

# mBaer Necessities

## Is work-life balance affordable?

Individuals and families are increasingly responsible for their own savings and investment decisions. We will enjoy longer lives and *life expectancies* are expected to increase. At the same time, the standard of living provided by a given amount of income is likely to fall over time due to inflation, as prices of goods and services more commonly increase rather than decrease. Hence, we need to supplement public and private retirement benefits with additional savings. Retirement readiness requires an intelligent management of money over our lifetimes - saving during our working years and then drawing down assets when we retire, as predicted by the life-cycle model.

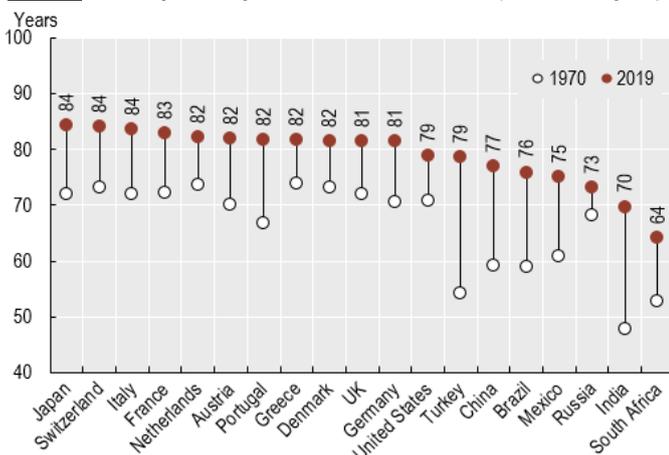
Financing retirement is a daunting task, and the burden is on us. Crucially, the decision to work part-time results in lower savings for financing consumption in retirement. This *pension penalty* should be included in the decision of achieving a better work-life balance overall the full life cycle. The well-being of our *older self* deserves consideration. Financing consumption in retirement has to include the provisioning for the eighth and even for the ninth decade of our lives, when we decide on the optimal balance between work and leisure during our working years.

Failing to include *our older self* in the decision of how much to work today will result in some unpleasant consequences: not enough income to cover expenses during retirement, work part-time during retirement or postpone retirement.

### Plenty of life

It is not exaggerating to say that rising life expectancies around the world are one of the most extraordinary achievements of the twentieth century. [Chart 1](#) shows that a Swiss citizen born in 1970 had a life expectancy of 73 years and, fifty years later, a newborn in Switzerland is projected to have a life expectancy of 84 years. Across the OECD club of developed economies, the gains were about as large and across emerging economies the gains were even larger between 1970 and 2019.

**Chart 1: Life expectancy at birth, 1970 and 2019 (or nearest year).**



Source: OECD Health Statistics 2021.

This welcome demographic development means more people need to pay for more years of living after retirement.

An aging population is a challenge for governments - the recent protests in France against Mr. Macron's decision to increase the pension age from 62 to 64 years illustrate the political costs of reforming pension systems -, for employers setting up pension funds for their employees and for households and families deciding how much to save (and work) for their retirements.

For J. Poterba, "only economists could turn the prospect of someone managing to live a very long time into something that is potentially problematic". Fortunately, economists also produce calculations that estimate how much individuals should save in order to achieve certain life goals or certain levels of retirement income, provided the estimates are viewed with some caution.

### Live long and ... prosper?

Retirement planning requires answering many hard questions including expectations on longevity, health status, capital market returns and amount of saving. The answers are not obvious as these factors are surrounded by considerable uncertainty and depend on personal and subjective circumstances.

Within this context, together with [Dr. Marcus Wunsch](#) and [Dr. Arun Muralidhar](#), we are developing a conceptual framework to Goals-Based Investing (GBI) and investment products to support individuals to achieve their retirement goals.

GBI is a new investment paradigm that can be applied to the retirement problem as it aligns savings and investing guidance by seeking to achieve financial goals at certain future points in time. Compared to the traditional portfolio optimization paradigm, GBI focuses on the individuals' retirement income goals. One of the innovative ideas that we plan to implement is the inclusion of the investors' risk appetites regarding return volatility and wealth drawdowns into the GBI paradigm in order to create viable investment solutions for retirement investing.

This approach can be adapted for controlling the relative drawdown of a portfolio strategy versus a passive benchmark by ongoing adjustments that recalibrate the individual's strategy based on life or market events. This is a powerful concept from an investment perspective. In fact, personalization can better align the asset allocation strategy to take more investment risk to close a retirement savings gap and less investment risk if the individual is on track or projected to meet their goal.

Retirement planning starts earlier than 30 and ends beyond 65.

### Francesco Mandalà, PhD

*PS "Ciao older me, I hope you are in good health, though you are frail, vulnerable and gray. Hope you are still loved by your family and friends. You are not a bore, are you? I imagine you are playing tennis and skiing in the time left from reading and learning, right? I have high expectations in you, as I worked hard and full time for your work-life balance. Sincerely, Younger Me"*

## Investment Office Team



**Francesco Mandalà, CIO**, joined Mbaer Merchant Bank in February 2021. His background is in Economics and Financial Engineering, and his competencies are portfolio management, fixed income modelling, macro strategy, risk management and fund analysis. Previously, Francesco worked at UBS and Julius Baer in various roles. Earlier, he was a Statistician at the European Central Bank (ECB) in Frankfurt and an Analyst at the Committee of European Banking Supervisors (CEBS) in London. He currently collaborates with the Swiss Finance Institute (SFI) and co-leads some Master Classes together with SFI Academics. Francesco holds a Certificate in Financial Engineering & Risk Management (Columbia University), a Certificate in Investment Management with Python and Machine Learning (EDHEC Risk Institute), a PhD in Economics (Pavia University), an MSc in Economics & Econometrics (Southampton University), a BA in Economics (Bocconi University, Marks: 110/110). Francesco is fluent in Italian and English.



**Patrick Quensel** joined Mbaer Merchant Bank in October 2021 as **Head Investment Advisory**. With more than 10+ years of experience, he has gained broad insights within the financial services industry, focusing on multi-asset portfolio management, risk management, systematic investing, and global macro. Previously, Patrick worked for an investment management boutique as Head Investment Advisory and Senior Portfolio Manager. Among others, he was managing two award-winning investment strategies and was responsible for the cross-asset investment framework.

Patrick holds an MBA from Insead and a Bachelor and Master's in Banking & Finance from the University of Zurich. Patrick is fluent in German and English.



**Thomas Büren** joined Mbaer Merchant Bank in July 2021 as **Investment Specialist**. Before joining Mbaer Merchant Bank, Thomas developed corporate finance and financial markets skills and knowledge. He gained experience as a trainee in various countries and financial departments; investment banking (Commerzbank, London), asset management (Salm-Salm & Partners, Frankfurt), deal advisory (KPMG, Paris & Mauritius) and wealth management (BNP Paribas, Paris).

Thomas holds a Master in International Business from Paris Dauphine University specializing in commodities and a Master in Banking & Finance from Toulouse Business School. Thomas is fluent in French, English and German.



**Marcela Koljnrekaj** joined Mbaer Merchant Bank in March 2022 as a trainee and then she joined the CIO team. After completing her studies, she gained various professional experiences across various industries, including a logistics company, an insurance company, the accounting department of a school and the sales & marketing department of RTL Croatia.

Marcela holds a Master of Economics Entrepreneurship with a focus on managerial communication, IT development, institutional investors' behavior and development of EU countries, Faculty of Organization and Informatics (University of Zagreb, Croatia).

Marcela is fluent in Croatian and English and has good basic skills in German.

### Disclaimer

This document is for information purposes only. It constitutes neither an offer nor a recommendation to purchase, hold or sell financial instruments or banking services, and does not release the recipient from carrying out their assessment. The recipient is recommended to check the information in terms of its compatibility with their circumstances and its legal, regulatory, tax and other consequences, possibly on the advice of a consultant. The data and information contained in this publication were prepared by Mbaer Merchant Bank AG with the utmost care. However, Mbaer Merchant Bank AG does not assume any liability for the correctness, completeness, reliability or topicality, or any liability for losses resulting from the use of this information. This document may not be reproduced in whole or in part without the written permission of Mbaer Merchant Bank AG.

Dieses Dokument dient ausschliesslich Informationszwecken. Es stellt weder ein Angebot noch eine Empfehlung zum Erwerb, Halten oder Verkauf von Finanzinstrumenten oder Bankdienstleistungen dar und entbindet den Empfänger nicht von seiner eigenen Beurteilung. Insbesondere ist dem Empfänger empfohlen, allenfalls unter Beizug eines Beraters, die Informationen in Bezug auf die Vereinbarkeit mit seinen eigenen Verhältnissen, auf juristische, regulatorische, steuerliche, u.a. Konsequenzen zu prüfen. Die in der vorliegenden Publikation enthaltenen Daten und Informationen wurden von der Mbaer Merchant Bank AG unter grösster Sorgfalt zusammengestellt. Die Mbaer Merchant Bank AG übernimmt jedoch keine Gewähr für deren Korrektheit, Vollständigkeit, Zuverlässigkeit und Aktualität und keine Haftung für Verluste, die aus der Verwendung dieser Informationen entstehen. Dieses Dokument darf weder ganz oder teilweise, ohne die schriftliche Genehmigung der Mbaer Merchant Bank AG reproduziert werden.