UCSBO ECONOMIST TO SHARE LIFELONG INVESTING STRATEGIES

Popular belief suggests that young investors buy stocks, then switch to safer bonds as they grow older.

Standard investment practice, however,
proscribes staying diversified regardless of one's age.

Down which road should one go?

Rajnish Mehra, chair of the Department of Economics at the University of California, Santa Barbara, has some ideas about that based on the latest economic research.

Mehra will share his investment knowledge with the Santa Barbara community at a UCSB Affiliates Economics Forum presentation titled "Stocks and Bonds over the Life Cycle" at 5:15 p.m. Tuesday, Oct. 16, in the Chase Palm Park Recreation Center, 236 East Cabrillo Boulevard, Santa Barbara.

Cost is $5 to UCSB Affiliates and Chancellor's Council members and $8 to non-members.

Mehra, who joined the UCSB faculty in 1985 as a professor of finance, says that a proper investment strategy must also consider the value of one's human capital: the future labor income a worker can expect to earn.
Such income is the largest component of wealth for many workers and yet is often ignored in retirement investment planning.

Recent theories on investing, however, consider the potential and the risk of one's future labor income when making investment decisions.

The result is that some workers are advised to reduce their equity holdings while others are advised to increase them.

Mehra says this new life-cycle perspective on investing helps understanding of the "equity premium puzzle," since equity prices are dictated by older people.

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