Portfolio Construction

The Future of Life-Cycle Saving and Investing

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Life-cycle finance is the branch of finance that affects everyone. It deals with questions faced by individuals seeking to get ahead: How much should I save? What should I invest in to build wealth? When I retire or if I become unemployed, how much of my savings can I spend each year? Is there something I can do to make sure I do not outlive my savings? What can my spouse and children expect to inherit?

Despite the urgent needs represented by these questions, financial researchers have devoted relatively little attention to most of them. "What should I invest in?" has received the lion's share of the attention, producing a well-accepted body of theory about how to build optimal portfolios.

The work on understanding life-cycle finance has fallen to professors of finance, insurance professionals, risk managers, and investment managers and other financial institution executives. Lawmakers, lawyers, regulators and accountants also have played major roles, as have pension plan executives — a broad category that includes corporate managers, government officials and labor union representatives.

To further research in the field, the Research Foundation of CFA Institute teamed up with Boston University and the Federal Reserve Bank of Boston to present a conference exploring the frontiers of life-cycle finance. This volume presents the proceedings of this event.

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