In this study we propose a novel structured product (SP), to be sold to pension fund members, that hedges pension savings against capital market risk. The SP, which is based on trading risk-free government bonds and call options on a benchmark equity market index, could guarantee a minimal return to the member’s pension savings, and a percentage of the potential positive return arising from the benchmark equity market index. Using Monte Carlo simulations, we analyze three SPs that differ in the guaranteed rate of return, and test their investment performance relative to a balanced investment portfolio, across a variety of capital market returns and risk scenarios. The results show that the SP can guarantee a minimal return on the pension savings and offer a higher portfolio return at a lower investment risk than the balanced investment portfolio. We conclude that the SP might be an excellent investment alternative for pension fund members.

Introducing the Detrimental Outcomes Associated with the Integration of Economic Principles in a Social World

People sometimes refer to financial exchange communication as social (e.g., assume that money is subordinate; friendship is most important) and sometimes as economic (evaluate the situation in terms of input and output). How they interpret this communication may depend on the context in which the interaction is being evaluated (e.g., sharing a bill at a restaurant, giving money as a wedding present), the level of closeness to the people with whom we are in contact and, of course, social norms. This article introduces four recent research projects that examine the possible detrimental effects associated with the use of money in a social world.