

Developments of Financial Education in Japan



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* *Any views expressed in this presentation are those of the speaker, and do not represent the official views of JFSA.*

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1. Global Policy Trends in Financial Education

High-level Principles on National Strategies for Financial Education

G20 Leaders Declaration, 2012 (the Los Cabos Summit)

International guidance and policy options in order to develop efficient **national strategies** for financial education.

- National strategies: financial literacy, financial inclusion, financial consumer protection

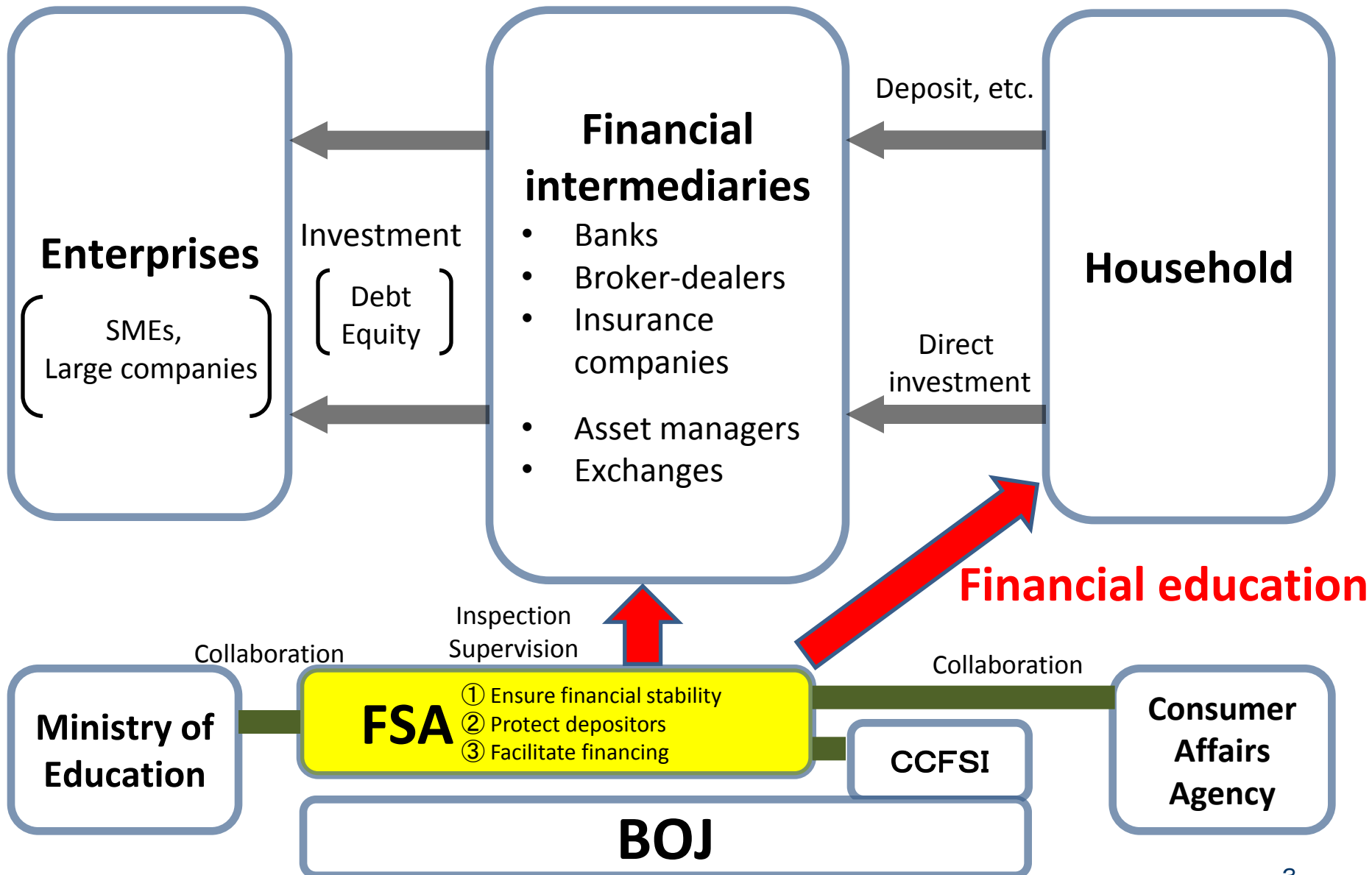
Efforts to enhance financial education

e.g.) India's financial inclusion and financial education policies:

- Basic bank account (*no-frills account*)
- Bank branches in rural areas
- "National Strategy for Financial Education" (NSFE)



2. Roles Played by the Financial Services Agency (FSA)



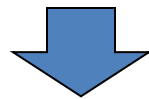
3. Development of the Work of the Committee for the Promotion of Financial Education in Japan

(1) Background

▪ Japan's National Strategies used to be:

a. (2007) "Financial Education Program"

b. (2005) "Agenda for Finance and Economics Education"



b. was updated in April 2013 by

b'. (2013) "Report of Study Group on Financial Education"



3. Development of the Work of the Committee for the Promotion of Financial Education in Japan

(1) Background (continued)

- “High-Level Principles on National Strategies for Financial Education” was endorsed by the G20 leaders at the Los Cabos Summit in June 2012



- The FSA organized a study group in November 2012, which published a report in April 2013.



3. Development of the Work of the Committee for the Promotion of Financial Education in Japan

(2) Committee for the Promotion of Financial Education, established by the CCFSI (June 2013)

a. Objective: to promote financial education by using the Central Council's network.

Cf. Central Council for Financial Services Information (CCFSI) is an organization consisting of the representatives of financial and economic organizations, the media, consumer groups, etc., experts, and the deputy governor of the Bank of Japan.



3. Development of the Work of the Committee for the Promotion of Financial Education in Japan

(2) Committee for the Promotion of Financial Education

b. Major tasks:

- 1) Define what to be learned at what age group
- 2) Promote the mutual linkage of websites of relevant organizations and promoting the CCFSI's website as the first access point
- 3) Improve the functions of the diagnoses of life planning on the CCFSI's website



3. Development of the Work of the Committee for the Promotion of Financial Education in Japan

(2) Committee for the Promotion of Financial Education

b. Major tasks (continued):

1) Define what to be learned at what age group

--- Japan has contents of financial education by age group for students in “Financial Education Program”

(2007, see <http://www.shiruporuto.jp/e/consumer>).

--- The study group defined the minimum requirements of financial literacy (15 items) in the Report

(2013, see also Chapter 11 of the “Advancing National Strategies for Financial Education”)



4. Developments in the Promotion of Financial Education in Japan

- CCFSI and LCFSIs are successfully organizing:
 - a . Seminars for teachers
 - b. Festivals for kids and parents to learn about money
 - c. Essay contests for students
 - 1) Junior high school students
 - 2) High school students
 - d. Seminars for adults
- Other organizations are also holding seminars, symposiums, etc.



5. The Standard Financial Literacy to be Mastered by all Age Groups

Elementary students

- lower grades(1st -2nd)
- middle grades(3rd -4th)
- higher grades(5th -6th)

Junior high school students

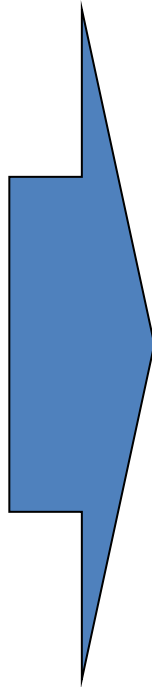
High school students

University students

Working people

- junior workers
- senior workers

Seniors



- Financial education is provided in accordance with each age group.
- Each age group will develop financial literacy step by step as the education proceeds.



Study Group on Financial Education – Report Summary

Significance/purpose of financial education – toward the realization of a fair and sustainable society

Financial literacy as a life skill	Financial literacy to encourage the provision of sound, high-quality financial products	Financial literacy encouraging the effective use of household financial assets in Japan
<ul style="list-style-type: none"> > No one in modern society can avoid involvement with financial matters. > It is important to make life planning a habit and acquire the knowledge and judgment needed to appropriately select/use financial products in order to achieve financial independence and lead a better life as a member of society. 	<ul style="list-style-type: none"> > Government regulations alone can only go so far in achieving user protection; moreover, excessive regulation could hinder innovation by financial institutions. > As users improve their acumen in selecting financial products, better financial products can be expected to become prevalent. 	<ul style="list-style-type: none"> > The majority of Japan's approximately 1500 trillion yen in household financial assets is held in cash and savings. One reason for this is inadequate understanding of the benefits of diversified, long-term investment. > If households are encouraged to engage in diversified, medium- to long-term investment, the effect would be to help make a sustained supply of funds available to growth sectors.

[Future policy for financial education]

Various forms of financial education have been offered separately to students as well as to working adults and senior citizens. Future efforts should be consistently pursued along the following lines.

1. Financial literacy to be attained

(1) Emphasis on behavioral aspects

In addition to acquiring knowledge, emphasize behavioral aspects, such as making a habit of sound family budget management/life planning, developing the discernment to properly select and use financial products, and making use of advice when necessary.

(2) Common minimum level of financial literacy to be attained

To efficiently and effectively advance financial education, the persons involved in such education should adhere to a common minimum level of financial literacy to be attained (15 items in 4 categories; see reference).

(3) Establishment of standards for systemic educational content

Establish more detailed standards, formulated in a systematic fashion, for educational content by age and category.

2. Recipients of financial education

- Strive to more firmly establish educational efforts in schools while placing greater focus on working adults and senior citizens.

3. Approaches in each category

(1) Approaches designed for students

① Elementary, junior/senior high schools
Enhance teaching of family budget management/life planning in home economics classes in addition to social studies and civics classes

② Universities

Consider introducing financial education

(2) Approaches designed for working adults and senior citizens

① Improve investment education for people on defined contribution pension plans

- Provide continuing investment education and improve its content

② Pursue approaches through local governments

- Position financial education in the “basic principles of consumer education” to be set forth by the government in accordance with the Act on Promotion of Consumer Education

③ Encourage efforts by financial industry groups and each financial institutions

- Active and continued efforts can be expected from these groups/institutions as important providers of such education

④ Provide preventive and impartial advice

- Improve provision of preventive advice to avert problems of financial transactions

(3) Development of human resources for financial education

Foster the personnel needed to provide on-site teaching and ensure high-quality financial education

(4) Improvements to provision of information on financial products

Enhance the provision of information on financial products by impartial institutions

4. Measures for promoting financial education

(1) Organizations for promoting financial education

- The Financial Services Agency and other relevant authorities need to play a more active role.
- To do so, a forum (Committee for the Promotion of Financial Education) will be organized to undertake efforts by utilizing the Central Council for Financial Services Information's network
- This committee will manage progress through an appropriate division of roles to ensure streamlined and seamless efforts

[Issues to be addressed]

- Embodying the minimum level of financial literacy that should be attained
- Organizing and systematizing the sequence of material to be taught by age group
- Linking the websites of relevant authorities, organizations, etc., and building an easily and comprehensively accessible system for information provision

(2) Regular measurements of effectiveness

Utilize the Central Council for Financial Services Information's “Financial Literacy Survey” to measure progress in making financial education available

(Reference) Minimum Level of Financial Literacy to be Attained (15 items in 4 categories)

1. Family budget management

Item 1 Making a habit of proper income/expenditure management (eliminating debts and staying in the black)

2. Life planning

Item 2 Articulating life plans and understanding the need to secure the funds required for life plans

3. Understanding of financial knowledge and financial/economic circumstances, and selection/use of appropriate financial products

[Knowledge of the basics of financial transactions]

Item 3 Making a habit of assuming a fundamentally careful attitude toward contracts

Item 4 Making a habit of confirming the reliability of information sources and contract counterparties

Item 5 Understanding that Internet transactions are convenient but require some precautions different from face-to-face transactions

[Common to all categories of finance]

Item 6 Understanding key concepts constituting the foundations of financial education (interest (simple interest, compound interest), inflation, deflation, exchange rates, risk-return, etc.), and the selection/use of financial products suited to financial and economic circumstances

Item 7 Understanding the importance of ascertaining the actual cost (price) of a transaction

[Insurance products]

Item 8 Understanding for which contingencies (death, illness, fire, etc.) one should seek insurance coverage

Item 9 Understanding the amount of economic security required should a covered contingency occur

[Loans/credit]

Item 10 Understanding basic precautions when arranging a home loan

① Importance of setting a reasonable loan limit and putting together a repayment plan

② Importance of preparing for the possibility of circumstances that could make repayment difficult

Item 11 Making a habit of avoiding thoughtless/reckless use of credit cards and credit card loans

[Wealth-building products]

Item 12 Understanding that seeking higher returns will entail assuming higher risks, although risk tolerance varies from person to person

Item 13 Understanding the effectiveness of diversification in wealth building (diversifying investment assets and investment start times)

Item 14 Understanding the effectiveness of long-term investments in building wealth

4. Appropriate use of outside expertise

Item 15 Understanding the importance of appropriately employing outside experts when selecting/using financial products

Thank you!

