
NIKKEI FORUM
FRONTIERS IN INTERNATIONAL FINANCE
JAPAN'S PATHWAY TO PROSPERITY
Personal Financial Assets: The Path from Savings to Investments

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Japan at Turning Point for Asset Management Enhancement



Long-term diversified investment for asset management enhancement

- = Investment based on “generally accepted theory”
- = Conservative professional (i.e., pension fund) investment practices as a role model
- = Managed to maximize overall portfolio performance, emphasizing asset allocation and rebalancing rather than securities selection
- = Dollar-cost averaging is encouraged for first-time investors

Traditional short-term concentrated investment

- = Investment based on a market perspective rather than individual needs
- = Concentrated and market-timed investment
- = Popular investment policies, but more suitable for investment veterans
- = May not be suitable for novice investors

US Mutual Funds Purchased through Retirement Plans and Advisers

Sources of mutual fund ownership

Percentage of US households owning mutual funds

Outside employer-sponsored retirement plans only¹

27

Inside and outside employer-sponsored retirement plans¹

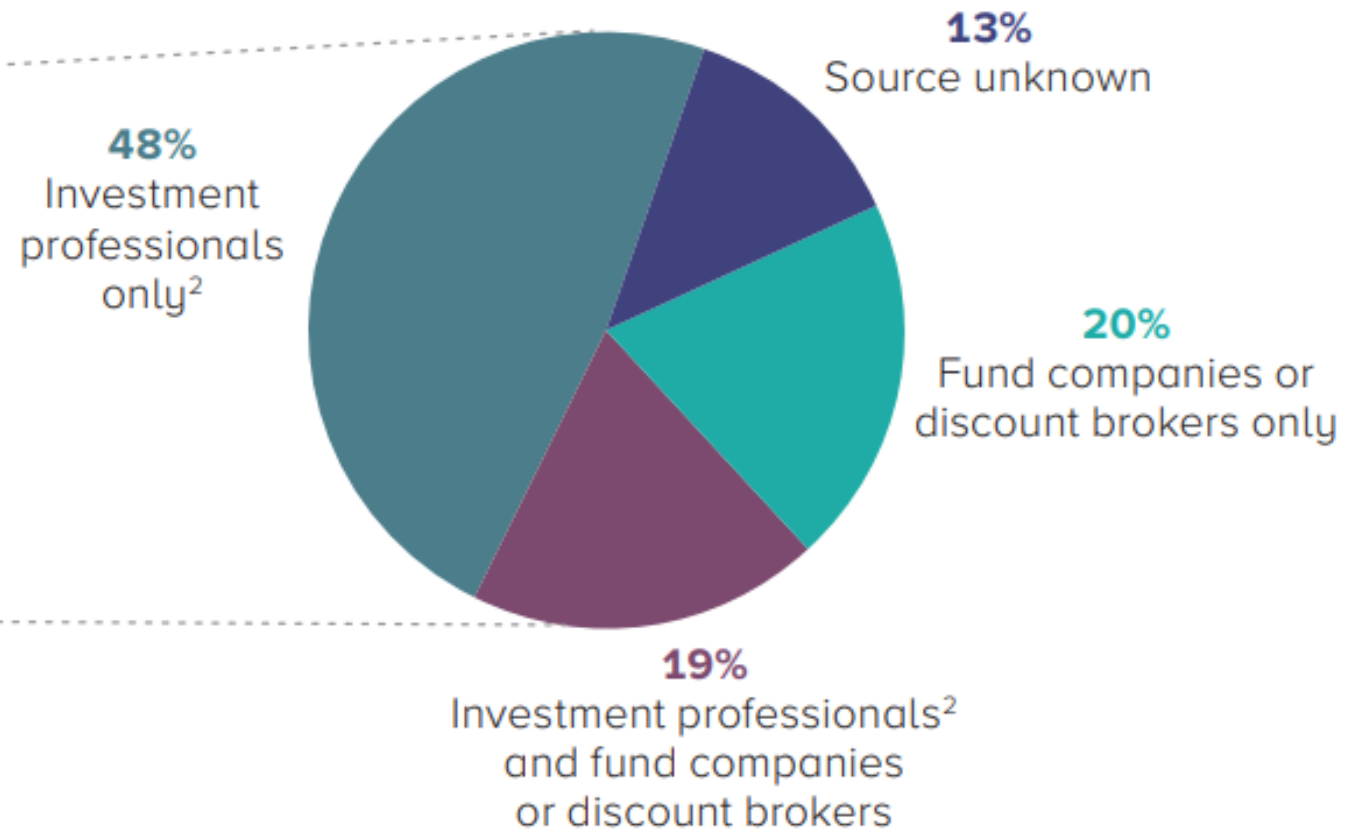
45

Inside employer-sponsored retirement plans only¹

28

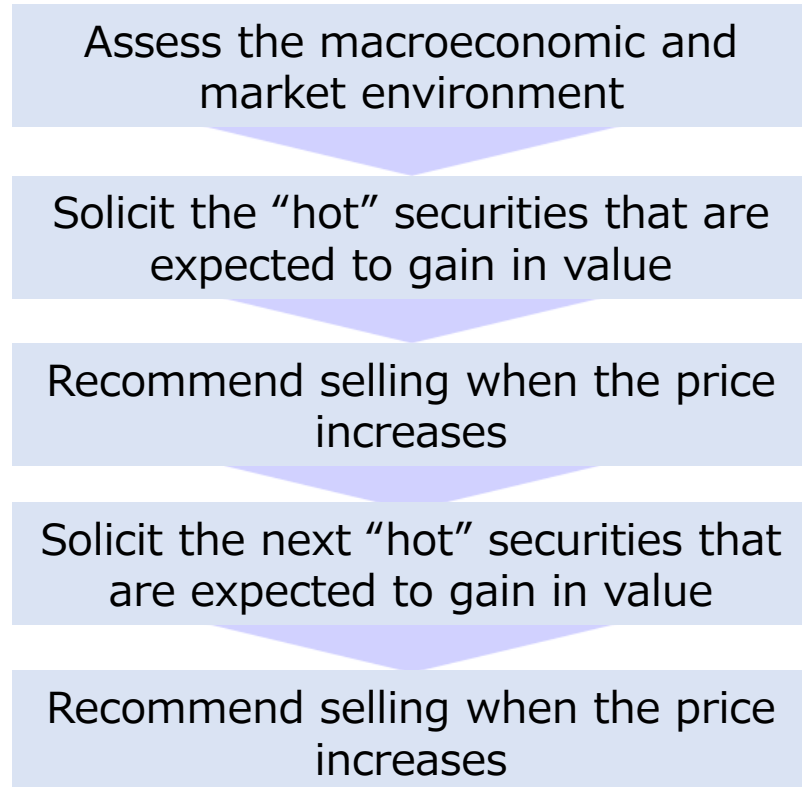
Sources for households owning mutual funds outside employer-sponsored retirement plans

Percentage of US households owning mutual funds outside employer-sponsored retirement plans¹



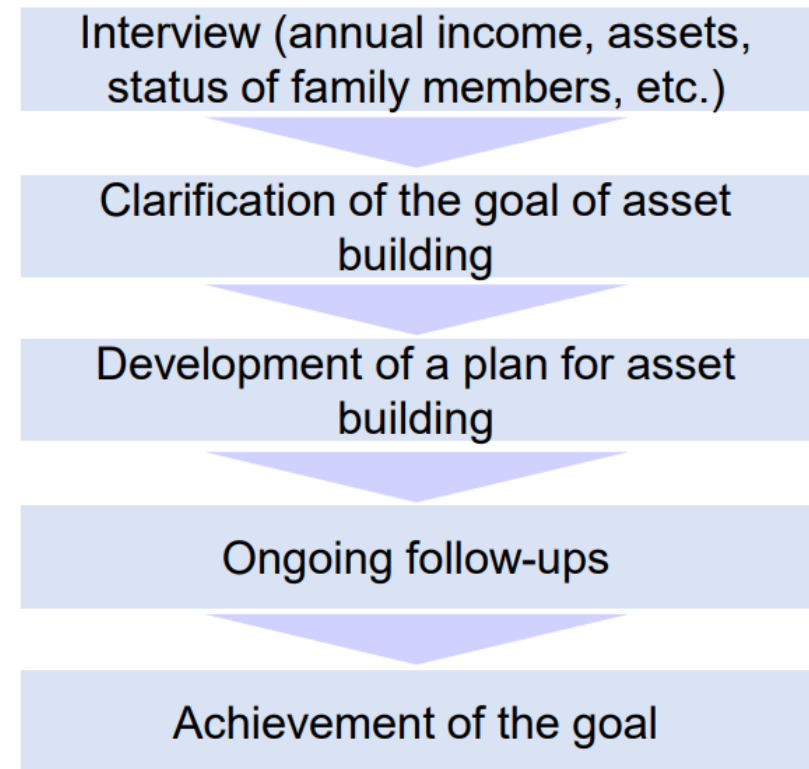
Change in US and Japanese Advice

Flow of traditional advice



Short-term concentrated investment

Ideal flow of advice

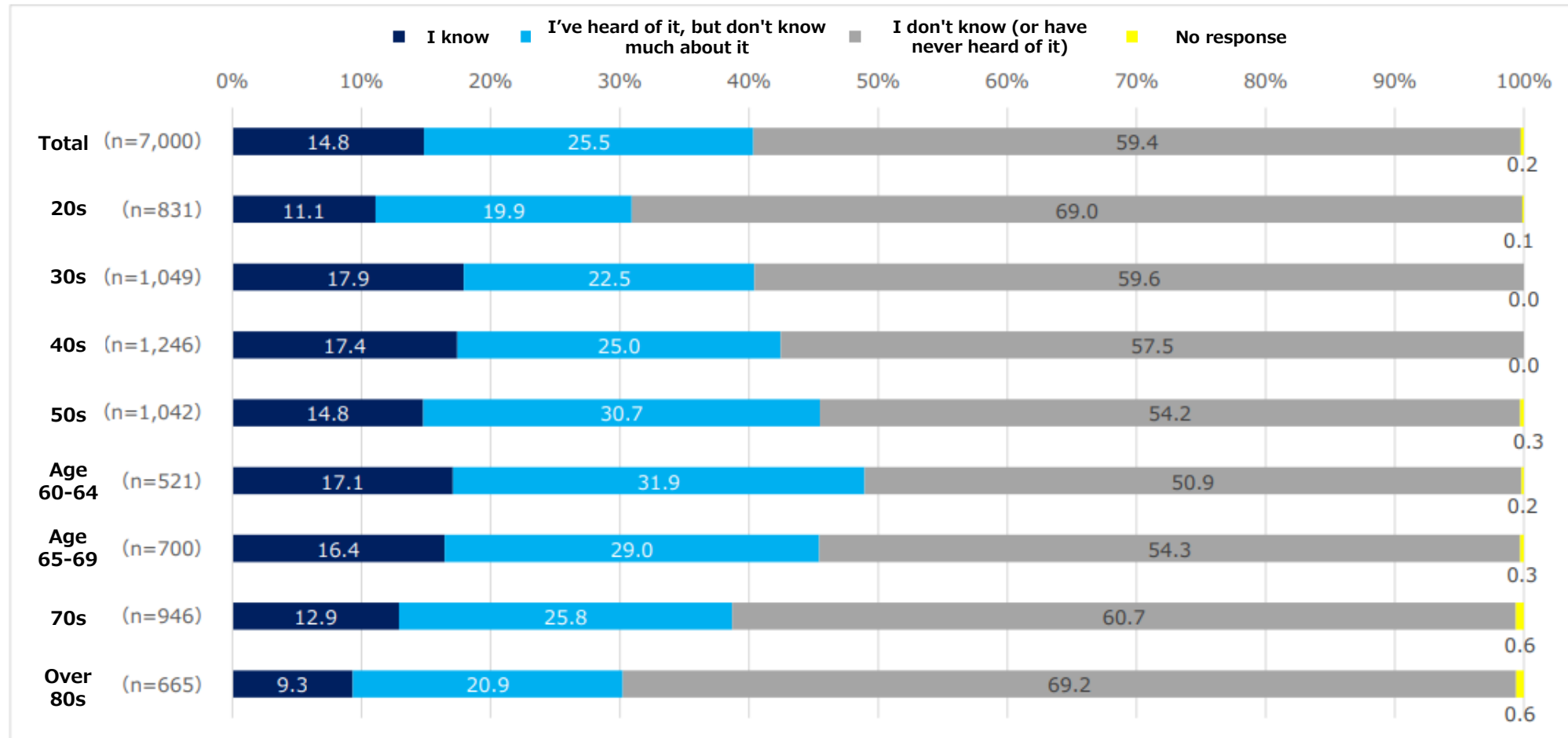


Long-term diversified investment

Financial Services Agency(2023). "Progress Report 2023 For Enhancing Asset Management Business in Japan." June.
<https://www.fsa.go.jp/en/news/2023/20230620/20230620.pdf>

Low Recognition of Long-Term Diversified Investment in Japan

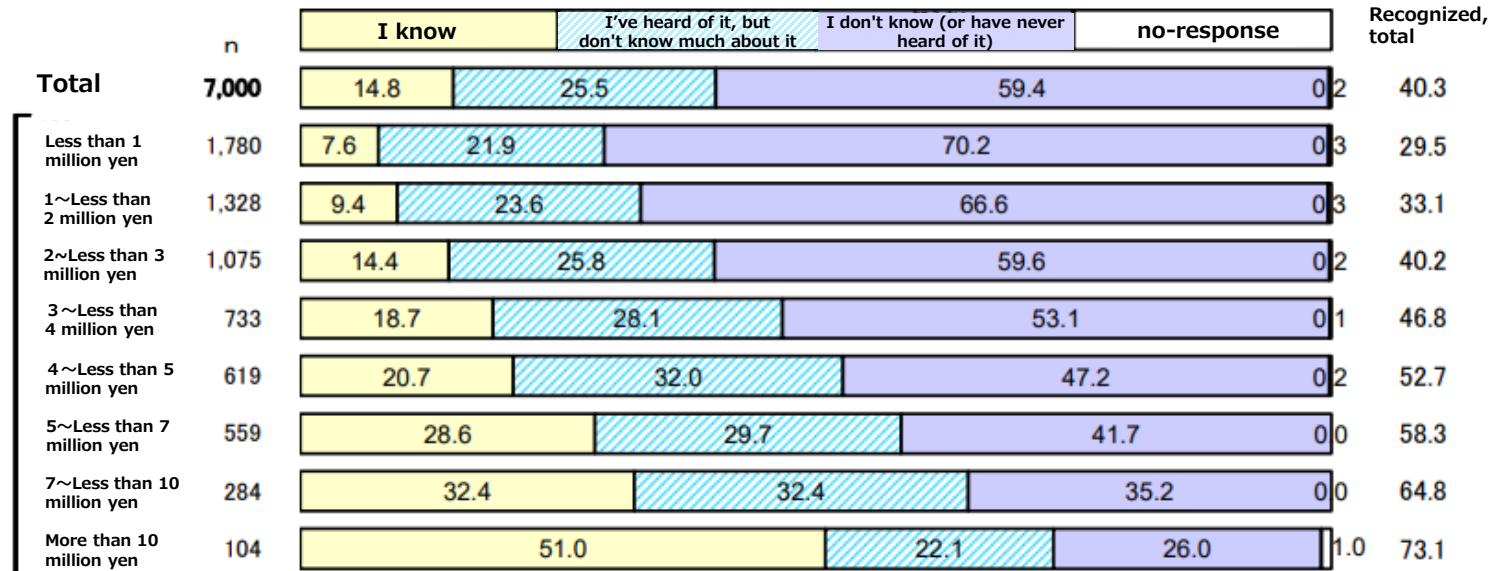
Awareness of the effectiveness of “long-term,” “dollar-cost averaging,” and “diversified” investment in reducing risk



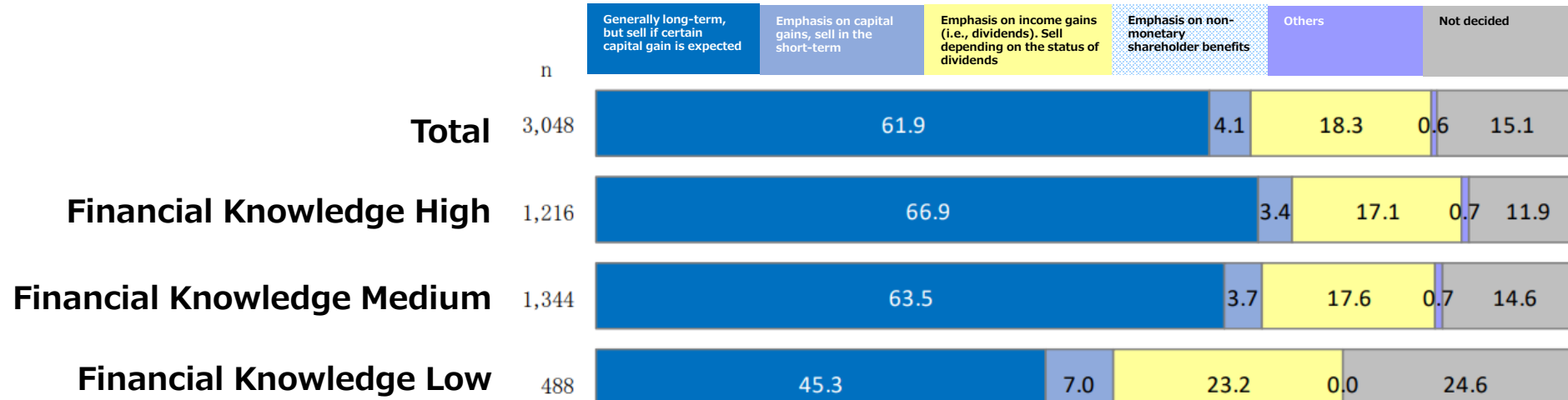
- 14.8% recognize that “long-term,” “dollar-cost averaging,” and “diversified” investments are effective in reducing risk; 25.5% of respondents have heard of it, but don’t know much about it.
- By age group, 60–64-year-olds have the highest level of awareness.

Difference in Investment Policy: A Difference in “Investment Sophistication”?

Awareness of effectiveness of "long-term," "dollar-cost averaging," and "diversified" investment in reducing risk (by income)



Long-term investment propensity increases with financial literacy (investment trust holders)



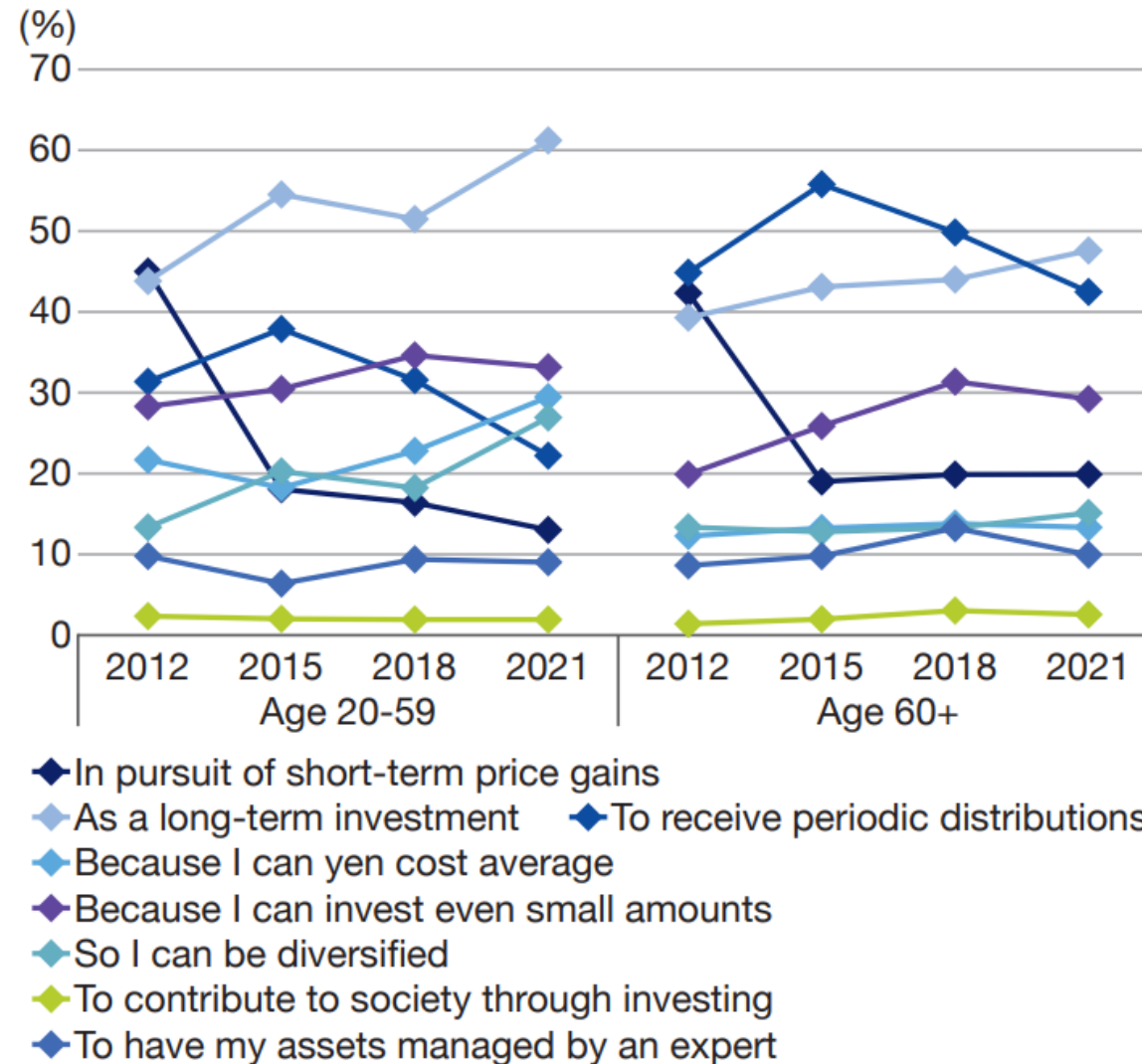
Note: Japanese investment trusts are equivalent to US mutual funds.

Japan Securities Dealers Association (2021). “National Survey on Securities Investment”. Dec. 15. <https://www.jsda.or.jp/shiryoshitsu/toukei/data/files/2021gaiyou20211215.pdf>

Japan Securities Dealers Association (2023) “Report on Survey of Individual Investors’ Attitudes toward Securities Investments, 2022”. Feb. <https://www.jsda.or.jp/shiryoshitsu/toukei/2022ishikichousasyousai.pdf>

Signs of Change in Japan's Working Generation

Reasons for buying investment trusts



Note: Japanese investment trusts are equivalent to US mutual funds. Source: National Survey on Securities Investment (JSDA).