action?

Option A: You have undertaken efforts

- What skill or domain of expertise did you develop or deepen? (e.g., online course, certification, deliberate practice, project)
- How did you build public presence? (e.g., blog, social media, portfolio, speaking, publications)
- Have you monetized these efforts yet? (e.g., consulting income, freelance project, affiliate revenue, product sales). If yes: what did you earn? If no: what would be your first monetization step?
- What psychological barriers did you overcome? (e.g., loss aversion from time investment, imposter syndrome, perfectionism)

Option B: You have not yet started

- What are the main barriers? (time, unclear skills, fear of failure, perfectionism, competing priorities)
- What is one concrete skill you could develop in the next 3–6 months?

- Where could you build public presence on one platform (blog, LinkedIn, YouTube, portfolio site, etc.)?
- What would be a meaningful first milestone? (e.g., first 10 followers, first inquiry from someone interested in your work, first $50 earned)

3.1.2 Reflection

- How does human capital development compare to financial investment? Which feels more important for your long-term wealth?
- How do behavioral biases (present bias, loss aversion, overconfidence) affect human capital decisions differently than financial investment decisions?

4 Comparative Difficulty Assessment

4.1 What to Include

Reflect on which path is harder for you: accumulating and deploying capital into financial markets, versus transforming yourself from consumer to producer.

4.1.1 Analysis

- **Spending reduction and financial investment**: what makes this path challenging? (time commitment, psychological discipline, market volatility, behavioral temptations like checking portfolio daily?)
- **Human capital and producer transition**: what makes this path challenging? (time investment, uncertainty about demand, fear of failure, perfectionism, lack of initial traction?)
- **Your ranking**: which is harder for you personally, and why? Consider effort required, psychological barriers, uncertainty, scalability, and timing of returns.
- **Behavioral insight**: which set of behavioral biases is more powerful in deterring you from each path? (e.g., myopic loss aversion in investing vs. imposter syndrome in building public presence)

4.1.2 Forward-Looking

- Given your ranking, which path do you intend to prioritize in the short term?
- What advantage do you have in one path that you lack in the other?

Submission Checklist

Before submitting, ensure your report includes:

- ☐ **Section 1**: Honest reflection on spending reduction efforts or plans
- ☐ **Section 1**: Honest reflection on income expansion efforts or barriers
- ☐ **Section 2**: Your risk attitude assessment
- ☐ **Section 2**: Specific portfolio allocation (3–5 asset classes with percentages)
- ☐ **Section 2**: Justification referencing behavioral finance concepts
- ☐ **Section 3**: Either concrete achievements or honest plans/barriers
- ☐ **Section 3**: Reflection on human capital vs. financial investment
- ☐ **Section 4**: Comparative difficulty ranking and behavioral analysis

☐ **Section 5**: WRIP decomposition (current and aspirational)

☐ **Section 5**: Expenditure decomposition (current and aspirational)

☐ **Section 5**: Economic position narrative (300–500 words)

☐ Specific numbers, percentages, or timelines where applicable

☐ References to course concepts (Weeks 1–8)

☐ Honest reflection (no need to exaggerate achievements)