Quantitative Methods

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Short Description

Quantitative Methods case study

Description

Laura,' a 57 year old unmarried woman, earns around 68,000 dollars per year with expenditure of 37,500 dollars. She hit away 14,000 dollars each year and collected 330,000 dollars in her RRSP and TFSA, and also a rented apartment worth 250,000 dollars. She has a iixed pension given by her employer, although it is not indicated to price rise, and Is entitled to get complete benefits of Canada Pension Plan and Old Age Security, for retirement.

She did not have a very competent portfolio: one fourth of cash is there, and most of it was in contracted sector ETFs, single stocks and business bonds. Due to wrong entry of ETFs in the account, unnecessary taxes were charged. Even before reconstructing Laura's portfolio,"he had to make certain that it matched with.her financial aims. Laura's main aim was to ascertain if she could retire before the age of 65, maybe as early as 60, therefore she had to know if her investments could produce enough flow of cash after she retires. Monte Carlo may show a top possibility of success with the allotment of equity of 70% ot 80%. Through a risky questionnaire and art open interview, Justin Ill 'ascertain that Laura was the best person for a portfolio of 60% fixed income and 40% equities. . Through Monte Carlo software, Justin entered the current portfolio . size of Laura, her rate of savings, projected retirement expenditure, and other employer income and government pensions. If Laura feels that working till the age of 63 was unpleasant, she could go for the reproduction again and with different estimation.

Increasing her anticipated returns or bringing down the rate of inflation, is only a thought, therefore, she will have to make some stronger decisions: she will have to making some more savings, or bring down her rate of planned expenses after retirement. Amazingly, by bringing up the allotment to fixed salary could increase her opportunity to succeed: in spite of th returns being lower than the equities, the volatility is also less, which lessens the risk of helpless decline in the early years.
At last, Laura decided to work for 6 more years and plan her retirement at the age of 63. After this, Justin decided to help her make a fresh ETF portfolio to match that goal: it was finalized at 30% short term business bonds, 30% GICs, and the rest of it was divided among Canadian, L'S and global equities. Laura was able to make a notified decision through the Monte Carlo simulation, but this wasn't the end of the procedure.
In two or three years time, she will have to visit the location again to see that she is still on the right path of her retirement goal, as many issues like, loss of job, a legacy, new connections, increase in the interest rates, all these could bring a change in the main suppusitions 1 ? and she will have to redo her plans. The possibilities are different before the age of 63. For each added year that Laura works, her portfolio will addition instead of a decrease and this will lead to a thrilling difference: the success rate will rise up by 25% points if she continues to work till the age of 61 instead of 60.

Answer the following question.

Q1. How much was Laura earning at the age of 57? (Hint: 68,000 dollars per year)
A Network Rail (20 Marks)

Details
1. Case study solved answers

2. pdf/word

3. Fully Solved with answers