

The FSA's initiative toward the Enhancement of Financial Education

Since the latest financial crisis, the importance of financial literacy and the improvement of consumers' financial activities have been increasingly recognized and discussed in international fora such as the OECD and G20. It has thus become increasingly important to enhance the financial literacy and further promote financial education in Japan.

With this recent development as the background, the Financial Services Agency (FSA) established the Study Group on Financial Education within the Financial Research Center in November 2012, in order to review the status of Japan's financial education and consider the future course. The study group, involving experts as well as, relevant ministries and organizations, completed a report (see attachment) after seven meetings and published it on April 30th 2013.

The FSA will strongly enhance financial education and address the issues identified in this report by establishing the Committee for the Promotion of Financial Education, involving experts as well as the ministries and organizations that participated in the discussions of the study group.

Report of Study Group on Financial Education (Summary)

1. Significance/Purpose of Financial Education

(1) Financial literacy as a life skill

In order to become financially independent as a member of society and improve the quality of life, it has become increasingly important to acquire knowledge and judgment to properly select and use financial products in accordance with one's life plan, while achieving a family budget management that will prevent unplanned expenditure and improve the income-expense balance. It is also important to form a habit of planning for unexpected events such as death, illness and accidental fires, as well as for education, house purchases, and retirement.

(2) Financial literacy to encourage the provision of sound, high-quality financial products

Consumers cannot be protected only by the regulations. On the contrary, excessive regulations will hinder innovations. Hence, it is important to improve the financial literacy and behavior of users to supplement the regulations.

It is also expected that financial literacy will play an important role in improving the quality of products.

(3) Financial literacy encouraging the effective use of household financial assets in Japan

Japan's household financial assets amount to, approximately, 1,500 trillion yen and more than 50% of those assets are managed as cash and savings. This not only reflects the deflationary economic environment in the past, but a lack of understanding regarding the benefits of diversified and long-term investments.

Solid and stable returns can be generated by the diversified and long-term investments of household financial assets, which, in addition, will become a source of financing for growing sectors and ultimately contribute to the growth of Japan's national economy.

2. Current Status of Japan's Financial Education

Various initiatives and programs are being implemented separately by related authorities including the Financial Services Agency (FSA), the Central Council for

Financial Services Information, local-level councils for financial services information, schools, local governments, industrial organizations, financial institutions, and NPOs.

3. Future Direction of Financial Education

(1) Level of financial literacy to be achieved

① Emphasis on behavioral aspects

It is important, along with the knowledge acquisition, to foster the ability to develop a long-term life plan and make a habit of it in order to manage family budgets and secure funds for the future; to learn focus points regarding knowledge and behavior required in properly selecting financial products (insurance, loans, and wealth-building products); and to understand the necessity of asking for third-party advice in advance.

② Focus on the minimum level of financial literacy that should be attained

For the efficient and effective promotion of financial education, the study group considers it meaningful to summarize the minimum level of financial literacy that should be attained and shared among related parties, and implement educational activities focusing on such minimum requirements.

Family budget management and life planning are the key drivers for achieving financial independence as a member of society and for leading a better life. In addition, in order to utilize financial products, it is important to acquire the basic knowledge necessary to execute transactions and appropriately select financial products, taking into consideration existing financial and economic trends. Furthermore, it is also important to understand the key basic points for each product category, such as insurance, loans, credit, and wealth-building products. Finally, it is essential to understand the necessity of obtaining third-party advice without having to rely completely on one's own judgment.

In sum, the minimum level of financial literacy covers 15 items in the following four categories: (a) family budget management; (b) life planning; (c) financial knowledge, understanding of financial/economic circumstances, and selection/use of appropriate financial products; (d) appropriate use of outside expertise (see reference).

③ Establishment of standards for systemic educational content

For the efficient and effective promotion of financial education, it is considered meaningful to establish more detailed standards that organize and provide such educational content by age and category, in combination with the 15 items in four categories set out as the minimum for financial literacy.

(2) Recipients of financial education

The recipients of financial education can range from young children to senior citizens. Given the limited resources, however, the study group needs to prioritize certain recipients depending on the circumstances.

The contents of financial education in school education have been strengthened through the revision of government course guidelines, and it is important to sustain such efforts. At the same time, the number of households without financial assets is growing, and many senior citizens still lose money on fraudulent financial transactions. These facts point to the necessity of financial literacy for working population and senior citizens. As such, financial education for the working population and senior citizens needs to be prioritized .

(3) Approaches in each category

① Approaches designed for students

(a) Elementary, junior/senior high schools

School-level financial education is provided within the social studies, civics, and home economics curriculums. It is necessary to enhance financial education within home economics in terms of family budget management and life planning, particularly at the high school level before employment.

(b) Universities

It is also necessary to provide financial education courses in universities. For example, some members have pointed out the necessity of financial education during the first two years of in universities in order to improve literacy.

② Approaches designed for the working population and senior citizens

(a) Enhancement of Defined Contribution Plan (DC) education

DC education is considered a promising channel to financial educate the working population. In order to further enhance DC education, it is necessary to secure opportunities, especially for continuing education.

(b) Pursuing approaches through local governments

It will be effective to include financial education in the “Basic Principles of

Consumer Education” to be set by the government in accordance with the “The Act on Promotion of Consumer Education” (enacted August 2012), and then incorporate it into the promotion plans to be devised by local governments.

(c) Efforts of industrial groups and each financial institution

Industrial groups and each financial institution are important contributors to financial education. The study group expects their continuing and active involvement.

(d) Providing preventive and impartial advice, etc.

Although Japan’s post-event consulting is becoming fairly strong, however, the prevention of problems is considered more important by nature. In order to prevent problems from arising, the study group should also enhance the provision of preventive advice.

③ Development of human resources for financial education

In promoting financial education, it is important to develop human resources for teaching in order to ensure high-quality financial education in future.

④ Improvements to provision of information on financial products

It is necessary to continue regulating the providers of finance by the relevant authorities while improving users’ financial literacy. In addition, the enhancement of neutral third party information is important. For example, the study group needs to consider providing clear comparative information using neutral third parties.

(4) Measures for promoting financial education

① Organizations for promoting financial education

The FSA and other relevant authorities need to play a more active role in promoting financial education. It is considered appropriate to establish a “Committee for the Promotion of Financial Education”, as a forum for promoting financial education by utilizing the network of the Central Council.

The most important issue going forward is to realize the minimum level of financial literacy (15 items in four categories), in such a way that responsible organizations, (such as schools, local governments, industrial groups, financial institutions, and NPOs) can follow it, and then define and systematize what is to be learned, at what age and in what order.

At the same time, the study group will start reviewing the channels to provide

information related to financial education. Specifically, the study group will promote the Central Council's website ("*Shiruporuto*") as the first line access point on the Internet and link this site with the websites of other related authorities and organizations, thereby establishing a system in which users can access information easily and comprehensively.

When implementing the above tasks, it is important to ensure their progress by following up the overall progress among related parties through the forum "Committee for the Promotion of Financial Education".

② Regular measurements of effectiveness

For the efficient and effective promotion of financial education in the future, the study group should continue utilizing the Central Council's "Financial Literacy Survey", while reviewing it as necessary, to measure the degree of penetration of financial education in Japan.