

## **Shortening Your To-Do List With Real Options Analysis**

Presentation to the NAPFA/New York City Study Group  
March 8, 2006

1. Preparation for meeting: Read “Decision Making Under Uncertainty: A (Second) Wakeup Call for the Financial Planning Profession” ([www.glenndaily.com/documents/wakeupcall.pdf](http://www.glenndaily.com/documents/wakeupcall.pdf)).
2. Case study: Term vs. cash value life insurance
  - a. Traditional approach (“buy term and invest the difference”)
  - b. Real options approach
    1. How a financial call option works
    2. Analogy between a financial call option and the opportunity to buy a cash value life insurance policy
    3. What you can learn by using a real options approach
3. When is real options analysis useful and when isn't it?
  - a. Do you have irreversibility?
  - b. Do you have uncertainty?
  - c. Do you have the ability to postpone the decision?
4. Suggestions for further reading