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EXPLICIT SOLUTION OF A GENERAL CONSUMPTION PORTFOLIO PROBLEM **WITH SUBSISTENCE CONSUMPTION AND BANKRUPTCY**

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Abstract:
This paper solves a general continuous-time single-agent consumption and portfolio decision problem with subsistence consumption in closed form. The analysis allows for general continuously differentiable concave **utility functions**. The model takes into consideration that consumption must be no smaller than a given subsistence rate and that bankruptcy can occur. Thus the paper generalizes the results of Karatzas, Lehoczky, Sethi, and Shreve (1986).

KeyWords Plus:
CONTINUOUS-TIME MODEL, OPTIMUM CONSUMPTION, INVESTMENT, POLICIES, RULES

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