

**Press Release London, Nice, Paris, May 2, 2018**

**Introducing the EDHEC-Princeton Retirement Goal-Based Investing Index Series – an answer to the retirement problem**

With the growing need to supplement public and private retirement benefits with voluntary contributions, individuals are becoming increasingly responsible for their own retirement savings and investment decisions. This global trend poses substantial challenges to individuals, who typically lack the expertise required to make such complex financial decisions. Unfortunately, current investment products such as target date funds that are often used as default options in retirement accounts, hardly provide a solution to investors’ and households’ replacement income needs in retirement.

In a new publication entitled “[Applying Goal-Based Investing Principles to the Retirement Problem](http://docs.edhec-risk.com/mrk/000000/Publication/Applying_GBI_Principles_Retirement_Problem_Publication.pdf)”, EDHEC-Risk Institute and Professor John Mulvey of the Operations Research & Financial Engineering Department at Princeton University outline the shortcomings of existing retirement products, and lay the academic foundations for a new generation of *risk-controlled target date funds*.

**The research efforts towards the design of more meaningful retirement solutions, with the support of Bank of America’s Merrill Lynch Global Wealth Management group, have led to the design of the EDHEC-Princeton Retirement Goal-Based Investing Index Series, available at** [**risk.edhec.edu/indices-investment-solutions**](https://risk.edhec.edu/indices-investment-solutions)**.**

The index series answers two important questions from a retirement investing standpoint:

* How much replacement income can be acquired from a given level of retirement savings? Given that income, and not wealth, is what matters in retirement, the ability to translate wealth into replacement income is critically important in assessing individual portfolios' adequacy with respect to retirement needs. The *Goal Price Index* series has been introduced as the appropriate tool to measure the purchasing power of retirement savings in terms of replacement income.
* How does one generate the kind of upside potential that is needed to achieve target levels of replacement income while securing minimum consumption levels in retirement? Dynamic allocation to two suitably designed “safe” and “risky” building blocks (namely the retirement goal-hedging portfolio and the performance-seeking portfolio), is required to achieve this dual objective. The Goal-Based Investing Index Series has been introduced to provide a benchmark for such dynamic retirement solutions, which can be regarded as improved, risk-managed forms of target-date funds.

Commenting on the research publication, John Mulvey, Professor of Operations Research and Financial Engineering in the ORFE Department at Princeton University, said “Applying Goal-Based Investing Principles to the Retirement Problem discusses important issues with developing the index series and its practical usage. Many developed countries are moving to a society with greater personal responsibility for financial decisions. This trend is evident with the shift from defined-benefit to defined-contribution pension plans. Unfortunately, most people do not have the tools nor the training to help themselves with the critical decisions about asset allocation, about savings, and about spending during retirement. The EDHEC-Princeton index series is aimed at informing the decision process. It provides superior information to the popular target date funds, which do not distinguish among investors within an age category.”

Addressing asset managers, Lionel Martellini, Professor of Finance at EDHEC Business

School and Director of EDHEC-Risk Institute, added “Goal-based investment principles grounded on solid academic foundations can be used to design retirement investment strategies that meet the needs of individual investors preparing for retirement. To address the looming pension crisis, investment managers must focus on the launch of meaningful risk-managed retirement solutions with a focus on generating replacement income in retirement. This is a unique opportunity for the investment industry to make finance useful again by providing individuals with adequate answers to their retirement needs.”

Offering a perspective on the applicability of these indices, Anil Suri, Managing Director and Head of Portfolio Analytics & The Innovation Development Center in the Chief Investment Office of Bank of America’s Global Wealth & Investment Management group, said “the EDHEC-Princeton Goal-Based Investing Index Series are an important innovation that can help individuals, and the institutions they rely on, to achieve critical retirement goals in a more efficient and effective fashion. Importantly, by using a very strong analytical foundation and demonstrating the practical feasibility of such an approach, the EDHEC-Princeton Retirement Goal-Based index series can help in the design and management of the next generation of retirement investment solutions that use liquid asset classes to generate income in retirement, while managing the effect of uncertainty on this very broadly applicable goal.”

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**About ORFE, Princeton University**

ORFE is the intersection of five core disciplines: financial mathematics, operations research, optimization, probability theory, and statistics. Research in the Department ranges from the mathematical foundations of these fields to the development of state-of-the-art methodology for solving complex problems that arise in important real-world applications in finance, engineering and the sciences. ORFE students obtain a strong quantitative and interdisciplinary training, and acquire the skills to become leaders in academia and industry.

The Bendheim Center for Finance was established in 1998 to encourage interdisciplinary research in finance, primarily from a quantitative or mathematical perspective. The research activities of the center are directed toward the study of financial markets and asset prices, the financial structure of firms, banks and other financial intermediaries, and the linkages between financial economics and other fields, such as engineering, operations research, mathematics, computer science, psychology and public policy.

**About EDHEC-Risk Institute**

**Academic Roots & Practitioner Reach**

Since 2001, EDHEC Business School has been pursuing an ambitious policy in terms of practically relevant academic research. This policy, known as “Research for Business”, aims to make EDHEC an academic institution of reference for the industry in a small number of areas in which the school has reached critical mass in terms of expertise and research results. Among these areas, asset and risk management have occupied privileged positions, leading to the creation in 2001 of EDHEC-Risk Institute, which has developed an ambitious portfolio of research and educational initiatives in the domain of investment solutions for institutional and individual investors.

This institute now boasts a team of close to 50 permanent professors, engineers and support staff, as well as 39 research associates from the financial industry and affiliate professors. EDHEC-Risk Institute is located at campuses in the City of London in the United Kingdom; Nice and Paris in France. The philosophy of the institute is to validate its work by publication in prestigious academic journals, but also to make it available to professionals and to participate in industry debate through its position papers, published studies and global conferences.

To ensure the distribution of its research to the industry, EDHEC-Risk also provides professionals with access to its website, <https://risk.edhec.edu/>, which is entirely devoted to international risk and asset management research. The website, which has more than 70,000 regular visitors, is aimed at professionals who wish to benefit from EDHEC-Risk’s analysis and expertise in the area of applied portfolio management research. Its quarterly newsletter is distributed to more than 200,000 readers.

EDHEC-Risk Institute also has highly significant executive education activities for professionals, in partnership with prestigious academic partners.

In 2012, EDHEC-Risk Institute signed two strategic partnership agreements, with the Operations Research and Financial Engineering department of Princeton University to set up a joint research programme in the area of asset-liability management for institutions and individuals, and with Yale School of Management to set up joint certified executive training courses in North America and Europe in the area of risk and investment management.

As part of its policy of transferring know-how to the industry, EDHEC-Risk Institute has set up ERI Scientific Beta. ERI Scientific Beta is an original initiative which aims to favour the adoption of the latest advances in smart beta design and implementation by the whole investment industry. Its academic origin provides the foundation for its strategy: offer, in the best economic conditions possible, the smart beta solutions that are most proven scientifically with full transparency of both the methods and the associated risks.

**About Merrill Lynch Global Wealth Management**

Merrill Lynch Global Wealth Management is a leading provider of comprehensive wealth management and investment services for individuals and businesses globally. With 14,829 financial advisors and $2.3 trillion in client balances as of March 31, 2018, it is among the largest businesses of its kind in the world. Merrill Lynch Global Wealth Management specializes in goals-based wealth management, including planning for retirement, education, legacy, and other life goals through investment, cash and credit management. Within Merrill Lynch Global Wealth Management, the Private Banking and Investment Group focuses on the unique and personalized needs of wealthy individuals, families and their businesses. These clients are served by more than 200 highly specialized private wealth advisor teams, along with experts in areas such as investment management, concentrated stock management and intergenerational wealth transfer strategies. Merrill Lynch Global Wealth Management and Merrill Lynch Pierce Fenner & Smith are part of Bank of America Corporation.

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