



# Turning Pension Plans into Pension Planes: What Investment Strategy Designers of Defined Contribution Pension Plans Can Learn from Commercial Aircraft Designers

David Blake, Andrew Cairns and Kevin Dowd

CRIS Discussion Paper Series – 2008.VII

Turning Pension Plans into Pension Planes:  
What Investment Strategy Designers of Defined Contribution Pension Plans Can  
Learn from Commercial Aircraft Designers

David Blake<sup>a</sup>, Andrew Cairns<sup>b</sup> and Kevin Dowd<sup>c</sup>

<sup>a</sup> Pensions Institute, Cass Business School, City University, 106 Bunhill Row,  
London, EC1Y 8TZ, United Kingdom.

<sup>b</sup> Maxwell Institute for Mathematical Sciences, and Actuarial Mathematics and  
Statistics, Heriot-Watt University, Edinburgh, EH14 4AS, United Kingdom.

<sup>c</sup> Centre for Risk & Insurance Studies, Nottingham University Business School,  
Jubilee Campus, Nottingham, NG8 1BB, United Kingdom. Corresponding author  
(kevin.dowd@nottingham.ac.uk)

This is a much abbreviated version of a working paper of the same title prepared for the World Bank's 'Pension Competition and Asset Allocation Policies for Mandatory DC Funds' Research Project (P102187) and presented at the World Bank's 'Fourth Contractual Savings Conference: Supervisory and Regulatory Issues in Private Pensions and Life Insurance', Washington DC, 2-4 April 2008. The authors are grateful for the constructive comments on an earlier draft received from Arjan Berkelaar, Greg Brunner, Steijn Claessens, Gregorio Impavido, Jeppe Ladekarl, Heinz Rudolph, Sergio Schmukler, and Euardo Levy Yeyati.

August 26, 2008

*What we call the beginning is often the end  
And to make an end is to make a beginning  
The end is where we start from.*  
T S Eliot, Little Gidding, No. 4 of the Four Quartets, 1942

## 1. Introduction

A man walks into a Washington DC travel agent and has this conversation with the sales agent:

*Agent:* How can I help you Sir?

*Man:* I would like to book a flight from Washington to Santiago.

*Agent:* Before I check flight availability, I need to ask you a few questions. Can you please tell me about your attitude to risk?

*Man* (looking a little puzzled): My attitude to risk? What do you mean, my attitude to risk?

*Agent:* Yes Sir, have you fully factored into your decision to go to Santiago all the possible risks involved?

*Man* (showing signs of impatience): I'm in bit of a hurry and would just like to buy a ticket now if that's okay with you.

*Agent:* Sir, do you know the probability of in-flight loss of control due to extreme turbulence?

*Man* (his eyes opening a little more): Well no, actually.

*Agent:* Sir, you will know how risky landing is, but are you aware of how many accidents are caused while an aircraft is taxiing, loading or parking?

*Man* (face starting to redden): No, I am not!

*Agent:* Sir, did you know that you are twice as likely to die in an aircraft as a result of icing than as a result of a midair collision?

*Man* (having had enough and turning to leave): No I didn't, I think I'll walk to Santiago instead!

*Agent* (as the man storms out of the shop): Sir, are you aware how risky walking is? Have a nice day.

Now conversations of this kind do not take place that often, of course. The reason for this is that commercial airline flights involve very little risk. According to Boeing Commercial Airlines (2006), the accident rate on scheduled passenger airlines was 0.89 per million departures. This looks safe and, relative to other modes of transport, it is very safe. For a British citizen, for example, flying is 30 times safer than driving a car, about 550 times safer than walking, and nearly 800 times safer than a motorcycle.<sup>1</sup> Indeed, one can argue that air travel is by far the safest way to die! And the reason it is so safe is (pardon the phrase) no accident: aircraft designers have had to overcome people's understandable fear of the aircraft crashing. It does not take long for an airline passenger to know whether they are using a safe means of travel or not.

So why are pension plans not designed in the same way as commercial aircraft? At first sight, you might think that this is a strange question. It is, however, also a very instructive one. In fact, there are many similarities between pension plans and aircraft,

---

<sup>1</sup> Table 12.21, *Social Trends* 30 (2000) and *Social Trends* 36 (2006).

and designers of pension plans have much to learn from aircraft designers. The purpose of this paper is to spell out these lessons by using the framework of designing a commercial aircraft to illustrate how a personal defined contribution (DC) pension plan should be designed if it is to achieve its objective of delivering an adequate and secure pension in retirement for the pension plan member. As in the design of a commercial aircraft, there are trade-offs to be made, but these tradeoffs are much fewer and more clearly defined than you might have realised. More importantly, understanding the process of designing an aircraft will greatly improve your understanding of what an optimal DC pension plan might look like. It might also considerably simplify the task of those such as pension trustees and regulators whose task it is to oversee personal DC pension plans.

## **2. Please fasten your seatbelts: Lessons from the aviation industry**

All journeys begin at the end. When you plan a journey you know where you want to end up. The airline flying you there also needs to know this, because it needs to use an aircraft capable of reaching the required destination and it needs to ensure that the aircraft has enough fuel to get there. It also needs to know when you wish to reach your destination. The airline gives you some other choices that you might consider important such as the class of seat and the type of food. But these choices, although important to you, are not really important for the airline, whose paramount concern is to get you to your destination safely. And the key word here is ‘safely’. Safety dominates everything else: the best possible food and seat won’t compensate much for a crash landing. Risk is the critical issue in the design of any commercial aircraft.

In the beginning, commercial flight was very risky and there was a lot of experimentation with new designs. But passengers demanded safety and very soon aircraft manufacturers and airline companies were able to give it to them.

This led to something quite remarkable: aircraft manufacturers soon started building very similar aircraft with almost identical safety standards. Sitting inside a modern commercial aircraft, can you really tell whether it is a Boeing or an Airbus? If you closed your eyes when you listened to the safety announcement at the start of your journey, can you really tell whether the aircraft was being operated by Emirates or Qantas? The key safety message is always the same: ‘please fasten your seatbelts’. That’s about the only safety precaution the passenger needs to take.

This should come as no surprise. When it comes to the tradeoffs between aerodynamic efficiency, safety and commercial viability, there are only so many ways to design an aircraft. Indeed, aircraft designers have become so successful in resolving these tradeoffs that most passengers give safety barely a moment’s thought. So much so, in fact, that it is not uncommon for passengers to become impatient when their journey is slowed down to deal with safety issues.

Yet it took a great deal of effort to get to this point. Building a commercially successful aircraft requires advanced production processes, substantial research and development and a highly trained and integrated workforce comprising workers from a great many different highly skilled professions.

Having designed and built an aircraft, the aircraft manufacturer needs to persuade commercial airline companies to buy it. Any new aircraft chosen by a commercial

airline will need to satisfy a number of criteria that depend on the routes and market that the airline operates in, such as size, range, seating arrangements and cargo capacity. The aircraft chosen by the airline will ultimately depend on the manufacturer's ability to deliver a safe and reliable aircraft that best fits their market requirements at the lowest cost and on the most favourable financing terms.

The traditional design methodology concentrated on technical design and involved minimising gross takeoff weight (GTOW), the objective being to lower operating costs through reduced fuel consumption. It is also important to design aircraft that are financially viable, and this requires a multi-disciplinary design optimisation (MDO) approach that not only examines performance, but also incorporates financial modelling such as life cycle cost, direct operating cost and product-demand analyses. MDO also involves the evaluation of design risk – that is, how technical and financial uncertainty influence performance and value – and makes use of stochastic dynamic programming (DP) to aid decision making at each stage in the design process. MDO is, thus, a very complicated process that takes account of all manner of technical and financial issues, including the tradeoffs and major risks involved.<sup>2</sup>

And – to repeat – the reason why so much effort goes into the design of commercial aircraft is the *immediate* and very public reputational damage to both the designer and airline operator from a catastrophic design failure. Airline passengers might not know much about the technical issues of aircraft design, but they can certainly identify a catastrophic design failure when they see one. In this sense, they can be classified as ‘intelligent consumers’: they demand safety and they get it.

We now turn to investigate the current ‘design’ of DC pension plans.

### **3. How are DC pension plan investment strategies currently designed?**

We can think of DC plans as having three stages – the initial marketing stage, the accumulation stage and the decumulation stage – and it is curious to note that there is currently very little connection between them. This is, in part, because the three stages are arranged by three different and disconnected groups of people: the sales agent of a pension plan provider who competes against other providers, the fund manager appointed by the chosen provider, and the annuity<sup>3</sup> seller who often works for a life office that is not part of the same group as either the plan provider or the fund manager. The lack of connection between the three stages is also, in part, due to the fact that the customer, the potential pension plan member, generally has a very poor understanding of each stage and of the resources required and risks involved in delivering an adequate pension in retirement. Basically, the customer buys into a pension plan but has very little idea of what kind of pension income it will eventually deliver him.

The fact that pension plan providers are not dealing with ‘intelligent consumers’ gives them very little incentive to give much thought to pension plan design, let alone take an integrated approach to it. What typically happens when a sales agent first meets a

---

<sup>2</sup> For more on aircraft design, see, e.g., Peoples and Willcox (2006).

<sup>3</sup> A true pension in the strict sense of the term always involves the purchase of an annuity because only an annuity guarantees the plan member a specified stream of income until they die. Any other type of fund is merely a form of long-term investment which involves the risk that the member will outlive their resources.

potential young customer it soon becomes apparent that the potential customer has little interest in starting a plan and little spare money to do so. To induce the potential customer to sign up, the sales agent will suggest starting the plan on the minimum level of contributions that the plan provider will accept or that regulation allows. In the case of UK stakeholder pension plans (regulated personal DC plans with capped charges), this might be as little as £20 (\$40) per month – a small fraction of the amount that a typical young person in the U.K. would spend on more important concerns such as fuelling themselves with booze.<sup>4</sup> For a young person with credit card debts, a mortgage and an active social life to support, this might still seem like a lot of money, but it is in fact wholly inadequate to build up a decent pension entitlement. But this will be of no concern to the fund manager who in a DC framework has no target retirement lump sum to reach. When the plan member finally retires, the annuity provider will take whatever lump sum the fund manager delivers and offer an annuity based on current interest rates and mortality prospects, with no concern about the standard of living this might provide to the plan member. When the plan member eventually discovers how low his pension really is, it is by then too late to do anything about it.<sup>5</sup>

In terms of investment strategy, the one concern that the fund manager has about the customer is to invest the contributions in a portfolio of assets in accordance with the plan member's so-called 'attitude to risk' – an intimidating concept to the average 'man in the street' but also a nebulous concept even to most finance experts. Basically the fund manager asks him a few questions about his feelings about a more stable return profile that generates a lower expected return relative to a more volatile return profile that will (hopefully) earn a higher return, and on that basis advises him on an allegedly 'suitable' investment strategy. But such advice is woefully inadequate and has virtually no relevance to someone wanting to undertake an investment strategy that targets a particular pension level in retirement – let alone do so with any confidence in that target being achieved.<sup>6</sup> Instead it reflects what Bernstein (1992) colourfully called the 'interior decorator fallacy', namely the argument that portfolios should reflect 'attitudes to risk' in the same way that interior decorators reflect the personal tastes of their clients.

Imagine if an airline provider was prepared to take on passengers with no regard for whether they were willing to put enough fuel into the aircraft, or if it regarded the only relevant safety issue to be the bumpiness of the ride without any regard to the passenger's chances of arriving to their destination safely? Perhaps we need to return to our airline analogy for more guidance.

#### **4. How similar are pension plans and commercial airline journeys?**

When you think about it, there is much in common between a pension plan and a commercial airline journey. The strategic investment strategy of a pension plan is

---

<sup>4</sup>Or so is alleged by the entertaining UK TV programme, "Booze Britain", which the authors of the current paper – having little experience of these matters – naturally take on trust.

<sup>5</sup>Of course, he might be lucky in that cyrrhosis might have come to his rescue by then: risks usually diversify.

<sup>6</sup>The advice offered is also generally ineffective as well as irrelevant. Most pension funds involve both active fund management and investment strategies that involve market timing but the evidence shows that the vast majority of professional fund managers produce negative returns from active fund management and are especially poor at market timing (see Lakonishok *et al.* (1992), Blake *et al.* (1999, 2002)).

analogous to the aircraft. The aircraft operator is analogous to the pension plan provider. The contributions into a pension plan are analogous to the aircraft's fuel. The climb stage of an aircraft's journey is analogous to the accumulation stage of a pension plan, and the aircraft's descent stage is analogous to the pension plan's decumulation stage. The safe arrival at the destination is analogous to the pension fund achieving its target outcome successfully. The actions of the pilot in managing the progress of the flight (e.g., in dealing with turbulence and cross winds) are analogous to the market timing or tactical asset allocation decisions of the fund manager. Air traffic controllers play the same role as pension trustees or regulators.

This comparison indicates some clear similarities between airline journeys and pension plans:

- Both seek to get you to a destination: in one case, a safe landing, in the other case, a comfortable retirement until death.
- Both involve the commitment of significant resources.
- Both involve managing highly complex risks.
- Both involve a climb and a descent stage.

However, there are also very significant differences, and these differences are highly instructive.

To start with, there is no uncertainty about the destination of an airline journey and the passenger does not – and indeed cannot – change his or her mind once the journey has started or alter the route to be taken. By contrast, with a pension plan, the destination of the journey (how much pension is desired in retirement), the anticipated length of the journey (the time until the member retires) and the route to be taken (the investment strategy) are generally much less clearly formulated when the pension plan journey begins, and can be easily changed afterwards. Whereas the airline passenger has no choices once seated down, the pension plan member can change his mind over virtually any aspect of his pension – such as the contribution rate, the investment strategy, the target retirement date, the decumulation strategy, and so forth. The need to accommodate this additional choice flexibility makes the design of a DC pension plan considerably more complicated than the design of an aircraft.

The time horizon with an airline journey is also much shorter, typically a few hours, compared with the 70-year or so journey of a pension plan. Aircraft designers *must* get the design right *before* the aircraft ever takes off, otherwise they will very soon lose their reputation, job or worse. By contrast, the designers of pension plans will have long since departed the scene by the time the member discovers whether his plan was well designed or not: the pensions that their plan members actually receive from their pension plans are not their problem. The incentives facing aircraft designers and pension plan designers couldn't be more different. Imagine if the plane crashed and the airline blamed the passengers for not taking more care about their flight plans, or dodged responsibility by saying that they should have read the small print in their contracts!

Another important difference is that airline passengers know that they need to get to the airport by a certain time if they want to catch their plane and reach their destination in time. On the other hand, the much longer journey of a pension plan offers plenty of opportunities to delay the journey's start and consequently end up with a lower pension by the time the retirement date arrives. There are a number of

reasons why people might delay pension saving: young people might have debts to pay off or be saving up to start a mortgage; they might have mortgages to pay or children to bring up; they might anticipate higher income in middle age which would enable saving for retirement to begin much later in the life cycle; or they might be willing to work longer before retiring if they discover that they would otherwise end up in poverty. People also delay pension saving because of the bounded rationality issues identified in the behavioural finance literature, which essentially boil down to them not understanding the full consequences of the decisions they are making.<sup>7</sup> The pension plan is also just one part of an individual's life cycle financial plan and there are other factors to take into account, such as the desire to make a bequest to one's children (which influences the demand for life annuities in retirement), an individual's other wealth (such as his or her house), and the existence of social security (which influences the demand to save privately for retirement). In comparison, an airline journey is a one-off event that rarely impinges on other aspects of an individual's life.

There is also virtually no danger of an aircraft having insufficient fuel to reach its destination. Although there is a clear tradeoff in the design of a commercial airline between fuel efficiency and GTOW, there are very, very few cases of aircraft crashes caused by running out of fuel. And, of course, it is very obvious with a commercial airline flight that no improvement in fuel efficiency can compensate for insufficient fuel to reach the destination. Indeed, with an aircraft it is unthinkable to consider possible improvements in fuel efficiency in order to compensate for fundamentally inadequate fuel provision. For its part, a pension plan does involve an important tradeoff between investment strategy and contributions: a low-risk investment strategy with high but stable contributions, on the one hand, or a higher-risk investment strategy with lower but more volatile contributions, on the other. Nevertheless, as with airline fuel, we would argue that no increase in investment risk can compensate for fundamentally inadequate contributions if a particular target pension outcome is desired. This leads us to us is one of the key problems in the design of current pension plans: the misguided attempt to use investment strategy to compensate for fundamentally inadequate contributions.

Another instructive difference relates to the relationship between the climb and descent stages of an aircraft journey, on the one hand, and the accumulation and descent stages of a DC pension plan, on the other. Whereas the climb and descent stages of an aircraft journey make up a seamless whole, there is an almost complete lack of integration of the accumulation and decumulation stages in the current design of DC pension plans. The fund manager takes whatever contributions he receives and invests them in line with the member's declared level of 'risk aversion' – even though the fund manager knows that members have no real idea what that means and few of them have any better idea themselves. ('Risk aversion' is, as real experts know, simply an artificial construct in the mind [sic] of a financial economist.) The member's 'risk aversion' – whatever that might really mean – is simply a tick on the box and otherwise doesn't matter to the fund manager: he has no incentive to deliver any specific fund level, because he has been set no target to do so. At the start of the decumulation stage, the assets are typically handed over to a life assurer and, depending on the size of this lump sum, the age and sex of the member and whether or not a spouse's pension is also required, the life assurer provides a life annuity to the

---

<sup>7</sup> In addition, most young people just don't even want to think about their pensions. As Woody Allen once aptly observed, there are some things worse than death, such as spending the evening with an insurance salesman.

member. Again the life assurer has no incentive to deliver any specific retirement income, because again he has been set no target to do so: he or she simply quotes a rate and the member's accumulated pension fund is converted into an annuity stream implied by that rate: the consequences to the plan member are irrelevant. All this contrasts markedly with the design of an aircraft where the climb and descent stages are an integral part of the overall design because the aircraft is designed for the ultimate purpose of reaching a destination safely. Leaving aside the awkward issue of whether you had any idea what you had signed up to when you ticked the incomprehensible boxes many years ago about your 'risk aversion', imagine being told by the captain of the 'climb plane' that it is time for you to transfer to the 'descent plane', but that the descent plane was miles away and the airline had overlooked how you were going to get to it! And what if you had started the journey about forty years before and couldn't remember what you had agreed to or (as happens to some of us) couldn't jump from one plane to another as you thought you might once have been able to do in your youth!

And finally, there is the difference between the competency of the passenger and that of the pension plan member. The airline passenger who knows nothing about how planes or the laws of thermodynamics operate is at no disadvantage relative to an expert: all he needs is to know where he wants to go and the airline and flight to book. The airline passenger can therefore be treated as an intelligent consumer who knows what he is doing. Unfortunately, when it comes to financial matters and especially financial products extending over long periods of time, many consumers are clearly not well-informed or well-educated; bounded rationality and behavioural biases also become important. These problems are especially relevant and difficult in the case of products as complex as pensions. The assumption that we can regard the pension customer as a fully rational and adequately informed consumer is therefore much less tenable. In this case, there may be a role for some kind of guide or supervisor to act on behalf of members as a surrogate 'intelligent consumer'. As regards pensions, this role might be filled by pension trustees or (possibly) by regulators.<sup>8</sup>

## 5. Conclusions

We hope we have persuaded you that pension plan designers have a lot to learn from airplane designers. A well-designed commercial aircraft journey involves very few passenger instructions, little more than 'please fasten your seatbelt': all the risk

---

<sup>8</sup> There are also other difficulties that should be noted: (1) The laws of aerodynamics are known and unchanging, whereas our understanding of the processes generating asset returns is still poor. No one would expect an individual contemplating an airline journey to have a deep understanding of the laws of aerodynamics, yet individuals considering joining a defined contribution pension plan are in effect expected to make very complex investment choices that implicitly presuppose a knowledge of asset return processes that even experts do not have. (2) There is issue of economies of scale. Such economies are an integral feature of the design of a commercial aircraft and are essential to keep prices down and demand high. While the super rich can afford their own jumbo jets, there is no feasible mass market for single individual commercial airline flights. With pensions, on the other hand, there is a large market for personal DC plans, but these plans are very expensive (in terms of charge extraction via reduction in yield) to design and manage. This is especially so if the plans are voluntary and have to be marketed directly to individuals separately. This, in turn, raises difficult issues of how much choice is feasible in retail DC pension schemes, not to mention the underlying problem of what a 'good' retail DC scheme might look like in the first place. Both these issues reinforce our main point that the design of good DC pension plans is considerably more complicated – to say the least – than the design of commercial airliners or even rockets to the moon.

management has already been taken care of. We can envisage that a well-designed pension plan in the future will be similar. Like an aircraft journey, it will be designed from back to front (that is, from desired outputs to required inputs) with the goal of delivering an adequate targeted pension with a high degree of probability. Once a few key parameters about the plan member are known, the pension plane provider can be left to do what is needed to get the plane safely to its destination, so long as the member believes in the benefits of the pensions journey he is making and is willing and able to maintain the required contributions schedule. There will still be risks, of course, but these will be as well understood and as well managed. Once this has happened, we will be in a position to think not of pension plans, but of pension planes, with the equivalent safety instruction to 'fasten your seat belts' being simply 'just sign up and we will take care of you'.

Current pension plans fall well short of this ideal. Indeed, to the extent one can say they are 'designed' at all – the adjective 'design' implies a conscious intent or purpose, and some degree of forethought about the eventual outcome, none of which seem to be apparent in most current pension plans – they are currently 'designed' the wrong way round, that is from front to back, beginning with the question 'how much would you like to contribute to your pension plan?' before going on to frighten potential members with the next question 'what is your attitude to risk?' The intimidated customer signs up, pledges £25 (\$50) a week and the salesman reassures him that he has secured his long-term financial future. No one then gives any serious thought to the eventual outcome until the customer gets a very rude shock forty years or so down the road. By that stage, there is nothing that can be done and those most responsible – and especially those who designed the pension plan in the first place, and if they are lucky, the salesman too, hopefully commission- and (even better) genitals-intact – will have long since gone off to meet their Maker.

Hands up all those who are happy with Stone Age pension plans that could have been designed by Barney Rubble?

## References

Abel, A., and Warshawsky, M. (1988) Specification and the Joy of Giving: Insights from Altruism, *Review of Economics and Statistics*, 70, 145-49.

Ando, A., And Modigliani, F. (1957) The Life Cycle Hypothesis of Saving: Aggregate Implications and Tests, *American Economic Review*, 53, 55-84

Arrow, K., and Lind, R. (1970) Uncertainty and the Evaluation of Public Investment Decisions, *American Economic Review*, 60, 364-378.

Balvers, R., Wu, Y., and Gilliland, E. (2000) Mean Reversion across National Stock Markets and Parametric Contrarian Investment Strategies, *Journal of Finance*, 55, 745-772.

Banks, J., Blundell, R, and Tanner, S (1998) Is There a Retirement-Savings Puzzle? *American Economic Review*, 88, 769-788.

Barber, B, and Odean, T (2001) Boys will be Boys: Overconfidence and Common Stock Investment, *Quarterly Journal of Economics*, 116, 261-292.

Barberis, N. (2000) Investing for the Long-run when Returns are Predictable, *Journal of Finance*, 55, 225-64.

Barberis, N, and Huang, M (2001) Mental Accounting, Loss Aversion, and Individual Stock Returns, *Journal of Finance*, 56, 1247-1292.

Barro, R. J., (2005) Rare Events and the Equity Premium, Harvard University, July.

Benartzi, S (2001) Excessive Extrapolation and the Allocation of 401(k) Accounts to Company Stock, *Journal of Finance*, 56, 1747-1764.

Benartzi, S, and Thaler, R (1995), Myopic Loss Aversion and the Equity Premium Puzzle, *Quarterly Journal of Economics*, 110, 73-92.

Benartzi, S, and Thaler, R (2001), Naive Diversification Strategies in Retirement Saving Plans, *American Economic Review*, 91, 79-98.

Benartzi, S, and Thaler, R (2002) How Much Is Investor Autonomy Worth?, *Journal of Finance*, 57, 1593-1616.

Bernheim, B., D. (1991) How Strong are Bequest Motives? Evidence based on Estimates of the Demand for Life Insurance and Annuities, *Journal of Political Economics*, 99, 899-927.

Bernheim, B. D., Shleifer, A., and Summers, L. (1985) The Strategic Bequest Motive, *Journal of Political Economy*, 93, 1045-76.

Bernheim, B. D, Skinner, J, and Weinberg, S (2001) What Accounts for the Variation in Retirement Wealth among U.S. Households?, *American Economic Review* 91, 832-857.

Bernstein, P. (1992) *Capital Ideas*, Free Press, New York.

Blake, D. (1996) Efficiency, Risk Aversion and Portfolio Insurance: An Analysis of Financial Asset Portfolios held by Investors in the United Kingdom, *Economic Journal*, 106, 1175-1192.

Blake, D. (2006) *Pension Economics*, Wiley, Chichester.

Blake, D., and Burrows, W. (2001), Survivor Bonds: Helping to Hedge Mortality Risk, *Journal of Risk and Insurance*, 681, 339-348.

Blake, D., Cairns, A.J.G, and Dowd, K. (2001) Pensionmetrics: Stochastic Pension Plan Design and Value-at-Risk during the Accumulation Phase, *Insurance: Mathematics & Economics*, 29, 187-215.

Blake, D., Cairns, A.J.G, and Dowd, K. (2003) PensionMetrics 2: Stochastic Pension Plan Design during the Distribution Phase, *Insurance: Mathematics & Economics*, 33, 29-47.

Blake, D., Cairns, A.J.G, and Dowd, K. (2006) Living with Mortality: Longevity Bonds and Other Mortality-Linked Securities, *British Actuarial Journal*, 12, 153-197.

Blake, D., Cairns, A.J.G, and Dowd, K. (2007) The Impact of Occupation and Gender on the Pensions from Defined Contribution Plans, *Geneva Papers on Risk & Insurance*, 32, 458-82.

Blake, D., Cairns, A.J.G, and Dowd, K. (2008a) Longevity Risk and the Grimm Reaper's Toxic Tail: The Survivor Fan Charts, *Insurance: Mathematics & Economics*, forthcoming.

Blake, D., Lehmann, B., and Timmermann, A. (1999) Asset Allocation Dynamics and Pension Fund Performance, *Journal of Business*, 72, 429-62.

Blake, D., Lehmann, B., and Timmermann, A. (2002) Performance Clustering and Incentives in the UK Pension Fund Industry, *Journal of Asset Management*, 3, 2002, 173-194.

Blake, D. and Timmermann, A. (2005) Returns from Active Management in International Equity Markets: Evidence from a Panel of UK Pension Funds, *Journal of Asset Management*, 6, 5-20.

Blake, D., Wright, D., and Zhang, Y. (2008b) Optimal Funding and Investment Strategies in Defined Contribution Pension Plans with Epstein-Zin Utility, Pensions Institute Discussion Paper.

Bodie, Z (1990) Pensions as Retirement Income Insurance, *Journal of Economic Literature*, 28, 28-49.

Bodie, Z. (1995) On the Risk of Stocks in the Long Run, *Financial Analysts Journal*, 51, 18-22.

Bodie, Z., Merton, R., Samuelson, W. (1992) Labour Supply Flexibility and Portfolio Choice in a Lifecycle Model, *Journal of Economic Dynamics and Control*, 16, 427-49.

Bodie, Z., and Treussard, J. (2007) Making Investment Choices as Simple as Possible: An Analysis of Target Date Retirement Funds, *Financial Analysts Journal*, 63, 3, May-June.

Boeing Commercial Airlines (2006) *Statistical Summary of Commercial Jet Airplane Accidents: Worldwide Operations 1959-2005*, Aviation Safety, Boeing Commercial Airlines, Seattle, Washington.

Brinson, G.P., Hood, L.R., and Beebower, G.L. (1986) Determinants of Portfolio Performance, *Financial Analysts Journal*, July-August, 39-48.

Brinson, G., Singer, B., and Beebower, G. (1991) Determinants of Portfolio Performance II: An Update, *Financial Analysts Journal*, May-June, 40-48.

Brown, S.J., and Goetzmann, W. (1995) Performance Persistence, *Journal of Finance* 50, 679-98.

Brown, S., Goetzmann, W., and Ross, S. (1995) Survival, *Journal of Finance*, 50, 853-873.

Brown, J., Mitchell, O., and Poterba, J. (2000a) The Role of Real Annuities and Indexed Bonds in an Individual Accounts Retirement Program, in John Y. Campbell and Martin Feldstein (eds) *Risk Aspects of Investment-Based Social Security Reform*, NBER, University of Chicago Press, 321-360.

Brown, J. and Poterba, J. (2000b) Joint Life Annuities and Annuity Demand by Married Couples, *Journal of Risk and Insurance*, 67, 527-554.

Brugiavini, A. (1993) Uncertainty Resolution and the Timing of Annuity Purchases, *Journal of Public Economics*, 50, 31-62.

Byrne, A., Harrison, D., and Blake, D. (2007) *Dealing with the Reluctant Investor: Innovation and Governance in DC Pension Investment*, Pensions Institute Report, London, April.

Cairns, A.J.G., Blake, D., and Dowd, K. (2006a) Stochastic Lifestyling: Optimal Dynamic Asset Allocation for Defined Contribution Pension Plans, *Journal of Economic Dynamics & Control*, 30, 843-877.

Cairns, A.J.G., Blake, D., and Dowd, K. (2006b) A Two-Factor Model for Stochastic Mortality with Parameter Uncertainty: Theory and Calibration. *Journal of Risk and Insurance*, 73, 687-718.

Campbell, J., and Viceira, L (1999) Consumption and Portfolio Decisions when Expected Returns are Time-varying, *Quarterly Journal of Economics*, 114, 433-95.

Campbell, J., and Viceira, L. (2002) *Strategic Asset Allocation: Portfolio Choice for Long-term Investors*, Oxford University Press, Oxford.

CAPS (various) *General Reports*, Combined Actuarial Performance Services, Leeds.

Carhart, M. (1997) On Persistence in Mutual Fund Performance, *Journal of Finance*, 52, 57-82.

Chacko, G., and Viceira, L. (2005) Dynamic Consumption and Portfolio Choice with Stochastic Volatility in Incomplete Markets, *Review of Financial Studies*, 18, 1369-1402.

Choi, J., Laibson, D., Madrian, B., and Metrick, A. (2001), For Better or For Worse: Default Effects and 401(k) Savings Behavior, NBER Working Paper 8651.

Choi, J., Laibson, D., Madrian, B., and Metrick, A. (2004) Employee Investment Decisions about Company Stock, in Mitchell, O., and Utkus, S. (2004a).

Cocco, J. (2005) Portfolio Choice in the Presence of Housing, *Review of Financial Studies*, 18, 535-567.

Constantinides, G. (1990) Habit Formation: A Resolution of the Equity Premium Puzzle, *Journal of Political Economy*, 98, 519-43.

Constantinides, G., Donaldson, J., and Mehra, R. (2002) Junior Can't Borrow: A New Perspective on the Equity Premium Puzzle, *Quarterly Journal of Economics*, 117, 269-296.

Coughlan, G., Epstein, D., Sinha, A. and Honig, P. (2007) *q-Forwards: Derivatives for Transferring Longevity and Mortality Risks*, JPMorgan Pension Advisory Group, London, July.

Davidoff, T., Brown, J., and Diamond, P. (2005) Annuities and Individual Welfare, *American Economic Review*, 95, 1573-90.

De Bondt, W. (1998) A Portrait of the Individual Investor, *European Economic Review*, 42, 831-844.

De Nardi, M., French, E., and Jones, J. B. (2006) Differential Mortality, Uncertain Medical Expenses, and the Savings of Elderly Singles, NBER Working Paper 12554, October.

Dimson, E., Marsh, P. and Staunton, M. (2002) *Triumph of the Optimists: 101 Years of Global Investing Returns*, Princeton University Press: New Jersey.

Dowd, K. (2003) Survivor Bonds: A Comment on Blake & Burrows, *Journal of Risk and Insurance*, 70, 349-351.

Drinkwater, M, and Sondergeld, E (2004) Perceptions of Mortality Risk: Implications for Annuities, in Mitchell, O., and Utkus, S. (2004a).

Dus, I, Maurer, R, Mitchell, O (2004) Betting on Death and Capital Markets in Retirement: A Shortfall Risk Analysis of Life Annuities versus Phased Withdrawal Plans, Pension Research Council Working Paper 2004-1.

Fama, E., and French, K. (1988) Permanent and Temporary Components of Stock Prices, *Journal of Political Economy*, 96, 246-73.

Fama, E., and French, K. (2002) The Equity Premium, *Journal of Finance*, 57, 637-659.

Faugère, C., and Van Erlach, J. (2006), The Equity Premium: Consistent with GDP Growth and Portfolio Insurance, *The Financial Review*, 41, 547-564.

Financial Literacy and Education Commission (2006) *Taking Ownership of the Future: The National Strategy for Financial Literacy 2006*, US Department of the Treasury, Washington DC.

Finkelstein, A., and Poterba, J. (2002) Selection Effects in the United Kingdom Annuities Market, *Economic Journal*, 112, 28-50.

Fisher, I. (1930) *The Theory of Interest*, Macmillan, New York.

Frank, R., and Hutchens, R., 1993, Wages, Seniority and the Demand for Rising Consumption Sequences, *Journal of Economic Behavior and Organization*, 21: 251-276.

French, K., Schwert, G., and Stambaugh, R. (1987) Expected Stock Returns and Volatility, *Journal of Financial Economics*, 19, 3-29.

Ghysels, E., Harvey, A. C., and Renault, E. (1996) Stochastic Volatility, chapter 14 in Maddala, G., and Rao, C. (eds), *Handbook of Statistics*, Vol. 14, North-Holland, Amsterdam.

Gneezy, U, and Potters, J (1997) An Experiment on Risk Taking and Evaluation Periods, *Quarterly Journal of Economics*, 112, 631-645.

Goetzmann, W, and Kumar, A (2001) Equity Portfolio Diversification, NBER Working Paper 8686.

Gollier, C. (2004), Optimal Dynamic Portfolio Risk with First-Order and Second-Order Predictability, *Contributions to Theoretical Economics*, 4:1, Article 4, 1-33.

Gomes, F., and Michaelides, A. (2005) Optimal Life-Cycle Asset Allocation: Understanding the Empirical Evidence, *Journal of Finance*, 60, 869-904.

Grinblatt, M., and Titman, S. (1992), The Persistence of Mutual Fund Performance, *Journal of Finance*, 47, 1997-84.

H M Treasury (2006) *The Annuities Market 2006*, H M Treasury, London.

Haberman, S., and Sung, J-H. (1994), Dynamic Approaches to Pension Funding, *Insurance: Mathematics & Economics*, 15, 151-62.

Heaton, J., and Lucas, D. (2000) Portfolio Choice and Asset Prices: The Importance of Entrepreneurial Risk, *Journal of Finance*, 55, 1163-1198.

Hendricks, D., Patel, J., and Zeckhauser, R. (1993), Hot Hands in Mutual Funds: Short-Run Persistence of Relative Performance, *Journal of Finance* 48, 93-130.

Horneff, W., Maurer, R., and Stamos, M. (2006a) Life-cycle Asset Allocation with Annuity Markets: Is Longevity Insurance a Good Deal? Working Paper WP2006-146, Michigan Retirement Research Centre, December.

Horneff, W., Maurer, R., and Stamos, M. (2006b) Optimal Gradual Annuitization: Quantifying the Costs of Switching to Annuities, Working Paper, Goethe University, Frankfurt, April.

Horneff, W., Maurer, R., Mitchell, O., and Stamos, M. (2007) Money in Motion: Dynamic Portfolio Choice in Retirement, National Bureau of Economic Research Working Paper 12942, February.

Howie, R., and Davies, H. (2002) Setting Investment Strategy for the Long Term: A Closer look at Defined Contribution Investment Strategy, Faculty and Institute of Actuaries, Finance and Investment Conference 2002, [http://www.actuaries.org.uk/files/pdf/library/proceedings/fin\\_inv/2002/Howie.pdf](http://www.actuaries.org.uk/files/pdf/library/proceedings/fin_inv/2002/Howie.pdf).

Huberman, G and Sengmueller, P (2003) Company Stock in 401(k) Plans, Columbia University Working Paper.

Huberman, G and Jiang, W. (2006) Offering versus Choice in 401(k) Plans: Equity Exposure and Number of Funds, *Journal of Finance*, 61, 763-801.

Hurd, M. (1989) Mortality Risk and Bequests, *Econometrica*, 57, 779-813.

Impavido, G., Thorburn, C., Wadsworth, M. (2004) A Conceptual Framework for Retirement Products: Risk Sharing Arrangements between Providers and Retirees, World Bank Policy Research Working Paper 3208, February.

Ironfield-Smith C., Duxbury D., Hudson R., Keasey K. and Summers, B. (2005) Informed Choice for Pensions: Overcoming the Data Integration Challenge, *Journal of Financial Regulation and Compliance*, 13, 260-267.

Jagannathan, R., McGrattan E. R. and Scherbina, A. (2000) The declining U.S. equity premium, *Federal Reserve Bank of Minneapolis Quarterly Review* 24, 3-19.

Jegadeesh, N., and Titman, S. (1993), Returns to Buying Winners and Selling Losers: Implications for Stock Market Efficiency, *Journal of Finance*, 48, 65-91.

Jorion, P., and Goetzmann, W. (1999) Global Stock Markets in the Twentieth Century, *Journal of Finance*, 54, 953-80.

Kahneman, D (2003) The Psychology of Risky Choices, Address before the Investment Company Institute, May 2003, Washington DC.

Kahneman, D and Tversky, A (1979) Prospect Theory: An Analysis of Decision Under Risk, *Econometrica*, 47, 263-91.

Kahneman, D and Tversky, A (1984) Choices, Values and Frames, *American Psychologist*, 39, 341-50.

Kahneman, D and Tversky, A (2000), *Choices, Values and Frames*, Russell Sage Foundation and Cambridge University Press, Cambridge, MA.

Keasey, K., Summers, B., Duxbury, D., and Hudson, R. (2006) Angst about Annuities? An Exploration of Individuals' Evaluations of Annuities, Leeds University business School Working Paper.

Kim, M. J., Nelson, C. R., and Startz, R. (1991) Mean Reversion in Stock Prices? A Reappraisal of the Empirical Evidence, *Review of Economic Studies*, Special Issue: The Econometrics of Financial Markets, 58, 515-528.

Kogan, L., Makarov, I., and Uppal, R. (2003), The Equity Risk Premium and the Riskfree Rate in an Economy with Borrowing Constraints, mimeo, MIT and LBS, September.

Koijen, R., Nijman, T., and Werker, B. (2006) Dynamic Asset Allocation and Annuity Risk, Working Paper, Tilburg University, April.

Kosowski, R., Timmermann, A., Wermers, R., and White, H. (2006) Can Mutual Fund 'Stars' Really Pick Stocks? New Evidence from a Bootstrap Analysis, *Journal of Finance*, 61, 2551-95.

Kotlikoff, L., and Spivak, A. (1981) The Family as an Incomplete Annuities Market, *Journal of Political Economy*, 89, 373-91.

Kotlikoff, L., and Summers, L. (1981) The Role of Intergenerational Transfers in Aggregate Capital Accumulation, *Journal of Political Economy*, 89, 706-732.

Kurz, M. and Beltratti , A. (2006) The Equity Premium is No Puzzle, Stanford University Dept. of Economics WP# 96-004, February.

Laibson, D. (1997) Golden Eggs and Hyperbolic Discounting, *Quarterly Journal of Economics*, 112, 443-478.

Laibson, D., Repetto, A., and Tobacman, J. (1998), Self Control and Saving for Retirement, *Brookings Papers on Economic Activity I*, 91-196.

Lakonishok, J., Shleifer, A., and Vishny, R., (1992), The Structure and Performance of the Money Management Industry, *Brookings Papers: Microeconomics*, 339-91.

Langer, T., and Weber, M. (2004), Does Commitment or Feedback Influence Myopic Loss Aversion? An Experimental Analysis, University of Mannheim Discussion Paper.

Lunde, A., Timmermann, A., and Blake, D. (1999), The Hazards of Mutual Fund Underperformance, *Journal of Empirical Finance*, 6, 121-52.

Madrian, B., and Shea, D (2001) The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior, *Quarterly Journal of Economics*, 116, 1149-1187.

Matsumo D., Peecher, M. E., and Rich, J. S., 2000, Evaluations of Outcome Sequences, *Organizational Behavior and Human Decision Processes*, 83: 331-352.

McGill, D., Brown, K., Haley, J., and Schieber, S. (2005) *Fundamentals of Private Pensions*, 8ed, Oxford University Press, Oxford.

Mehra, R. and Prescott, E. C. (1985) The Equity Premium: A Puzzle, *Journal of Monetary Economics*, 15, 145-161.

Merton, R.C. (1969) Lifetime Portfolio Selection under Uncertainty: The Continuous Time Case, *Review of Economics and Statistics*, 51, 247-57.

Merton, R.C. (1971) Optimum Consumption and Portfolio Rules in a Continuous Time Model, *Journal of Economic Theory*, 3, 373-413.

Merton, R.C. (1973) An Intertemporal Capital Asset Pricing Model, *Econometrica*, 41, 867-87.

Milevsky, M. (1998) Optimal asset allocation towards the end of the life cycle: To annuitise or not to annuitise? *Journal of Risk and Insurance*, 65, 401-26.

Milevsky, M., and Young, V. (2002) Optimal Asset Allocation and the Real Option to Delay Annuitisation: It's Not Now or Never, Working Paper, Schulich School of Business, York University, April.

Milevsky, M., and Young, V. (2006) Annuitisation and Asset Allocation, *Journal of Economic Dynamics and Control*, forthcoming.

Mitchell, O., Moore, J., and Phillips, J. (2000), Explaining Retirement Saving Shortfalls, in Mitchell, O. S., Hammond, B., Rappaport, A. (eds) *Forecasting Retirement Needs and Retirement Wealth*, University of Pennsylvania Press, Philadelphia, PA, 139-166.

Mitchell, O., Poterba, J., Warshawsky, M., and Brown, J. (1999) New Evidence on The Money's Worth of Individuals, *American Economic Review*, 89, 1299-1318.

Mitchell, O., and Utkus, S (2003) Company Stock and Retirement Plan Diversification, in Olivia S. Mitchell and Kent Smetters (eds) *The Pension Challenge: Risk Transfers and Retirement Income Security*, Oxford University Press, Oxford.

Mitchell, O., and Utkus, S (eds) (2004a) *Pension Design and Structure: New Lessons from Behavioural Finance*, Oxford University Press, Oxford.

Mitchell, O., and Utkus, S (2004b), Lessons from Behavioural Finance for Retirement Plan Design, in Mitchell, O., and Utkus, S (2004a).

Modigliani, F. And Ando A. (1963) The Life Cycle Hypothesis Of Saving: Aggregated Implications And Tests, *American Economic Review*, 53, 55-84.

Moore, J and Mitchell, O (2000) Projected Retirement Wealth and Saving Adequacy, in Mitchell, O. S., Hammond, B., Rappaport, A. (eds) *Forecasting Retirement Needs and Retirement Wealth*, University of Pennsylvania Press, Philadelphia, PA, 68-94.

Mullainathan, S and Thaler, R (2000) Behavioral Economics, NBER Working Paper 7948.

O'Brien, C., Fenn, P., and Diacon, S. (2005) How long do people expect to live? Results and implications, Centre for Risk and Insurance Studies, Nottingham University Business School, CRIS Research report 2005-1, April.

OECD (2005) *Improving Financial Literacy: Principle, Programmes, Good Practices*, Organisation for Economic Co-operation and Development, Paris.

Odean, T (1998) Are Investors Reluctant to Realize Their Losses?, *Journal of Finance*, 53, 1775-1798.

Office of Fair Trading (1997), *Consumer Detriment under Conditions of Imperfect Information*, Research Paper 11, London.

Office of Fair Trading (1999), *Vulnerable Consumers and Financial Services*, Report 255, London.

Panis, S (2004) Annuities and Retirement Satisfaction, in Mitchell, O, and Utkus, S (2004a).

Patel, J, Zeckhauser, R, and Hendricks, D (1991) The Rationality Struggle: Illustrations from Financial Markets, *American Economic Review*, 81, 232-236.

Pensions Commission (2005) A New Pensions Settlement for the Twenty-First Century, The Stationery Office, Norwich.

Peoples, R., and Wilcox, K. (2006) Value-based Multidisciplinary Optimization for Commercial Aircraft Design, *Journal of Aircraft*, 43, 913-21.

Polkovnichenko, V. (2003) Household Portfolio Diversification, presentation at Rodney White Center for Financial Research conference on Household Portfolio Choice and Financial Decision-Making, March.

Poterba, J, Rauh, J, Venti, S, and Wise, D (2003) Utility Evaluation of Risk in Retirement Saving Accounts, NBER Working Paper 9892.

Poterba, J., Rauh, J., Venti, S., and Wise, D. (2006) Lifecycle Asset Allocation Strategies and the Distribution of 401(K) Retirement Wealth, National Bureau of Economic Research Working Paper 11974, January.

Poterba, J., and Summers, L. (1988) Mean Reversion in Stock Returns: Evidence and Implications, *Journal of Financial Economics*, 22, 27-60.

Purcell, P (2002) The Enron Bankruptcy and Employer Stock in Retirement Plans, *CRS Report for Congress*. US GOP. Code RS21115.

Rabin, M and Thaler, R (2001) Anomalies: Risk Aversion, *Journal of Economic Perspectives*, 15, 219-232.

Rietz, T. (1988) The Equity Risk Premium: A Solution, *Journal of Monetary Economics*, 22, 117-31.

Sainsbury, R., Finch, N., and Corden A. (2006) Self-employment and retirement, Department for Work and Pensions, Research Report 395, October (ISBN 1 84712 106 3).

Samuelson, P. A. (1969) Lifetime Portfolio Selection by Dynamic Stochastic Programming, *Review of Economics and Statistics*, 51, 239-46.

Samuelson, P.A. (1989) *A Case at Last for Age-phased Reduction in Equity*, Proceedings of the National Academy of Sciences, Washington, DC.

Samuelson, P. A. (1991), Long-run Risk Tolerance when Equity Returns are Mean Regressing: Pseudoparadoxes and Vindication of 'Businessman's Risk', in Brainard, W., Nordhaus, W., and Watts, H. (eds) *Macroeconomics, Finance and Economic Policy: Essays in Honour of James Tobin*, MIT Press, Cambridge, MA.

Samuelson, P. A. (1992), At Last, a Rational Case for Long-Horizon Risk Tolerance and for Asset-Allocation Timing, in Arnott, R.D., and Fabozzi, F.J., (eds), *Active Asset Allocation*, McGraw Hill, London.

Selnow, G (2004) Motivating Retirement Planning: Problems and Solutions, in Mitchell, O, and Utkus, S (2004a)

Shefrin H and Statman, M (1985) The Disposition to Sell Winners Too Early and Ride Losers Too Long: Theory and Evidence, *Journal of Finance*, 40, 777-790.

Siegel, J. (1997) *Stocks for the Long Term*. Richard D. Irwin, New York.

Siegel, J., (1999) The Shrinking Equity Premium, *Journal of Portfolio Management* 26, 10-17.

Simon, H (1955) A Behavioral Model of Rational Choice, *Quarterly Journal of Economics*, 69, 99-118.

Social Trends 30 – 2000 Edition, Office for National Statistics, The Stationery Office, London

Social Trends 36 – 2006 Edition, Office for National Statistics, Palgrave Macmillan, London.

Stock, J., and Wise, D. (1990) Pensions, the Option Value of Work and Retirement, *Econometrica*, 58, 1151-80.

Sun, W., Triest, R., and Webb, A. (2007) Optimal Retirement Asset Decumulation Strategies: The Impact of Housing Wealth, Pensions Institute Discussion Paper PI-0702

Thaler, R. (1985) Mental Accounting and Consumer Choice, *Marketing Science*, 4, 199-214.

Thaler, R. (1999) Mental Accounting Matters, *Journal of Behavioural Decision Making*, 12, 183-206.

Thaler, R. and Bernartzi, S. (1999) Risk Aversion or Myopia? Choices in Repeated Gambles and Retirement Investments, *Management Science*, 45, 364-381.

Thaler, R. and Bernartzi, S. (2004), Save More Tomorrow: Using Behavioural Economics to Increase Employee Saving, *Journal of Political Economy*, 112, S164-S187

Thaler R and Shefrin, H (1981) An Economic Theory of Self-Control, *Journal of Political Economy*, 89, 392-406.

Thaler, R and Sunstein, C (2003) Libertarian Paternalism, *American Economic Review*, 93, 175-179.

Thoresen O (2007) *Financial Capability: The Government's long-term Approach*, H M Treasury, London.

Timmermann, A., and Blake, D. (2005), International Asset Allocation with Time-Varying Investment Opportunities, *Journal of Business*, 78, 71-98.

Tonks, I (2005) Performance Persistence of Pension Fund Managers, *Journal of Business*, 78, 1917-1942.

Tversky, A and Kahneman, D (1974) Judgment Under Uncertainty: Heuristics and Biases, *Science*, 185, 1124-1131.

Wadsworth, M. (2005) The Pension Annuity Market: Further Research into Supply and Constraints, Association of British Insurers, London.

Warner, J. and Pleeter, S. (2001) The Personal Discount Rate: Evidence from Military Downsizing Programs, *American Economic Review*, 91, 33-53.

Weber, E. (2004) Who's Afraid of a Poor Old Age? Risk Perception and Risk Management Decisions, in Mitchell, O, and Utkus, S (2004a).

Weil, P. (1989) The Equity-Premium Puzzle and the Riskfree Rate Puzzle, *Journal of Monetary Economics*, 24, 401-421.

Yaari, M. (1965) Uncertain Lifetime, Life Insurance, and the Theory of the Consumer, *Review of Economic Studies*, 32, 137-150

Yao, R., and Zhang, H. (2005) Optimal Consumption and Portfolio Choice with Risky Housing and Borrowing Constraints, *Review of Financial Studies*, 18, 197-239