Japan's Directions of the National Strategy for Financial Education

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1.Main Objectives of Financial Education
～ Toward Fair and Sustainable Society～

1. As a Life skill

- It is important to make life planning a habit and acquire the knowledge and judgment needed to appropriately select financial product.

2. Better financial products

- As users improve knowledge in selecting financial products, better products can be expected to become prevalent.

3. Effective use of Japan's huge household saving (over 15trillion USD)

- The diversified, medium to long term investment by using household financial asset is expected.

2. Guideline of Financial Education

- **Financial literacy that should be attained**

(1) Emphasis on behavioral aspects

Making a habit of sound family budget management/life planning, developing the discernment to properly select financial products.

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

The involved persons should adhere to a common minimum level of financial literacy to be attained (15 items in 4 categories; see the slide 5 to 7)

(3) Establishment of standards for systemic educational content

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

- **Recipients of financial education:**

Greater focus on working adults and senior citizens as well as students

3. Approaches in each category

(1) Approaches 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 for Working Adults and Senior Citizens

① Pursue approaches through local governments

② Encourage efforts by financial industry groups and each financial institutions

③ Provide preventive and impartial advice

(3) Capacity building of persons for financial education

(4) Improvements to information provision of financial products

4. Measures for promoting financial education

(1) Organizations for promoting financial education

- The FSA and other relevant authorities need to be more active
- A forum ("Committee for the Promotion of Financial Education") was organized to address the following issues

  1) embodying the minimum level of financial literacy that should be attained

  2) the effective way to access the information of financial education through the website of relevant authority etc

(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

5. Minimum level of financial literacy that should 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 some precautions different from face-to-face transactions

5. Minimum level of financial literacy that should be attained (cont'd)

[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

5. Minimum level of financial literacy that should be attained (cont'd)

[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 expertise when selecting/using financial products