



Press Release

London, New York, Nice, Paris, Singapore, November 9, 2015

In new research, EDHEC-Risk Institute introduces a new conceptual framework to better achieve individual investors' goals

Any investment process should start with a thorough understanding of the investor problem. Individual investors do not need investment products with alleged superior performance; they need investment solutions that can help them meet their goals subject to prevailing dollar and risk budget constraints.

In a new publication entitled *"Introducing a Comprehensive Investment Framework for Goals-Based Wealth Management,"* EDHEC-Risk Institute develops a general operational framework that can be used by financial advisors to allow individual investors to optimally allocate to categories of risks they face across all life stages and wealth segments so as to **achieve personally meaningful financial goals**. This research was conducted with the support of Merrill Lynch Wealth Management as part of EDHEC-Risk Institute's research chair on a "Risk Allocation Framework for Goal-Driven Investing Strategies."

One key feature in developing the investment framework for goals-based wealth management is the introduction of **systematic rule-based multi-period portfolio construction methodologies**, which is a required element given that risks and goals typically persist across multiple time frames.

"This paper is an important milestone in the practice of goals-based wealth management. It provides an analytically rigorous and practical approach for developing and implementing the next generation of dynamic, outcome driven investment solutions that can substantially improve our ability to help clients achieve personally meaningful goals," said Anil Suri, Managing Director and Head of Portfolio Construction & Investment Analytics at Merrill Lynch Wealth Management.

"Through an efficient use of dedicated performance and hedging building blocks, as well as a suitably designed allocation to these building blocks, goal-based investing generates improvements in the probability of achieving investors' important or aspirational goals that can reach 50% or more compared to traditional approaches. The traditional product-centric approach, which focuses on allocating more or less to stocks and bonds as a function of some estimated risk-aversion parameter, needs to be replaced by a goal-based investor-centric approach to wealth management. In particular, an investment framework based on risk-aversion, a crude one-dimensional summary of the complex set of investors' meaningful objectives, cannot ensure that any particular goal that is essential to the investor can be achieved with certainty," said Professor Lionel Martellini, Director, EDHEC-Risk Institute.

A copy of “*Introducing a Comprehensive Investment Framework for Goals-Based Wealth Management*” can be downloaded via the following link:

[EDHEC Publication Introducing a Comprehensive Investment Framework for Goals-based Wealth Management](#)



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About EDHEC-Risk Institute

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 36 research associates from the financial industry and affiliate professors. EDHEC-Risk Institute is located at campuses in Singapore, which was established at the invitation of the Monetary Authority of Singapore (MAS); 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, www.edhec-risk.com, 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 1.5 million readers.

EDHEC-Risk Institute also has highly significant executive education activities for professionals. In partnership with CFA Institute, it has developed advanced seminars based on its research which are available to CFA charterholders and have been taking place since 2008 in New York, Singapore and London.

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.

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