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Minimizing the Expected Lifetime Spent in Drawdown under Proportional Consumption

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Highlights

- We consider an individual who invests in a Black-Scholes nancial market.
- Drawdown occurs when wealth is less than some xed proportion of maximum wealth.
- The individual minimizes expected time wealth spends in drawdown during her lifetime.
- We compare the optimal investment strategy with those for three related problems.
- Optimal investing is myopic, as expected from other goal-seeking research.