CONTENTS

Forew	ord	xvii
Prefac	e	xix
Ackno	wledgments	xxi
1 ICILIIO	And the second s	22.23
A1.	AL CEA I I C C	
About	the CFA Institute Investment Series	xxiii
05		
CHAP	TER 1	
Der	ivative Markets and Instruments	1
		,
1	Leaning Outcomes	1
	Delivatives, introduction, Deminions, and Oses	5
2.	The offucture of Delivative iviainets	6
	2.1. Exchange-Traded Derivatives Markets2.2. Over-the-Counter Derivatives Markets	8
3	Types of Derivatives: Introduction, Forward Contracts	10
3.	3.1. Forward Commitments	10
4	Types of Derivatives: Futures	14
	Types of Derivatives: Swaps	18
	Contingent Claims: Options	22
7.0	6.1. Options	22
7.	Contingent Claims: Credit Derivatives	30
	Types of Derivatives: Asset-Backed Securities and Hybrids	33
	8.1. Hybrids	35
9.	Derivatives Underlyings	36
	9.1. Equities	36
	9.2. Fixed-Income Instruments and Interest Rates	36
	9.3. Currencies	37
	9.4. Commodities	37
	9.5. Credit	37
	9.6. Other	
10.	The Purposes and Benefits of Derivatives	39
	10.1. Risk Allocation, Transfer, and Management	40
	10.2. Information Discovery	41

vi

	10.3. Operational Advantages	41
	10.4. Market Efficiency	42
11.		42
	11.1. Speculation and Gambling	43
	11.2. Destabilization and Systemic Risk	43
12.	Elementary Principles of Derivative Pricing	45
	12.1. Storage	46
	12.2. Arbitrage	47
	Summary	52
	Problems	54
CHAP	TER 2	
	ics of Derivative Pricing and Valuation	61
	Learning Outcomes	61
1	Introduction	62
2.	Basic Derivative Concepts, Pricing the Underlying	62
2.	2.1. Basic Derivative Concepts	62
	2.2. Pricing the Underlying	64
3.	The Principle of Arbitrage	68
	3.1. The (In)Frequency of Arbitrage Opportunities	69
	3.2. Arbitrage and Derivatives	69
	3.3. Arbitrage and Replication	70
	3.4. Risk Aversion, Risk Neutrality, and Arbitrage-Free Pricing	71
	3.5. Limits to Arbitrage	72
4.	Pricing and Valuation of Forward Contracts: Pricing vs. Valuation; Expirati	on;
	Initiation	7/
	4.1. Pricing and Valuation of Forward Commitments	75
5.	Pricing and Valuation of Forward Contracts: Between Initiation and Expira	ition;
	Forward Rate Agreements	79
	5.1. A Word about Forward Contracts on Interest Rates	80
6.	Pricing and Valuation of Futures Contracts	82
7.	Pricing and Valuation of Swap Contracts	84
8.	Pricing and Valuation of Options	87
	8.1. European Option Pricing	88
9.	Lower Limits for Prices of European Options	94
10.	Put-Call Parity, Put-Call-Forward Parity	97
	10.1. Put-Call-Forward Parity	101
11.	Binomial Valuation of Options	103
12.	American Option Pricing	107
	Summary	110
	Problems	111
CHAP	TER 3	
	cing and Valuation of Forward Commitments	117
		117
1	Learning Outcomes Introduction to Pricing and Valuation of Forward Commitments	117
1.	intibudiction to I fichig and valuation of I of ward Committeents	11/

	1.1. Principles of Arbitrage-Free Pricing and Valuation of Forward	
	Commitments	118
	1.2. Pricing and Valuing Generic Forward and Futures Contracts	119
2.	Carry Arbitrage	124
	2.1. Carry Arbitrage Model When There Are No Underlying Cash Flows	124
	2.2. Carry Arbitrage Model When Underlying Has Cash Flows	131
3.	Pricing Equity Forwards and Futures	135
	3.1. Equity Forward and Futures Contracts	135
	3.2. Interest Rate Forward and Futures Contracts	138
4.	Pricing Fixed-Income Forward and Futures Contracts	147
	4.1. Comparing Forward and Futures Contracts	153
5.	Pricing and Valuing Swap Contracts	154
	5.1. Interest Rate Swap Contracts	156
6.	Pricing and Valuing Currency Swap Contracts	163
	Pricing and Valuing Equity Swap Contracts	171
	Summary	176
	Problems	179
	prion I bus nonsulty to soized	N.
CITAD		
		10=
Valu	uation of Contingent Claims	187
	Learning Outcomes	187
1.	Introduction and Principles of a No-Arbitrage Approach to Valuation	188
	1.1. Principles of a No-Arbitrage Approach to Valuation	188
2.	Binomial Option Valuation Model	190
	One-Period Binomial Model	192
	Binomial Model: Two-Period (Call Options)	199
	· · · · · · · · · · · · · · · · · ·	203
	Binomial Model: Two-Period (Role of Dividends & Comprehensive Example)	
	Interest Rate Options & Multiperiod Model	213
	7.1. Multiperiod Model	215
8.	Black-Scholes-Merton (BSM) Option Valuation Model, Introduction and	n.
	Assumptions of the BSM Model	216
	8.1. Introductory Material	216
	8.2. Assumptions of the BSM Model	216
9.	BSM Model: Components	218
10.	BSM Model: Carry Benefits and Applications	222
11.	Black Option Valuation Model and European Options on Futures	226
CHE -	11.1. European Options on Futures	226
12.	Interest Rate Options	228
	Swaptions	232
	Option Greeks and Implied Volatility: Delta	234
	14.1. Delta	235
15.	Gamma	238
	Theta	241
	Vega	242
	Rho	243

19.	Implied Volatility Summary	244 247
	Problems	249
CHAP	TER 5	
	dit Default Swaps	255
		255
CCI.	Learning Outcomes	255
1.	Introduction	255
2.	Dasic Deminitions and Concepts	257
2	Z.1. Types of CDO	2)1
3.	Important Features of CDS Markets and Instruments, Credit and Succession	258
	Events, and Settlement Proposais	260
	J.1. Cicuit and succession Events	261
	J.Z. Settlement Flotocois	262
	3.3. CDS Index Products 3.4. Market Characteristics	264
6		265
4.	Basics of Valuation and Pricing 4.1. Basic Pricing Concepts	265
	· · · · · · · · · · · · · · · · · ·	268
	4.2. The Credit Curve and CDS Pricing Conventions4.3. CDS Pricing Conventions	269
	4.4. Valuation Changes in CDS during Their Lives	270
	4.5. Monetizing Gains and Losses	271
5	Applications of CDS	272
	5.1. Managing Credit Exposures	273
6	Valuation Differences and Basis Trading	277
0.	Summary	279
	Problems	280
	to more I and mediamine of 18 abroblivital horate All being to a labele this impaid a	
	ILICO	
Inti	oduction to Commodities and Commodity Derivatives	285
	Learning Outcomes	285
2121	Introduction	285
2	Commodity Sectors	286
210	2.1. Commodity Sectors	288
3.	Life Cycle of Commodities	290
226	3.1. Energy	291
	3.2. Industrial/Precious Metals	292
	3.3. Livestock	294
	3.4. Grains	295
	3.5. Softs	295
4	Valuation of Commodities	296
	Commodities Futures Markets: Participants	298
).	5.1. Futures Market Participants	298
6	Commodity Spot and Futures Pricing	302
0.		306
/.	Theories of Futures Returns	306
	7.1. Theories of Futures Returns	

8.	Components of Futures Returns	313
9.	Contango, Backwardation, and the Roll Return	317
10.	Commodity Swaps	320
	10.1. Total Return Swap	322
	10.2. Basis Swap	323
	10.3. Variance Swaps and Volatility Swaps	323
11.	Commodity Indexes	324
	11.1. S&P GSCI	327
	11.2. Bloomberg Commodity Index	327
	11.3. Deutsche Bank Liquid Commodity Index	327
	11.4. Thomson Reuters/CoreCommodity CRB Index	327
	11.5. Rogers International Commodity Index	328
	11.6. Rebalancing Frequency	328
	11.7. Commodity Index Summary	328
	Summary	329
	References	331
	Problems	331
CHA	PTER 7	
C	urrency Management: An Introduction	339
100		222
	Learning Outcomes	339
1	. Introduction	340
2	Review of Foreign Exchange Concepts	340
	2.1. Spot Markets	341
	2.2. Forward Markets	343
	2.3. FX Swap Markets	346
	2.4. Currency Options	347
3	Currency Risk and Portfolio Risk and Return	347
	3.1. Return Decomposition	347
	3.2. Volatility Decomposition	350
4	Strategic Decisions in Currency Management: Overview	
	4.1. The Investment Policy Statement	354
	4.2. The Portfolio Optimization Problem	354
	4.3. Choice of Currency Exposures	356
5	Strategic Decisions in Currency Management: Spectrum of Currency Risk	250
	Management Strategies	359
	5.1. Passive Hedging	359
	5.2. Discretionary Hedging	359
	5.3. Active Currency Management	
	5.4. Currency Overlay	360
	5. Strategic Decisions in Currency Management: Formulating a Currency	0.00
	Management Program	363
1117	7. Active Currency Management: Based on Economic Fundamentals, Technica	~ ~ ~
	Analysis, and the Carry Trade	365
	7.1. Active Currency Management Based on Economic Fundamentals	365
	7.2. Active Currency Management Based on Technical Analysis	367
	7.3. Active Currency Management Based on the Carry Trade	368

8.	Active Currency Management: Based on Volatility Trading	00 8
9.	Currency Management Tools: Forward Contracts, FX Swaps, and Curren	ıcy
	Options	00 .03
	9.1. Forward Contracts	
	9.2. Currency Options	
10.	Currency Management Strategies	
	10.1. Over-/Under-Hedging Using Forward Contracts	
	10.2. Protective Put Using OTM Options	
	10.3. Risk Reversal (or Collar)	
	10.4. Put Spread	
	10.5. Seagull Spread	
	10.6. Exotic Options	
	10.7. Section Summary	
11.	Hedging Multiple Foreign Currencies	
11.		3
	11.1. Cross Hedges and Macro Hedges 11.2. Minimum Variance Hadge Paris	
	11.2. Minimum-Variance Hedge Ratio	3
10	11.3. Basis Risk	
	Currency Management Tools and Strategies: A Summary	4
13.	Currency Management for Emerging Market Currencies	4
	13.1. Special Considerations in Managing Emerging Market Currency	Currel
	Exposures	4
	13.2. Non-Deliverable Forwards	4
	Summary	4
	References	
	Problems	4
HAP'	TER 8	
Opt	ions Strategies	42
6	arrency Risk and Portfolio Risk and Renun	
	Learning Outcomes	4
1.	Introduction	4
2.	Position Equivalencies	4
	2.1. Synthetic Forward Position	4
	2.2. Synthetic Put and Call	4
3.	Covered Calls and Protective Puts	4:
	3.1. Investment Objectives of Covered Calls	4
4.	Investment Objectives of Protective Puts	4
	4.1. Loss Protection/Upside Preservation	4
	4.2. Profit and Loss at Expiration	4
	Equivalence to Long Asset/Short Forward Position	4
	5.1. Writing Puts	4
6.	Risk Reduction Using Covered Calls and Protective Puts	4
	6.1. Covered Calls	4
	6.2. Protective Puts	
	6.3. Buying Calls and Writing Puts on a Short Position	
7	Spreads and Combinations	
/.	7.1. Bull Spreads and Bear Spreads	_
	7.1. Dun Spicaus and Dear Spicaus	7

8.	Straddle	457
	8.1. Collars	460
	8.2. Calendar Spread	463
9.	Implied Volatility and Volatility Skew	465
10.	Investment Objectives and Strategy Selection	469
	10.1. The Necessity of Setting an Objective	469
	10.2. Criteria for Identifying Appropriate Option Strategies	470
11.	Uses of Options in Portfolio Management	472
	11.1. Covered Call Writing	472
	11.2. Put Writing	474
	11.3. Long Straddle	475
	11.4. Collar	478
	11.5. Calendar Spread	478
12.	Hedging an Expected Increase in Equity Market Volatility	480
	12.1. Establishing or Modifying Equity Risk Exposure	482
	Summary	485
	Problems	487
CHAP	TER 9	
		493
Swa	ps, Forwards, and Futures Strategies	4))
	Learning Outcomes	493
1.	Managing Interest Rate Risk with Swaps	493
	1.1. Changing Risk Exposures with Swaps, Futures, and Forwards	494
2.	Managing Interest Rate Risk with Forwards, Futures, and Fixed-Income Futures	498
	2.1. Fixed-Income Futures	500
3.	Managing Currency Exposure	506
	3.1. Currency Swaps	506
	3.2. Currency Forwards and Futures	510
4.	Managing Equity Risk	511
	4.1. Equity Swaps	511
	4.2. Equity Forwards and Futures	513
	4.3. Cash Equitization	516
5.	Volatility Derivatives: Futures and Options	517
	5.1. Volatility Futures and Options	518
6.	Volatility Derivatives: Variance Swaps	520
7.	Using Derivatives to Manage Equity Exposure and Tracking Error	523
	7.1. Cash Equitization	524
8.	Using Derivatives in Asset Allocation	525
	8.1. Changing Allocations between Asset Classes Using Futures	525
	8.2. Rebalancing an Asset Allocation Using Futures	528
	8.3. Changing Allocations between Asset Classes Using Swaps	529
9.	Using Derivatives to Infer Market Expectations	531
EID I	9.1. Using Fed Funds Futures to Infer the Expected Average Federal	
	Funds Rate	531
	9.2. Inferring Market Expectations	533
	Summary	534
	Problems	535

xii

	TER 10
Intr	oduction to Risk Management
	Learning Outcomes
1.	Introduction
2	The Risk Management Process
	The Risk Management Framework
	Risk Governance - An Enterprise View
7.	4.1. An Enterprise View of Risk Governance
5	Risk Tolerance
	Risk Budgeting
	Identification of Risk - Financial and Non-Financial Risk
/.	7.1. Financial Risks
0	7.2. Non-Financial Risks Identification of Risk – Interactions Between Risks
8.	
9.	Measuring and Modifying Risk – Drivers and Metrics
	9.1. Drivers
10	9.2. Metrics No. 1 1 CD: 1 No. 1:C D Assistance and Acceptance
10.	Methods of Risk Modification - Prevention, Avoidance, and Acceptance
	10.1. Risk Prevention and Avoidance
	10.2. Risk Acceptance: Self-Insurance and Diversification
11.	Methods of Risk Modification - Transfer, Shifting, Choosing a Method
	for Modifying
	11.1. Risk Shifting
	11.2. How to Choose Which Method for Modifying Risk
	Summary
	Problems
CHAP	TER 11
Me	asuring and Managing Market Risk
	Learning Outcomes
1	Introduction
	1.1. Understanding Value at Risk
2	Estimating VaR
3	The Parametric Method of VaR Estimation
A specific real	The Historical Simulation Method of VaR Estimation
	The Monte Carlo Simulation Method of VaR Estimation
	Advantages and Limitations of VaR and Extensions of VaR
0.	6.1. Advantages of VaR
	6.2. Limitations of VaR
	6.3. Extensions of VaR
7	Other Key Risk Measures – Sensitivity Risk Measures; Sensitivity Risk
	Measures Measures
	7.1. Sensitivity Risk Measures
0	
8.	
	8.1. Historical Scenarios 8.2. Usmorbatical Scenarios
	8.2. Hypothetical Scenarios

9.	Sensitivity and Scenario Risk Measures and VaR	623
	9.1. Advantages and Limitations of Sensitivity Risk Measures and	
	Scenario Risk Measures	624
10.	Using Constraints in Market Risk Management	627
	10.1. Risk Budgeting	628
	10.2. Position Limits	629
	10.3. Scenario Limits	629
	10.4. Stop-Loss Limits	630
	10.5. Risk Measures and Capital Allocation	630
8011.	Applications of Risk Measures	632
	11.1. Market Participants and the Different Risk Measures They Use	632
12.	Pension Funds and Insurers	637
	12.1. Insurers	639
	Summary	641
	Reference	643
	Problems	643
CHAI	TER 12	.11.7
Ris	k Management for Individuals	651
	Learning Outcomes	651
.1 705	Introduction	652
2.	Human Capital, Financial Capital, and Economic Net Worth	652
716	2.1. Human Capital	653
	2.2. Financial Capital	656
	2.3. Economic Net Worth	661
3.	A Framework for Individual Risk Management	661
٠.	3.1. The Risk Management Strategy for Individuals	661
	3.2. Financial Stages of Life	662
4.	The Individual Balance Sheet	665
1	4.1. Traditional Balance Sheet	665
	4.2. Economic (Holistic) Balance Sheet	666
	4.3. Changes in Economic Net Worth	668
5.	Individual Risk Exposures	671
730	5.1. Earnings Risk	671
	5.2. Premature Death Risk	672
	5.3. Longevity Risk	673
	5.4. Property Risk	674
	5.5. Liability Risk	674
	5.6. Health Risk	675
6.	Life Insurance: Uses, Types, and Elements	676
739	6.1. Life Insurance	677
0 7	Life Insurance: Pricing, Policy Cost Comparison, and Determining	
	Amount Needed	680
	7.1. Mortality Expectations	680
	7.2. Calculation of the Net Premium and Gross Premium	682
	7.2. Cash Values and Policy Reserves	684
	7.4. Consumer Comparisons of Life Insurance Costs	685
	7.5. How Much Life Insurance Does One Need?	687

8.	Other Types of Insurance	6
	8.1. Property Insurance	6
	8.2. Health/Medical Insurance	6
	8.3. Liability Insurance	6
	8.4. Other Types of Insurance	6
9	Annuities: Types, Structure, and Classification	6
	9.1. Parties to an Annuity Contract	6
10		6
10.	Annuities: Advantages and Disadvantages of Fixed and Variable Annuities	6
	10.1. Volatility of Benefit Amount	6
	10.2. Flexibility	6
	10.3. Future Market Expectations	(
	10.4. Fees	7
	10.5. Inflation Concerns	7
	10.6. Payout Methods	7
	10.7. Annuity Benefit Taxation	7
	10.8. Appropriateness of Annuities	7
11.	Risk Management Implementation: Determining the Optimal Strategy	/
11.		-
	and Case Analysis	7
	11.1. Determining the Optimal Risk Management Strategy	7
29	11.2. Analyzing an Insurance Program	7
12.	The Effect of Human Capital on Asset Allocation and Risk Reduction	7
	121 1 111 1 1 1 1 1 1	-
	12.1. Asset Allocation and Risk Reduction	/
	12.1. Asset Allocation and Risk Reduction Summary	
	Summary	7
	Summary References	7
	Summary References	7
	Summary References Problems	7 7 7 7
CHAI	Summary References Problems TER 13	7 7 7
CHAI	Summary References Problems	7
CHAI	Summary References Problems TER 13 See Study in Risk Management: Private Wealth	7 7 7
CHAI	Summary References Problems TER 13 See Study in Risk Management: Private Wealth Learning Outcomes	7 7 7
CHAI	Summary References Problems TER 13 See Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background	7 7 7
CHAI	Summary References Problems TER 13 See Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background 1.1. Background of Eurolandia	7 7 7 7
CHAI Cas	Summary References Problems TER 13 See Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background 1.1. Background of Eurolandia 1.2. The Schmitt Family in Their Early Career Stage	7 7 7 7
CHAI Cas	Summary References Problems TER 13 See Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background 1.1. Background of Eurolandia 1.2. The Schmitt Family in Their Early Career Stage Identification and Analysis of Risk Exposures: Early Career Stage	7 7 7 7
CHAI Cas	References Problems PTER 13 See Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background 1.1. Background of Eurolandia 1.2. The Schmitt Family in Their Early Career Stage Identification and Analysis of Risk Exposures: Early Career Stage 2.1. Specify the Schmitts' Financial Objectives	7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7
CHAI Cas	Summary References Problems TER 13 See Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background 1.1. Background of Eurolandia 1.2. The Schmitt Family in Their Early Career Stage Identification and Analysis of Risk Exposures: Early Career Stage	7
CHAI Cas	References Problems PTER 13 See Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background 1.1. Background of Eurolandia 1.2. The Schmitt Family in Their Early Career Stage Identification and Analysis of Risk Exposures: Early Career Stage 2.1. Specify the Schmitts' Financial Objectives	7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7
CHAI Cas	References Problems PTER 13 See Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background 1.1. Background of Eurolandia 1.2. The Schmitt Family in Their Early Career Stage Identification and Analysis of Risk Exposures: Early Career Stage 2.1. Specify the Schmitts' Financial Objectives 2.2. Identification of Risk Exposures	7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7
CHAI Cas 1.	References Problems PTER 13 See Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background 1.1. Background of Eurolandia 1.2. The Schmitt Family in Their Early Career Stage Identification and Analysis of Risk Exposures: Early Career Stage 2.1. Specify the Schmitts' Financial Objectives 2.2. Identification of Risk Exposures 2.3. Analysis of Identified Risk Risk Management Recommendations: Early Career Stage	7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7
CHAI Cas 1.	References Problems PTER 13 See Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background 1.1. Background of Eurolandia 1.2. The Schmitt Family in Their Early Career Stage Identification and Analysis of Risk Exposures: Early Career Stage 2.1. Specify the Schmitts' Financial Objectives 2.2. Identification of Risk Exposures 2.3. Analysis of Identified Risk Risk Management Recommendations: Early Career Stage 3.1. Recommendations for Managing Risks	7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7
CHAI Cas 1.	References Problems PTER 13 Be Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background 1.1. Background of Eurolandia 1.2. The Schmitt Family in Their Early Career Stage Identification and Analysis of Risk Exposures: Early Career Stage 2.1. Specify the Schmitts' Financial Objectives 2.2. Identification of Risk Exposures 2.3. Analysis of Identified Risk Risk Management Recommendations: Early Career Stage 3.1. Recommendations for Managing Risks 3.2. Monitoring Outcomes and Risk Exposures	7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7
CHAI Cas 1.	References Problems PTER 13 See Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background 1.1. Background of Eurolandia 1.2. The Schmitt Family in Their Early Career Stage Identification and Analysis of Risk Exposures: Early Career Stage 2.1. Specify the Schmitts' Financial Objectives 2.2. Identification of Risk Exposures 2.3. Analysis of Identified Risk Risk Management Recommendations: Early Career Stage 3.1. Recommendations for Managing Risks 3.2. Monitoring Outcomes and Risk Exposures Risk Management Considerations Associated with Home Purchase	7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7
CHAICas 1.	References Problems PTER 13 Re Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background 1.1. Background of Eurolandia 1.2. The Schmitt Family in Their Early Career Stage Identification and Analysis of Risk Exposures: Early Career Stage 2.1. Specify the Schmitts' Financial Objectives 2.2. Identification of Risk Exposures 2.3. Analysis of Identified Risk Risk Management Recommendations: Early Career Stage 3.1. Recommendations for Managing Risks 3.2. Monitoring Outcomes and Risk Exposures Risk Management Considerations Associated with Home Purchase 4.1. Review of Risk Management Arrangements Following the	7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7
2. CHAI Cas 1.	References Problems PTER 13 See Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background 1.1. Background of Eurolandia 1.2. The Schmitt Family in Their Early Career Stage Identification and Analysis of Risk Exposures: Early Career Stage 2.1. Specify the Schmitts' Financial Objectives 2.2. Identification of Risk Exposures 2.3. Analysis of Identified Risk Risk Management Recommendations: Early Career Stage 3.1. Recommendations for Managing Risks 3.2. Monitoring Outcomes and Risk Exposures Risk Management Considerations Associated with Home Purchase 4.1. Review of Risk Management Arrangements Following the House Purchase	7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7
CHAI Cas 1. 2.	References Problems PTER 13 See Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background 1.1. Background of Eurolandia 1.2. The Schmitt Family in Their Early Career Stage Identification and Analysis of Risk Exposures: Early Career Stage 2.1. Specify the Schmitts' Financial Objectives 2.2. Identification of Risk Exposures 2.3. Analysis of Identified Risk Risk Management Recommendations: Early Career Stage 3.1. Recommendations for Managing Risks 3.2. Monitoring Outcomes and Risk Exposures Risk Management Considerations Associated with Home Purchase 4.1. Review of Risk Management Arrangements Following the House Purchase Identification and Analysis of Risk Exposures: Career Development Stage	7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7
CHAI Cas 1. 2.	References Problems PTER 13 Be Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background 1.1. Background of Eurolandia 1.2. The Schmitt Family in Their Early Career Stage Identification and Analysis of Risk Exposures: Early Career Stage 2.1. Specify the Schmitts' Financial Objectives 2.2. Identification of Risk Exposures 2.3. Analysis of Identified Risk Risk Management Recommendations: Early Career Stage 3.1. Recommendations for Managing Risks 3.2. Monitoring Outcomes and Risk Exposures Risk Management Considerations Associated with Home Purchase 4.1. Review of Risk Management Arrangements Following the House Purchase Identification and Analysis of Risk Exposures: Career Development Stage 5.1. Case Facts: The Schmitts Are 45	7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7
CHAI Cas 1. 3.	References Problems PTER 13 See Study in Risk Management: Private Wealth Learning Outcomes Introduction and Case Background 1.1. Background of Eurolandia 1.2. The Schmitt Family in Their Early Career Stage Identification and Analysis of Risk Exposures: Early Career Stage 2.1. Specify the Schmitts' Financial Objectives 2.2. Identification of Risk Exposures 2.3. Analysis of Identified Risk Risk Management Recommendations: Early Career Stage 3.1. Recommendations for Managing Risks 3.2. Monitoring Outcomes and Risk Exposures Risk Management Considerations Associated with Home Purchase 4.1. Review of Risk Management Arrangements Following the House Purchase Identification and Analysis of Risk Exposures: Career Development Stage	7

Contents

6.	Risk Management Recommendations: Career Development Stage	748
	6.1. Disability Insurance	748
	6.2. Life Insurance	748
	6.3. Investment Risk Recommendations	751
	6.4. Retirement Planning Recommendation	752
_	6.5. Additional Suggestions	752
7.	Identification and Analysis of Risk Exposures: Peak Accumulation Stage	753
	7.1. Review of Objectives, Risks, and Methods of Addressing Them	754
8.	Assessment of and Recommendations concerning Risk to Retirement	
	Lifestyle and Bequest Goals: Peak Accumulation Stage	759
	8.1. Analysis of Investment Portfolio	762
	8.2. Analysis of Asset Allocation	764
9.	8.3. Recommendations for Risk Management at Peak Accumulation Stage Identification and Analysis of Retirement Objectives, Assets, and	765
	Drawdown Plan: Retirement Stage	766
	9.1. Key Issues and Objectives	767
	9.2. Analysis of Retirement Assets and Drawdown Plan	767
10.	Income and Investment Portfolio Recommendations: Retirement Stage	769
	10.1. Investment Portfolio Analysis and Recommendations	770
	10.2. The Advisor's Recommendations for Investment Portfolio in Retirement	771
	Summary	772
	Problems	773
	PTER 14 egrated Cases in Risk Management: Institutional	777
	Learning Outcomes	777
1.	Introduction	777
2.	Financial Risks Faced by Institutional Investors	778
	2.1. Long-Term Perspective	778
	2.2. Dimensions of Financial Risk Management	778
	2.3. Risk Considerations for Long-Term Investors	781
	2.4. Risks Associated with Illiquid Asset Classes	783
	2.5. Managing Liquidity Risk	787
	2.6. Enterprise Risk Management for Institutional Investors	788
3.	Environmental and Social Risks Faced by Institutional Investors	790
	3.1. Universal Ownership, Externalities, and Responsible Investing	790
	3.2. Material Environmental Issues for an Institutional Investor	792
	3.3. Material Social Issues for an Institutional Investor	797
	References	831
Glossa	ary	833
About	the Editors and Authors	845
Index		849