Applying a Stochastic Financial Planning System to an Individual: Immediate or Deferred Life Annuities? - DTU Orbit (10/01/2019)

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Individuals are often faced with financial decisions that have long-term implications for themselves and their families, but they have few sources of unbiased assistance. The authors suggest that a stochastic financial planning system, properly constructed and calibrated, can be applied to a number of such financial decisions, especially in the retirement arena. They present as an example the choice to purchase a life annuity for a middle-aged person. Buyers must choose whether to purchase before retirement or at the date of retirement. The article provides some guidelines on whether or not to purchase deferred life annuities, and who might most benefit from such a purchase.

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