

01
02
03
04
05
06
07
08
09
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

Contents

List of Figures	ix
List of Tables	xiii
Notation	xv
Preface	xxi
1 Introduction	1
1.1 The private banking business	1
1.2 Current challenges in private banking	3
1.3 Improving service quality with behavioural finance	6
1.4 Conclusion	9
2 Decision Theory	11
2.1 Introduction	12
2.2 Mean-variance analysis	14
2.3 Expected utility theory	22
2.4 Prospect theory	35
2.5 Prospect theory and the optimal asset allocation	50
2.6 A critical view on mean-variance theory	59
2.7 A critical view on expected utility axioms	63
2.8 Comparison of expected utility, prospect theory, and mean-variance analysis	64
2.9 Conclusion	65
3 Behavioural Biases	67
3.1 Information selection biases	68
3.2 Information processing biases	70
3.3 Decision biases	82
3.4 Decision evaluation biases	87
3.5 Biases in intertemporal decisions	88
3.6 Behavioural biases and speculative bubbles	91
3.7 Cultural differences in the behavioural biases	95

01	4 Risk Profiling	105
02	4.1 Dealing with behavioural biases	105
03	4.2 The risk profiler and its benefits	106
04	4.3 Designing a risk profiler: Some general considerations	108
05	4.4 Implemented risk profilers: Case study of the former Bank Leu	109
06	4.5 A risk profiler based on the mean-variance analysis	114
07	4.6 Integrating behavioural finance in the risk profiler	117
08	4.7 Case study: Comparing risk profiles	127
09	4.8 Conclusion	134
10	5 Product Design	135
11	5.1 Case study: “Ladder Pop”	136
12	5.2 Case study: “DAX Sparbuch”	143
13	5.3 Optimal product design	149
14	5.4 Conclusion	155
15		
16	6 Dynamic Asset Allocation	157
17	6.1 The optimal tactical asset allocation	158
18	6.2 The optimal strategic asset allocation	171
19	6.3 Conclusion	184
20		
21	7 Life Cycle Planning	187
22	7.1 Case study: Widow Kassel	187
23	7.2 Main decisions over time	189
24	7.3 Consumption smoothing	189
25	7.4 The life cycle hypothesis	190
26	7.5 The behavioural life cycle hypothesis	192
27	7.6 The life cycle asset allocation problem	194
28	7.7 The life cycle asset allocation of an expected utility maximizer	195
29	7.8 The life cycle asset allocation of a behavioural investor	198
30	7.9 Life cycle funds	202
31	7.10 Conclusion	206
32	8 Structured Wealth Management Process	207
33	8.1 The benefits of a structured wealth management process	209
34	8.2 Problems implementing a structured wealth management process	210
35	8.3 Impact of the new process on conflicts of interests	210
36	8.4 Learning by “cycling” through the process	211
37	8.5 Case study: Credit Suisse	211
38	8.6 Mental accounting in the wealth management process	217
39	8.7 Conclusions	226
40		
41	9 Conclusion and Outlook	229
42	9.1 Recapitulation of the main achievements	229
43	9.2 Outlook of further developments	229
44		
45	References	231
46	Index	237
47		