

Case Study: Longevity and challenges for the asset management in Japan

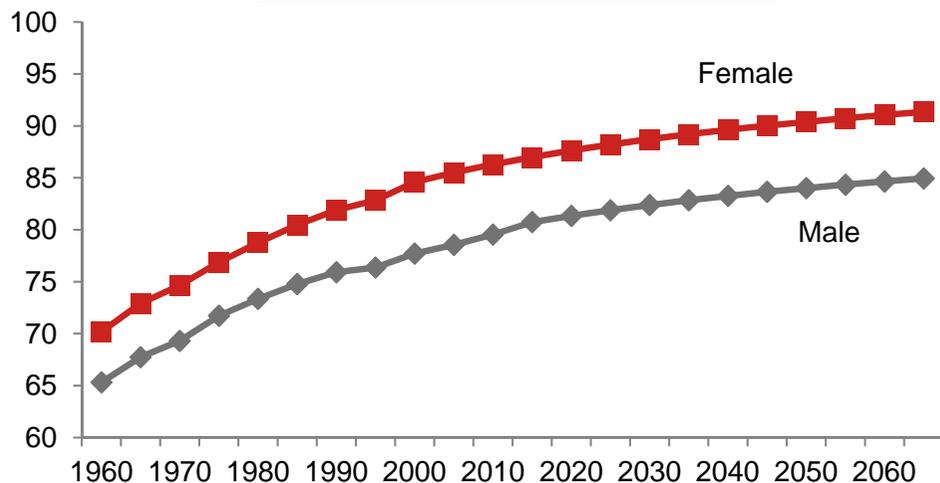
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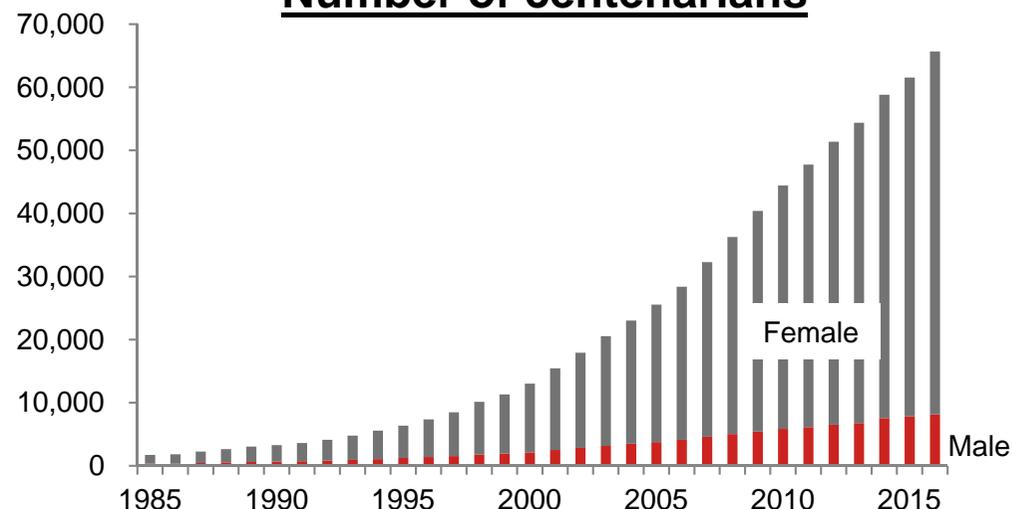
100-year life is becoming real in Japan

Average life expectancy



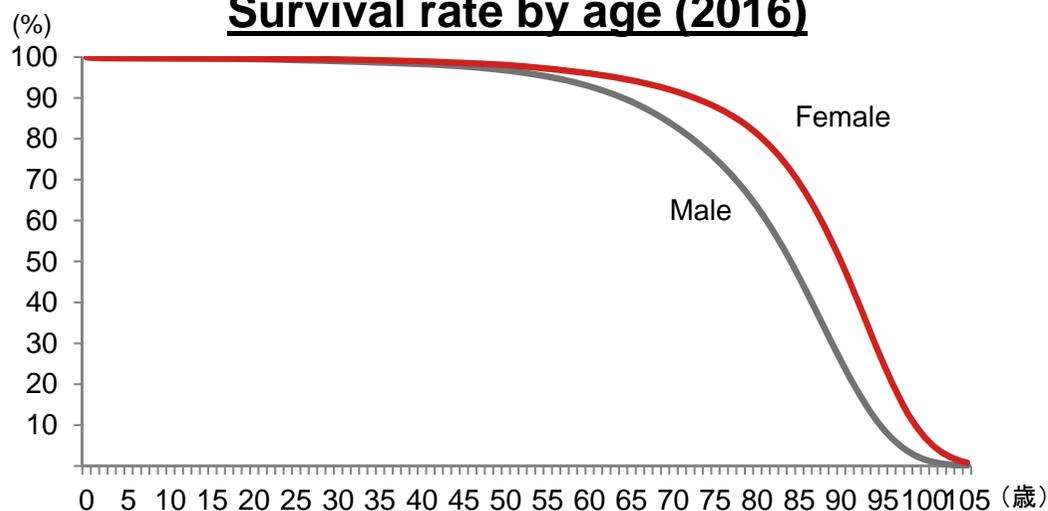
(Source) National Institute of Population and Social Security Research, NICMR

Number of centenarians



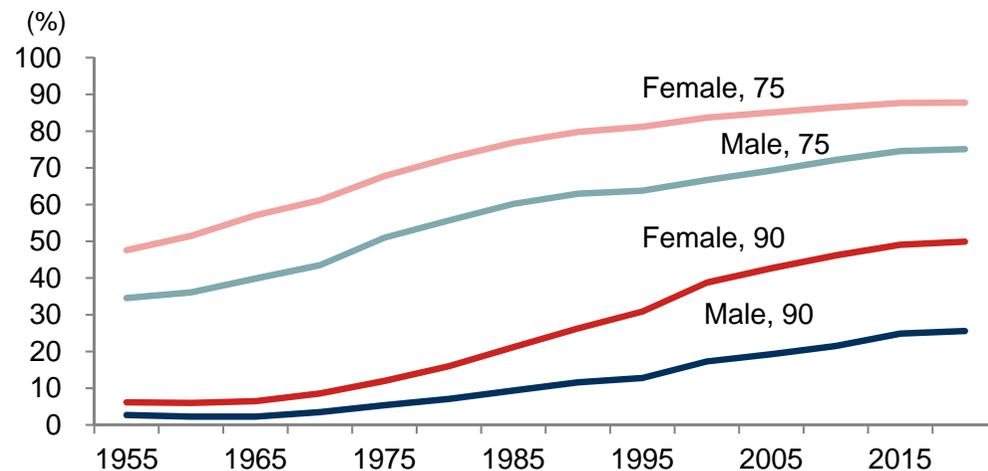
(Source) National Institute of Population and Social Security Research, NICMR

Survival rate by age (2016)



(Source) "Summary of 2016 Model Life Table," NICMR

Increase in survival rate



(Note) Latest is 2016.

(Source) "Summary of 2016 Model Life Table," NICMR

Aging and cognitive decline

- As the Japanese population ages, the number of people with cognitive decline is expected to grow.

Number of Patients with Dementia

	2012	2015	2020	2025	2030	2040	2050	2060
Number of patients (thousand)	4,620	5,170	6,020	6,750	7,440	8,020	7,970	8,500
Prevalence rate (%)	15.0	15.7	17.2	19.0	20.8	21.4	21.8	25.3

(Note) Estimated on the assumption that the prevalence rate would not go up with the rise of diabetes prevalence rate.

(Source) NICMR, based on the Ministry of Health, Labour and Welfare material

Healthy life expectancy at birth (2015)

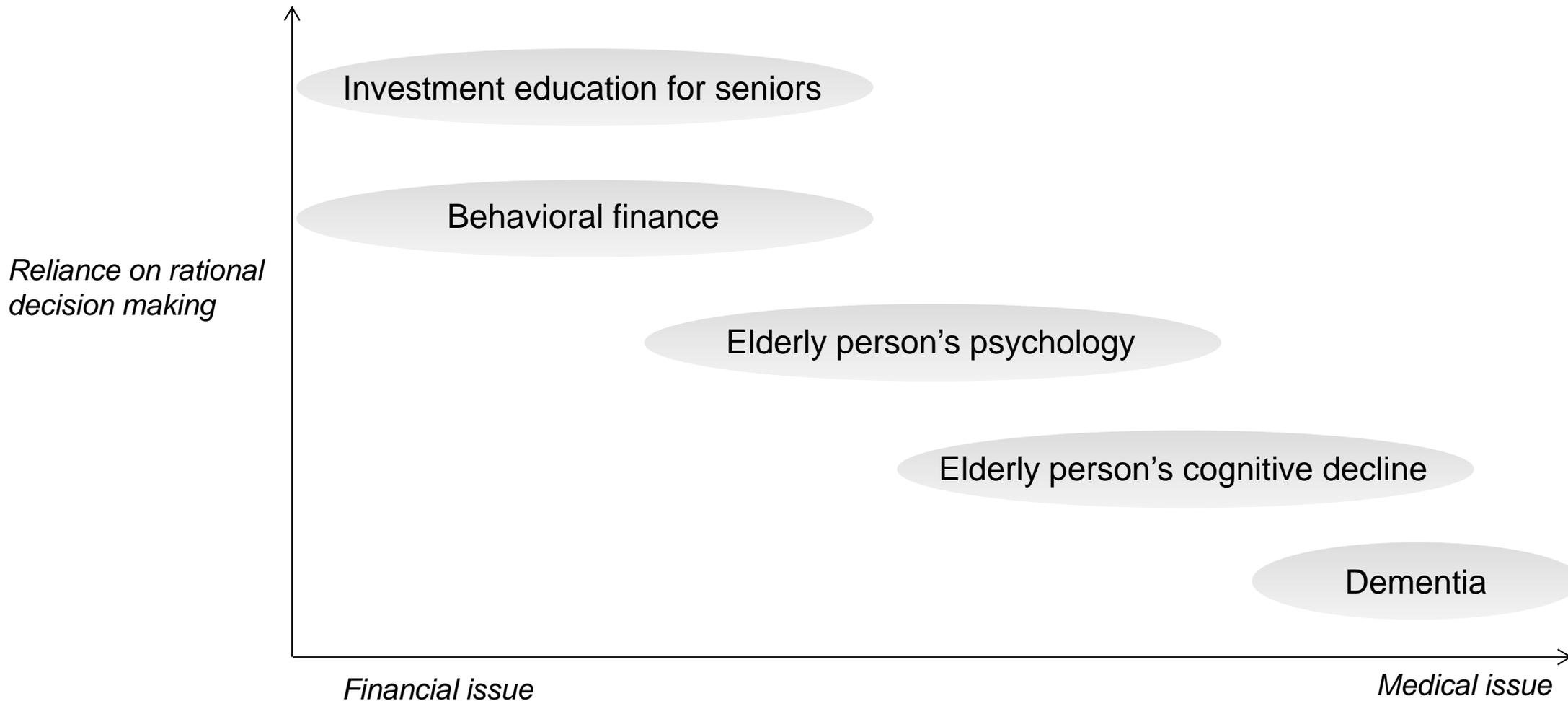
	Healthy life expectancy	Life expectancy	Gap
1 Japan	74.9	83.7	8.8
2 Singapore	73.9	83.1	9.2
3 Korea	73.2	82.3	9.1
4 Switzerland	73.1	83.4	10.3
5 Israel	72.8	82.5	9.7
6 Italy	72.8	82.7	9.9
7 Iceland	72.7	82.7	10.0
8 France	72.6	82.4	9.8
9 Spain	72.4	82.8	10.4
10 Canada	72.3	82.2	9.9
⋮	⋮	⋮	⋮
36 United States	69.1	79.3	10.2

(Note) Healthy life expectancy at birth

(Source) NICMR based on WHO, World Health Statistics 2017

Aging and financial literacy

- Financial literacy is based on people's rationality. The issue of aging and cognitive decline needs to be considered.



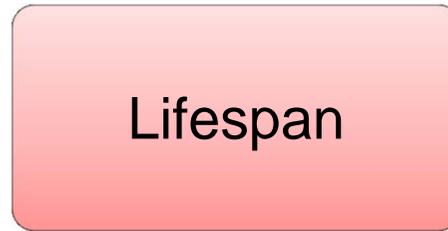
(Source) NICMR

- Financial Gerontology is an “intersection between gerontology and finance.”
- It is not the study of “old people” but on how the various *process of aging* are related to issues of financial security and human well-being.

Financial Gerontology

- Financial Gerontology was established as a discipline in 1988.
-Financial Gerontology is multidisciplinary, building on relevant teachings from biology, psychology, sociology and demography to understand the lifelong wealth span issues and aspirations of aging individuals and their families.

(Definition by the American Institute of Financial Gerontology)



- The revolutionary increase in lifespan in the 20th century



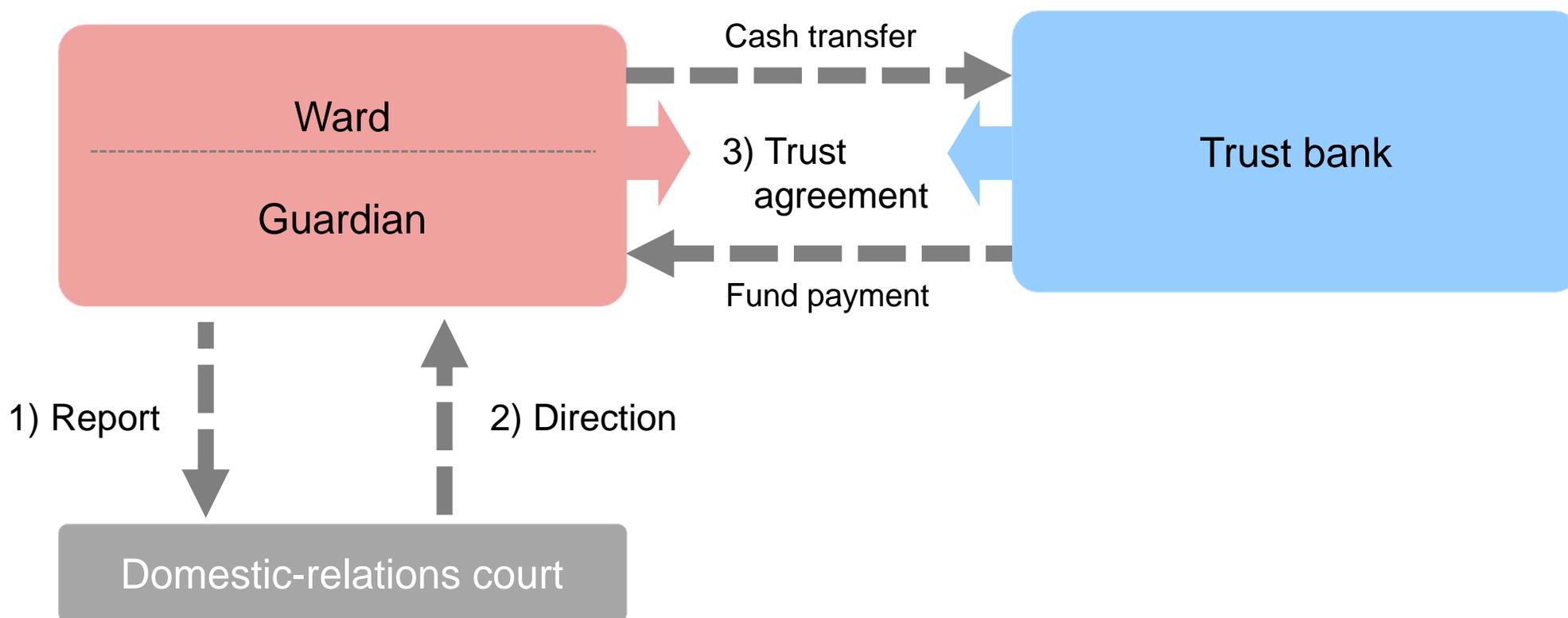
- The maintenance of full physical and psychological functions as nearly as possible to the end of life

- The maintenance of full financial function as nearly as possible to the end of life

(Source) NICMR from Neil Cutler, *Aging, Money, and Life Satisfaction: Aspects of Financial Gerontology*, January 1992.

Adult Guardianship support trust

- Adult guardianship support trust was introduced in 2012 to support the financial management of the ward.
- As of Dec. 2016, accumulated number of users was 16,950 and 552 billion yen was entrusted.



(Source) NICMR

Recent product developments

◆ Dementia insurance

◆ “Family trust”

◆ Insurance for adult guardians and long term care agents

◆ Combination of deposit accounts

◆ Target income fund

◆ Longevity annuity

◆ Trust for dementia and generational transfer

Managed pay-out

Security, conservation and transfer

(Source) NICMR

Senior investor protection measures

- Japan Securities Dealers Association has taken measures to protect senior investors.

JSDA's guideline on senior investor solicitation

(1) Establishing internal rules	<ul style="list-style-type: none"> • Member firms should establish the internal rules on (2) to (6) below
(2) Definition of senior customer	<ul style="list-style-type: none"> • Senior customer: 75 or older • Extensive care needed: 80 or older • Exceptions possible
(3) Products under consideration	<ul style="list-style-type: none"> • All products except for: <ul style="list-style-type: none"> • Products with smaller price fluctuation • Products without complex structure • Products easy to liquidate • Procedures including the previous approval from manager
(4) Place and method of solicitation	<ul style="list-style-type: none"> • Procedures for solicitation by visiting customer's residence, by phone and at branch office
(5) Post trade procedures	<ul style="list-style-type: none"> • Procedures for confirmation after the trade to be made by a different staff
(6) Monitoring	<ul style="list-style-type: none"> • Monitoring of rule compliance and suitability of transactions

(Source) JSDA, NICMR

Policy makers paying attention

- **Financial Services Agency’s “Strategic Directions and Priorities 2017-2018” mentioned financial gerontology. So did the “Policy Framework for Aged Society” approved by the Cabinet in February 2018.**

Financial services for retirees

- Households with head of household above age 60 hold more than 60% of financial assets.
- Senior households are diverse so personalized financial planning for decumulation is important.
- Senior investor protection based on the financial gerontology should be considered.
- Financial asset management with decumulation strategy will be more important in the aged society, and the role of financial industry should be discussed.

(Source) NICMR based on “Strategic Directions and Priorities 2017-2018”

Financial gerontology and retirement income generation

- Personalized financial asset management and decumulation plan is needed.
- Financial products for such purposes are needed.
- Measures for utilizing home and real estate are needed
- Senior investor protection based on the financial gerontology should be pursued.

(Source) NICMR based on “Policy Framework for Aged Society”

- **Japan is entering the era of 100-year life. The number of people with cognitive decline will increase. Financial literacy is based on people's rationality, so the issue of changes caused by aging needs to be considered.**
- **Financial gerontology is the study on how the various process of aging are related to issues of financial security and human well-being. How to enhance the "wealth span" is among major issues.**
- **In Japan, measures for protecting seniors in financial matters are being developed. In addition to that, how to create an income for life needs to be addressed.**
- **Policy makers have started to pay attention on financial management for retirees.**

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