

Table 1. Base-case parameter values

Parameters of the Model	Notation	Base-case Value
Asset Returns:		
Riskless one-period taxable interest rate	r	6.0%
Dividend yield on equity	d	2.0%
Expected capital gain return on equity	\bar{g}	9.0%
Standard deviation of capital gain return	σ	20.0%
Inflation rate	i	3.5%
Tax Rates:		
Ordinary income tax rate	τ_d	36%
Capital gain tax rate	τ_g	20%
Utility and Bequest Functions:		
Utility discount factor	β	0.96
Relative risk aversion	α	3.0
Bequest parameter ¹	H	20
Labor Income and Retirement Savings:		
Labor income ²	l	15%
Retirement contribution rate ³	k	20%
Retirement withdrawal rate ⁴	h_t	1/life expectancy
Mandatory retirement age	J	65

1. The bequest parameter is the number of years of consumption the investor wishes to provide his beneficiary following his death. Higher values of H imply a stronger bequest motive.
2. Labor income is assumed to be a constant proportion of the investor's total wealth.
3. Retirement contribution rate is stated as a proportion of the investor's pre-tax labor income. Retirement contributions are mandatory prior to retirement.
4. Retirement withdrawal rate is stated as a proportion of the investor's tax-deferred wealth. Investors are not allowed to withdraw funds from their tax-deferred accounts prior to retirement.