The Impact of Taxes on Corporate Defined Benefit Plan Asset Allocation

Mary Margaret Frank

Abstract

This paper investigates the extent to which taxes affect a corporation's decision to allocate its defined benefit plan's assets between equity and bonds. Prior theoretical research shows that if a corporation integrates its financial policy and pension investment policy, differences in tax rates create an arbitrage opportunity. The firm's tax benefits from the arbitrage should be positively related to the percentage of its pension assets allocated to bonds. Consistent with this prediction, but contrary to prior empirical work, this paper finds firms' tax benefits are positively and significantly associated with the percentage of their pension assets invested in bonds.

Citing Literature ⌄

Download PDF

ABOUT WILEY ONLINE LIBRARY

OPPORTUNITIES

Subscription Agents

Advertisers & Corporate Partners

CONNECT WITH WILEY

The Wiley Network

Wiley Press Room

WILEY

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential