# Wealth in the Utility Function

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## Abstract

Anyone who has taken an economics class in high school or college will have heard of the 'life cycle model' of optimal saving for retirement. They might suppose that a financial advisor's job is to tailor the optimal planning approach to their own particular circumstances - especially since academic journals are full of life cycle saving and portfolio choice models. What they are unlikely to know is that the advice dispensed by such models has long been understood to be deeply problematic – for example, such models tend to imply that retiree with a pension should plan to run their wealth down to zero (if they live long enough) and then live pension-check to pension-check. This paper makes the case that new developments in the economics literature, when combined with the kinds of feedback that advisors get from their clients, can finally generate advice that is both mathematically optimal and intuitively plausible.

***Keywords***

## 1 Introduction

## 2 Literature Review

Dynan et al. [2002]

## 3 Model

## References

Karen E Dynan, Jonathan Skinner, and Stephen P Zeldes. The importance of bequests and life-cycle saving in capital accumulation: A new answer. *American Economic Review*, 92(2):274278, April 2002. ISSN 0002-8282. doi:10.1257/000282802320189393. URL http://dx.doi.org/10.1257/000282802320189393.

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