1. Overview of the paper

a. Focus

- How much life insurance should a household (having a random lifetime) purchase to protect against the loss of its breadwinner’s human capital? very interesting to add this insurance dimension in standard financial literature
- How should a household allocate its financial resources between risk-free, risky assets, and real estate, before and after a formal retirement date?

b. Main results under a set of hypotheses

- Analytical solution to the optimal consumption, housing, investments and insurance problem: the optimal insurance premium is given as a function of the expected remaining future labor income and the life expectancy of the household.
- Numerical analysis on Taiwan financial market data! very good to have a study on Asian data

c. Framework

- Kraft & Munk (2011): “Optimal housing, consumption, and investment decisions over the life cycle” in Management Science 57. Investment in stocks, bonds; receiving a labor income
- Here: (i) the household buys a life insurance
  (ii) the household may rent a house instead of buying it
2. Main comments

• The study relies on many hypotheses/models, not always well referenced, and not often discussed about their relevance, in particular on the Asian market. Please give more meaning to equations.

• Before adding many parts/parameters to these models, I would first check if they are relevant empirically (it might also depend on the country that is considered). Overspecified models could be simplified and be closer to reality.

• Comparison with other countries (US for instance, since other works use mainly US data) might help to discuss this issue, to obtain more specific models (not only looking at the values of the parameters).

• The life insurance has been introduced to hedge against risk mortality, but might be also considered as an investment vehicle, with a maturity date lower than the expected life expectancy. For instance, it is used a lot as such in Western Europe and Switzerland, because of taxes breaks.
3. Specific ones / hypotheses and questions

a. Financial assets
   • Kraft & Munk (11): Short-term interest rate: SDE Vasicek; Bond price: SDE; Stock price: SDE; unit house price: SDE. The 4 SDE introduced independent BMs. **Why this independence, in part. with the house price?**
   • Hyp. on the rent: the cost of renting a unit house = constant proportion of the house price. Hyp. that might be relevant in some countries (?), but not always. The proportion will evolve generally with time

b. Labor income
   Maybe the choice of this model is **overspecified**, with many parameters to estimate, and with doubtful stabilities of correlations between these quantities. Taking the GDP might be enough (with a more stable correlation?)

c. Optimal strategies
   • Introduction of a time-additive Cobb-Douglas type utility function to for the optimization problem. **Why this choice?** (what does it imply, besides the fact to lead to an analytical formula)? For the optimal solution, hyp. of a complete market (as K&M): **discussion?** (as people tend to put more emphasis to their house)