

An Optimal Consumption, Investment and Retirement Choice Problem with Quadratic Utility and Subsistence Consumption Constraints

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ABSTRACT

We investigate the optimal consumption, investment and retirement time choice problem with quadratic utility. In this model, the agent faces the subsistence consumption constraints before/after retirement. We use the duality approach to derive the closed-form solutions of this optimization problem. Also we observe the effects of the constraints on the optimal strategies.

Keywords: Portfolio selection, voluntary retirement, quadratic utility, subsistence consumption constraints, duality approach