

An Optimal Consumption and Investment Problem with a Subsistence Consumption Constraint and Quadratic-Featured General Utility

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ABSTRACT

We study optimal consumption and investment problem of an economic agent who has a general utility function with pre-fixed bliss level of consumption and subsistence constraints. We use a dual transform method for obtaining an explicit solution of optimization problem. And we show that our result is a general version of the quadratic utility case.

Keywords: Portfolio selection, subsistence consumption constraint, general utility, dual transform method