

# Encouraging greater levels of Financial Education in Japan

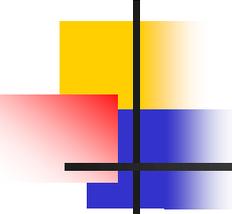
Shinichi Yoshikuni

Chairman

The Central Council for Financial Services Information

10 April, 2018

IFIE-IOSCO 10<sup>th</sup> Annual Global Investor Education Conference



# Prologue

## Financial education becomes a global agenda

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### **Financial literacy is defined as;**

“a combination of financial awareness, knowledge, skills, attitude and behaviors necessary to make sound financial decisions and ultimately achieve individual financial wellbeing”

HIGH-LEVEL PRINCIPLES ON NATIONAL STRATEGIES FOR FINANCIAL EDUCATION

**OECD/INFE August, 2012 (approved by the subsequent G20 summit)**

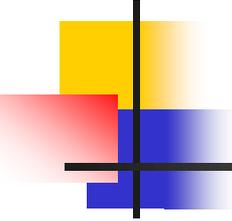
### **Goal 4: Ensure inclusive and quality education for all and promote lifelong learning**

By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles,

### **Goal 8: Promote inclusive and sustainable economic growth**

Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

**United Nations 2015 SDGs (Sustainable Development Goals)**



## The origin of Financial Education in Japan

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Money is essential to being independent and should not be considered a vulgar matter

Yukichi Fukuzawa, 1891

金銭は独立の基本なり、これを卑しむべからず

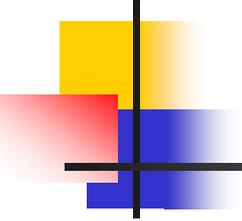
福沢諭吉

Money can become either a blessing or a curse, depending upon the literacy of the owner

Empress Shoken, wife of Emperor Meiji

持つ人のこころによりて、宝とも仇(あだ)ともなるは黄金(こがね)なりけり

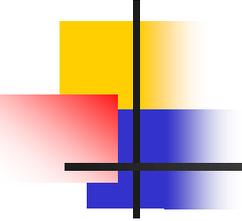
昭憲皇太后 御製



# **The Central Council for Financial Services Information**

## Purpose of the Council

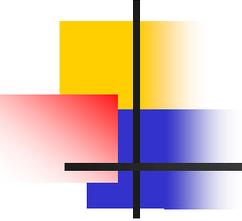
To provide the general public with the information on financial services and consumer education, in co-operation with the local committees for financial services information, the government, the Bank of Japan, local governments, as well as private institutions, thereby contributing to sound development of the national economy.



# The Central Council for Financial Services Information

## Organization

- 41 members...Representatives from the financial industry, economic and consumer fora, press, academia, BOJ
- 9 councilors...Directors of related ministries and BOJ
- 2 advisors...FSA Commissioner, BOJ Governor
- Secretariat located within the BOJ Information Services Dept.
- Three tier system (Central, Local, and Grassroots)

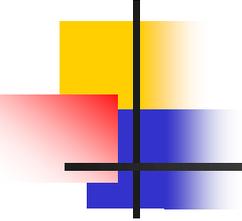


# The Central Council for Financial Services Information

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## Local Committees

- Local committees are located in all 47 local governments
- Formed mainly by local governments, branches and offices of the Bank of Japan
- With 480 Financial services advisors.

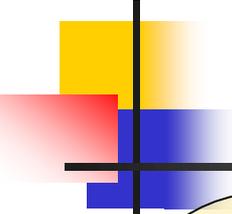


# The Central Council for Financial Services Information

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## Basic principles of the Council

- ① Fair and neutral
- ② Keeping the network open
- ③ Encourage Grassroots, local movements

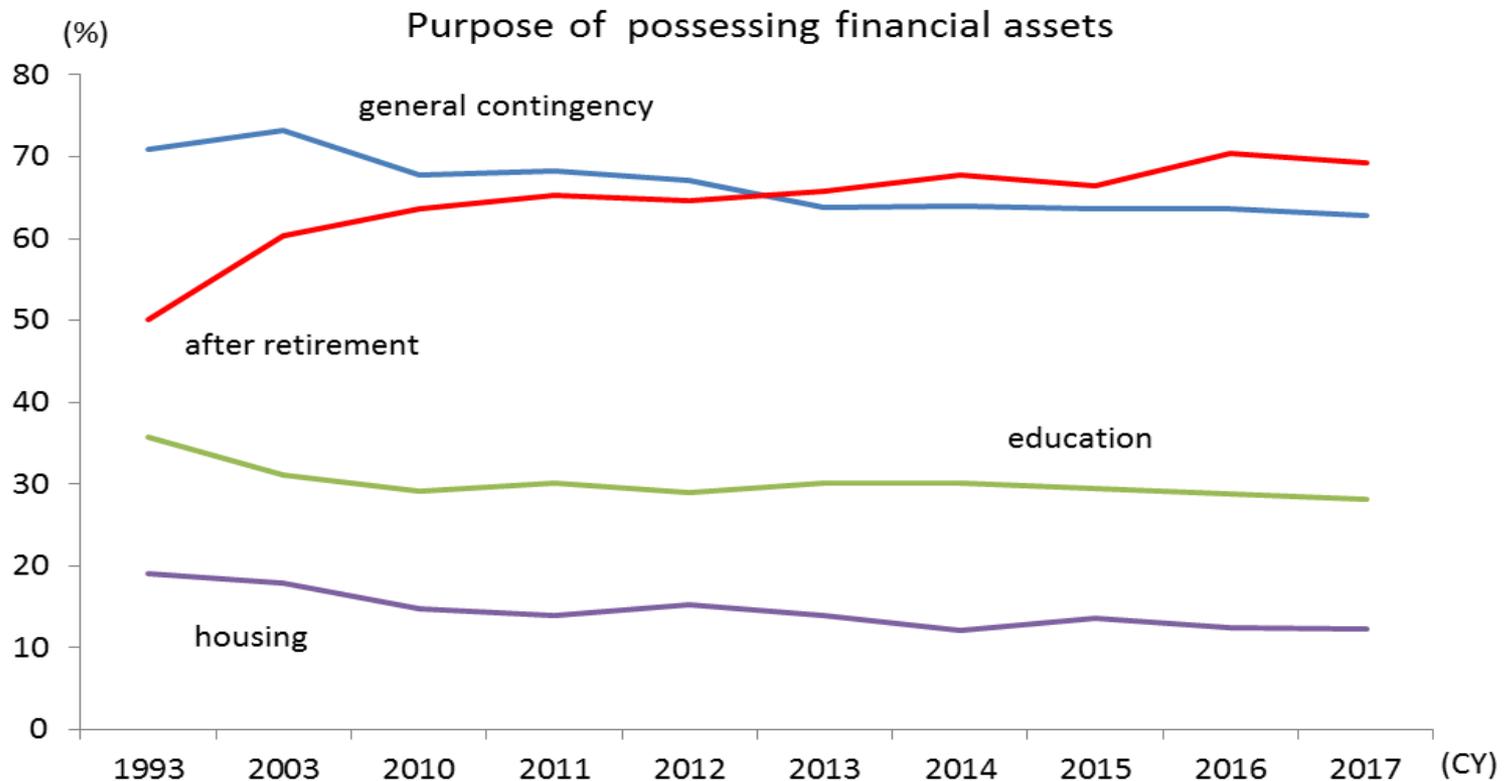


# Evolution of the Council in the 21st century

- 2001 the name of the council changed from Savings Promotion (1952), and Savings Information (1988) to Financial Services Information
- 2002 Forum on Consumer Education on Finance (until 2012)
- 2005 Declares the First Year of Financial Education  
**Agenda for Finance and Economics Education**
- 2007 **Financial Education Program**
- 2012 OECD/INFE High Level Principles
- 2013 **Report of Study Group on Financial Education**  
**Committee for the Promotion of Financial Education**  
Consultative Meeting for the Promotion of Financial Education at School (until 2015)
- 2014 Financial Literacy Map
- 2016 **Financial Education Program total revision**  
Financial Literacy Survey

# Why financial literacy becomes the central issue

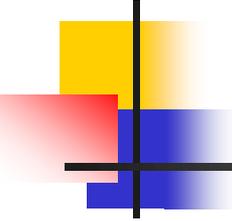
## ① Aging and uncertainty about the future



# Why financial literacy becomes the central issue

## ② Increase in financial fraud

Fraud		2010	2011	2012	2013	2014	2015	2016	2017
Fraud by telephone	number (cases)	6,637	6,233	6,348	9,204	11,256	12,741	13,605	17,915
	amount (¥ billion)	10.1	12.7	16.0	25.9	38.0	39.4	37.5	37.4
By financial products	number (cases)	112	773	1,986	1,875	1,228	663	348	n.a.
	amount (¥ billion)	0.7	6.9	18.6	17.9	12.5	6.7	2.5	n.a.



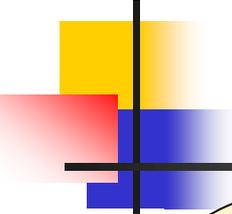
## **Why financial literacy becomes the central issue**

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- ① Global Financial Crisis
- ② OECD/INFE
- ③ Consumer education legislation

# Financial Literacy Map (2015 revised version)

	Categories	Primary School Students <sup>(Notes)</sup>	Secondary School Students	High School Students	University Students	Young Adults	Adults	Senior Citizens
		Focusing the foundation of the capability to live in society.	Cultivating the basic capability to live independently in the future.	Cultivating basic skills to live independently when they become adults.	Establishing the ability to live independently as adults.	Starting to live independently in terms of lifestyle and financial aspects.	Living independently and assuming full-fledged responsibility as working people.	Covering living expenses mainly with pension income and money obtained by cashing out financial assets.
Family budget management	Family budget management	Being able to recognize the difference between needs from wants and buy things according to a plan.	Gaining a better understanding of household income and expenditure, and managing income and expenditure practically through school activities.	Learning how much money is spent on oneself, and being able to make better choices and decisions while bearing in mind one's family budget as a whole.	Understanding the necessity of income and expenditure management and being able to spend money according to a plan in order to improve one's skills, while improving the balance of payments by earning more from a part-time job as needed.	Being able to spend money on one's hobby or improving one's skills according to a plan, while properly managing income and expenditure to support one's household income.	Being able to understand income and expenditure as well as assets and liabilities of one's household by keeping a household account book as the breadwinner of the household, and improve the balance as necessary.	Being able to manage income and expenditure and take necessary action for improvement according to a post-retirement plan.
Life planning	Life planning	Understanding the importance of earning money through work and of using money according to a plan for future needs, and acquiring the aptitude to save money.	Gaining a better understanding of work, and understanding the necessity of life planning and making a life plan based on one's own sense of value.	Thinking of one's life plan in association with one's occupational choice, and making a life plan while estimating one's lifetime income and expenditure.	Envisioning one's dreams and hopes in detail so that one can achieve them while engaging in an occupation after graduation, and working hard in study and training toward realizing those dreams and hopes. Having an image of one's real life, while bearing in mind the funds for the three biggest events in life.	Working on a life plan so that one can achieve one's dreams and hopes while engaging in the occupation one has chosen. Being able to estimate how much money one would need to achieve one's life plan, and to save money and manage assets according to a plan.	Reconsidering one's life plan, financial plan, and assets to hold when necessity arises in light of the changes in one's circumstances, and making constant efforts to achieve one's life plan in view of one's life in old age. Engaging in financial education for children at home in cooperation with school.	Reviewing one's post-retirement life plan while taking into consideration the effective use of leisure time and contribution to one's family and society. Changing one's lifestyle to one affordable with a pension and making steady efforts so that one can live a spiritually rich and stable life.
Understanding of financial knowledge and financial/economic circumstances, and selection/use of appropriate	Knowledge of the basics of financial transactions	Learning from actual cases of financial trouble that primary school students are involved in, and being cautious to avoid such trouble, and acquiring the ability to compare	Understanding the basics of contracts, and distinguishing scams and swindles and avoiding getting involved.	Gaining a better understanding of contracts and responsibilities accompanying contracts, and acquiring the skills for gathering information and using it	Being able to engage in appropriate consumption behavior by comparing collected information. Understanding the laws and systems applicable to various types of selling and soliciting practices, and being able to conclude a contract carefully and take necessary action. Trying to sign a contract carefully so as not to be		Acquiring basic knowledge that senior citizens would need in asset management, and being able to consult with experts as necessary.	



## Financial Literacy Survey (June 2016)

- **Online** Survey
- Survey period: from 29<sup>th</sup> February to 17<sup>th</sup> March 2016.
- Sample size: **25,000** individuals aged 18 to 79.
- International comparability: as many questions from **INFE toolkit** and **FINRA** Survey as possible.
- **Behavioral economics**: questions from behavioral economics were introduced and brought interesting results.
- Publication of the **data for each prefecture**: gathered interest of media and the general public.
- To be conducted again in 2018

# International Comparability

## Comparison with the United States (%)

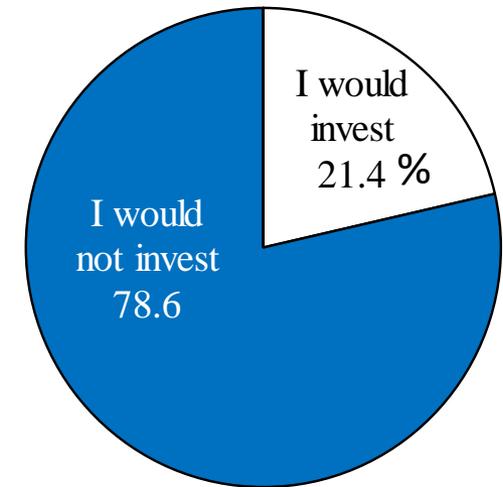
	Japan	U.S.
Average of the correct answers for five true/false questions	46	53
(1)Compound interest (after 5 years)(Q19)	43	75
(2)Inflation (Q20)	56	59
(3)Mortgage (Q21-2)	68	75
(4)Diversification effect (Q21-4)	46	46
(5)Bond prices (Q22)	24	28

## Comparison with Germany and the United Kingdom (%)

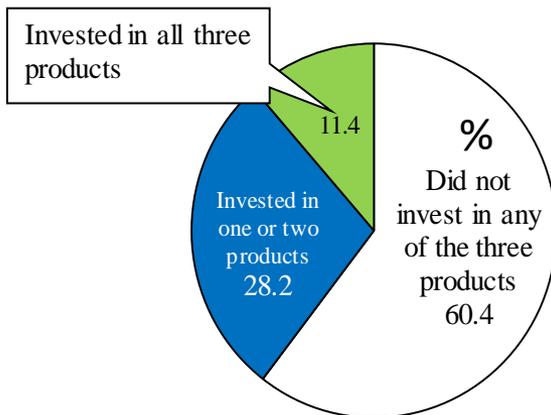
	Japan	Germany	U.K.
Average of the correct answers for five true/false questions	58	67	65
(1)Interest rate (Q18)	66	64	61
(2)Compound interest (Q19)	43	47	37
(3)Definition of inflation (Q21-1)	61	87	94
(4)Risk and return (Q21-3)	75	79	77
(5)Diversified investment (Q21-4)	46	60	55

# Findings: Investment Behavior

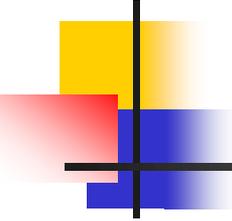
Suppose that, if you invest 100,000 yen, you would either get a capital gain of 20,000 yen or a capital loss of 10,000 yen at a 50% probability. What would you do?



Have you ever purchased any of the following financial products?  
 1. Stocks 2. Investment trusts  
 3. Foreign currency deposits/MMFs



	All samples	Those who invested in all three products*(Q34)	Those who did not invest in any of the three products*(Q34)
Correct answers (25 questions)	55.6	68.5	47.2
Related to wealth building	54.3	73.5	42.9
Risk and return (Q21-3)	74.8	86.4	65.8
Diversification effect (Q21-4)	45.8	69.8	32.1
Deposit insurance (Q33)	42.3	64.2	30.8
Those with strong loss aversion (Q6)	78.6	50.9	89.1
Those who participated in financial education at school, etc. (Q39)	6.6	15.3	4.2



# Challenges facing financial education

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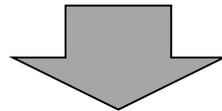
## School Education

- The Council has succeeded in promoting financial education at schools through various initiatives
  - The latest national study guideline incorporates 60 to 70% of the contents of the Financial Education Program
  - Still, given the time constraints and other obstacles, we should promote financial education taking account of practical needs at schools

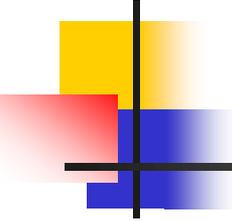
# Challenges facing financial education

## Obstacles at schools

- Time constraints: teaching and preparation
- Lack of expertise in practical application
- Needs for more insightful study method such as active learning
- Lack of flexible resources adaptable to various environments



Good financial education requires good teaching materials to be flexibly applied to various needs as well as innovative methods such as a workshop at seminars for teachers

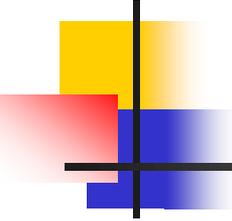


# Challenges facing financial education

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## Universities

- Strong needs for financial education to provide self-help skills after graduation
- Providing lectures and pamphlets designed specifically for university students based upon the Financial Literacy Map

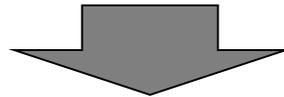


# Challenges facing financial education

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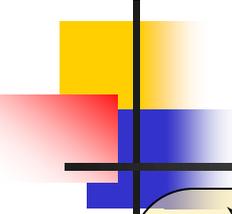
## Ordinary citizens, Senior citizens

- Lack of information delivery channels
- Negative sentiment toward financial education



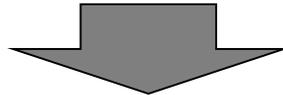
(recent initiatives)

- “Financial Literacy for Adults” published by the Council
- Lectures at public institutions, contributions to magazines, etc.
- Collaboration with the Ministry of Health and Labor and the FSA on the education program on iDeCo and Tsumitate NISA

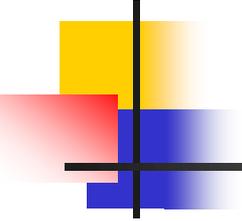


## Challenges facing financial education

- How to encourage savings under zero/negative interest rates
- How to enhance financial literacy of teachers in an environment of rapid financial innovation



- Not only students but also young teachers have not experienced positive interest rates
- FinTech gives rise to a reverse literacy-gap between teachers and students



## Epilogue

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Money will not manage itself, and Lombard Street has a great deal of money to manage

Walter Baghot 1873

Money will not manage itself, and we should learn how to manage money, and how to avoid abusing money

Shinichi Yoshikuni 2018

So let us wage a global struggle against illiteracy.....  
Education is the only solution. Education First!

Malala Yousafzai 2013