



Encouraging greater levels of Financial Education in Japan

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Prologue

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 2017



What is Financial Literacy?

In order to possess virtues and talents, one needs to be intelligent.
In order to possess intelligence, one needs to be literate, i.e., to be able to read and write. That is the reason why promoting education is an imminent issue.

An Encouragement of Education Yukichi Fukuzawa

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)



What is Financial Education?

Financial education is aimed at enhancing financial literacy, thereby providing the general public with the ability of self help and the power to live



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 councilorsDirectors 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

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

Basic principles of the Conucil

- ① Fair and neutral
- ② Wide and open network
- ③ Grass roots, local movements



The Central Council for Financial Services Information

History of the Council

1946-51 Savings campaign for economic salvation	Developed by government initiative mainly to control inflation	Lectures by the Finance Minister and the Governor of the Bank of Japan Children's Bank (Jan. 1948)
1952-58 Special savings movement	The Central Council for Savings Promotion established (Apr. 1952) Various movements developed to promote savings for capital accumulation and exports at the Central Council's initiative	Lectures Distribution of housekeeping account books (Oct. 1952)
1958-61 Consolidation	Framework of current system completed	Group activities in Model Savings Districts (established in June 1958), tie-up with womens' organizations, and Savings Promoter System established (June 1960)



The Central Council for Financial Services Information

1961-73 Expansion	Additional activities for children	Regular TV programs started (Aug. 1962) Life Planning Computer Consultation Service (Dec. 1962) Activities to disseminate pecuniary education, including model schools for pecuniary education (established in Apr. 1973)
1974-80 Support of Energy-Saving Campaigns	Energy-saving campaigns and movements to review consumption actively supported (1st and 2nd oil crises)	



The Central Council for Financial Services Information

1981- Review of savings promotion

Three mainstays established (since FY 1983):

- to provide financial and economic information
- to encourage the drafting of life plans
- to disseminate pecuniary education

The Central Council for Savings Promotion changed its name to the Central Council for Savings Information (Apr. 1988) and to the Central Council for Financial Services Information (Apr. 2001)

Savings Districts were renamed to Study Group on Financial and Economic Matters and Savings Promoters were renamed to Study Adviser on Financial and Economic Matters (Apr. 2002)

Website of the Central Council (Oct. 1999)
"Guide to Consumer Education for Financial Literacy" released (March 2002)

Activities of the Council



(A) Nation-wide Activities

(a) Press

Supplies to the press and magazines a variety of information related to financial services.

(b) Publications

Compiles various publications and reference materials that give an easy access to financial and economic information.

(c) Website

Provides following financial services information through its website;

- basic financial knowledge related to daily life
- information on drafting life plans

(d) Life Planning Computer Consultation Service

To assist the public in drafting individual life plans or to judge how appropriate a plan is, a free computer consultation service is available.

(f) Survey

In order to ascertain the actual situation, "Public Opinion Survey on the Financial Assets of the Households" is regularly conducted.

Activities of the Council



(B) Local Activities

(a) To foster financial services information activities

Local Committees designate "Study Group on Financial and Economic Matters" as grassroots organizations comprising 50-100 persons

(b) To foster "Study Adviser on Financial and Economic Matters"

Local Committees appoint "Study Adviser on Financial and Economic Matters" to be at the forefront of financial services information activities, requesting them to: (i) foster Study Groups and give guidance, and (ii) guide the public in their life planning and pecuniary education.

(c) Activities for youth and children

Local Committees hold discussion meetings for the young to promote life planning and a healthy view of money and goods. For children, model schools for pecuniary education^{1/} are designated to promote a healthy view of money and goods.



The Central Council for Financial Services Information

Evolution of the Council in the 21st century

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



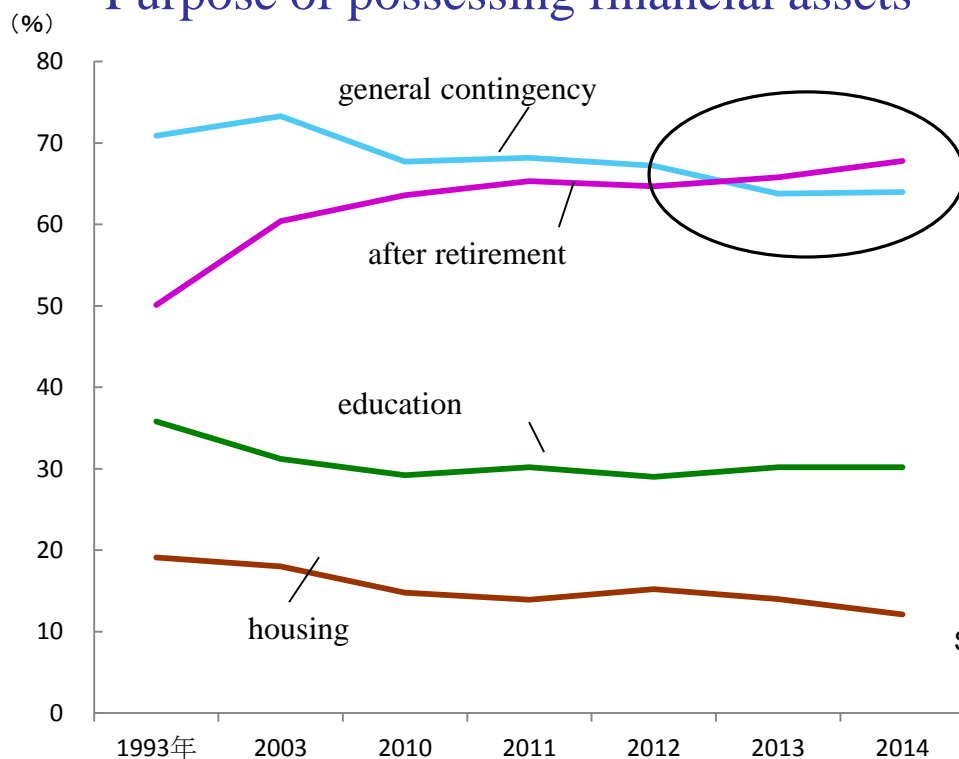
Why financial literacy becomes the central issue

- ① Lehman Shock
- ② Consumer education legislation
- ③ OECD/INFE

Why financial literacy becomes the central issue

① Aging and uncertainty about the future

Purpose of possessing financial assets



Source: The Central Council for Financial Services Information

For the first time in 60 years, “after retirement” becomes the largest item

Why financial literacy becomes the central issue

② Increase in financial fraud

Fraud	2010	2011	2012	2013	2014
Fraud by telephone	6,637cases	6,233	6,348	9,204	11,257
	101(¥ 100 million)	127	160	259	376
By financial products	112cases	773	1,986	1,875	1,216
	7(¥ 100 million)	69	186	179	124

Financial Literacy Map (2015 revised version)

	Categories	Primary School Students ^(Note)	Secondary School Students	High School Students	University Students	Young Adults	Adults	Senior Citizens
		Forming 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 Education Program

Financial Education Goals by Age Group from Primary School to High School

I. Financial life planning and household expense management

A. Money management and decision making

Goals [Goals by category have been set in reference to the four aspects in learning assessment. (Note)]	Primary School Students		
	1st and 2nd grades	3rd and 4th grades	5th and 6th grades
a. Understanding that resources are limited (i.e., budgets are constrained).	1. Learning the value of goods and money, and making much of them. (Living Environment Studies, Moral Education) 2. Learning that one cannot have all that one wants.	5. Understanding the limitedness of goods and money and the importance of money. (Social Studies)	9. Understanding the limitedness of goods and money, and thinking of better ways to use them. (Home Economics) 10. Being able to exercise moderation in spending, while reviewing one's spending habits. (Moral Education) 11. Being able to buy things according to one's plan, while taking indispensability into account. (Home Economics)
b. Understanding the significance of building a better life under a limited budget, and acquiring the skills and attitude to do so.	3. Learning to be patient when unable to have what one wants. 4. Being able to buy goods within one's budget.	6. Recognizing the difference between needs and wants. 7. Being able to manage money by recording the amount of pocket money or money spent. 8. Becoming aware of the importance of moderateness through learning how to spend money appropriately, and practicing it in one's everyday life. (Moral Education)	12. Learning how to choose goods, and being able to buy goods efficiently. (Home Economics)



Financial Literacy Survey (June 2016)

Online Survey

Survey period: from 29th February to 17th 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 the behavioral economics were introduced and brought interesting results.

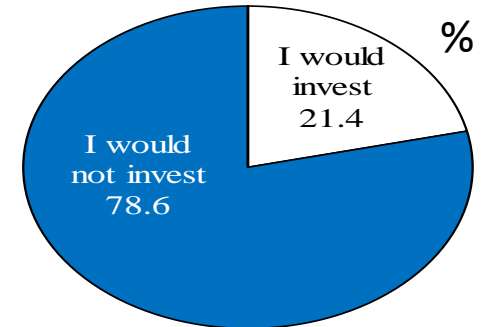
Publication of the **data for each prefecture**: gathered interests of media and the general public.

International Comparability

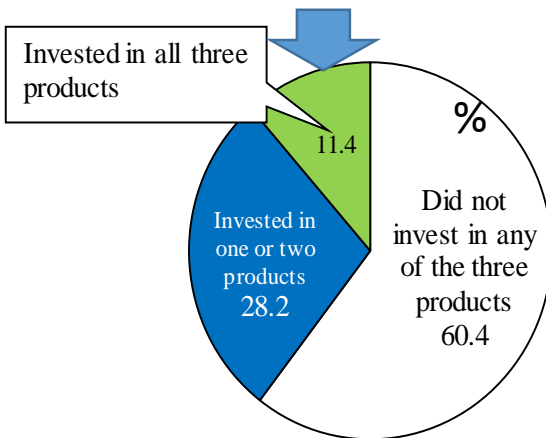
	INFE(2016)	HK(2016)	Japan(2016)	Ranking
(1)Knowledge				
Interest rate	58%	79%	66%	10
Compound interest	42%	58%	43%	16
Risk and return	81%	96%	75%	24
Definition of inflation	78%	97%	61%	29
Diversified investment	64%	74%	46%	29
(2)Behavior				
Considering affordability when purchasing something	80%	90%	70%	28
Paying bills on time	79%	89%	85%	13
Keeping watch on financial affairs	72%	82%	58%	27
Setting long-term financial goals	51%	58%	47%	17

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

School Education

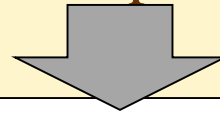
- The Council has succeeded in promoting financial education at schools through various initiatives
 - The latest national study guideline incorporates 60 to 70% of the contents of the Financial Education Program
 - Still, given the time constraints and other obstacles, we should promote financial education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

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

Ordinary citizens, aged people

- Lack of information delivery channels
- Persistent sentiment against 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 on pension issues
- Participating in an education program on the defined contribution pension plan



Challenges facing financial education

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



- Not only students but also young teachers do not have experience of a constant wage increase and positive interest rates
- Six pockets problem of one child families



Epilogue

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

Malala Yousafzai Addresses at United Nations Youth Assembly

Money will not manage itself, and the Central Council has a great deal
of materials to study how to manage money

For further information, please visit the website of the Council

<http://www.shiruporuto.jp/>