



# Implications of population aging

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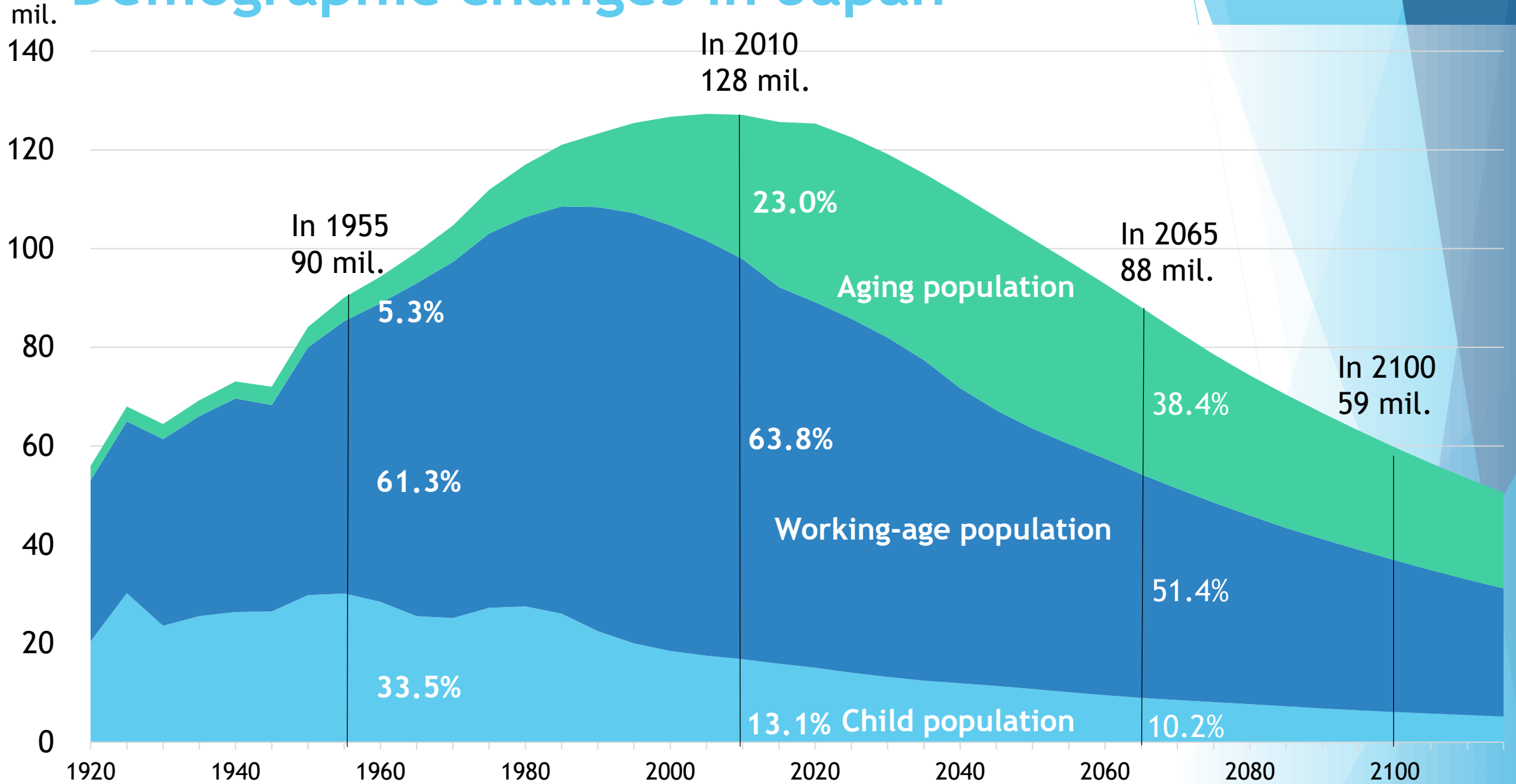
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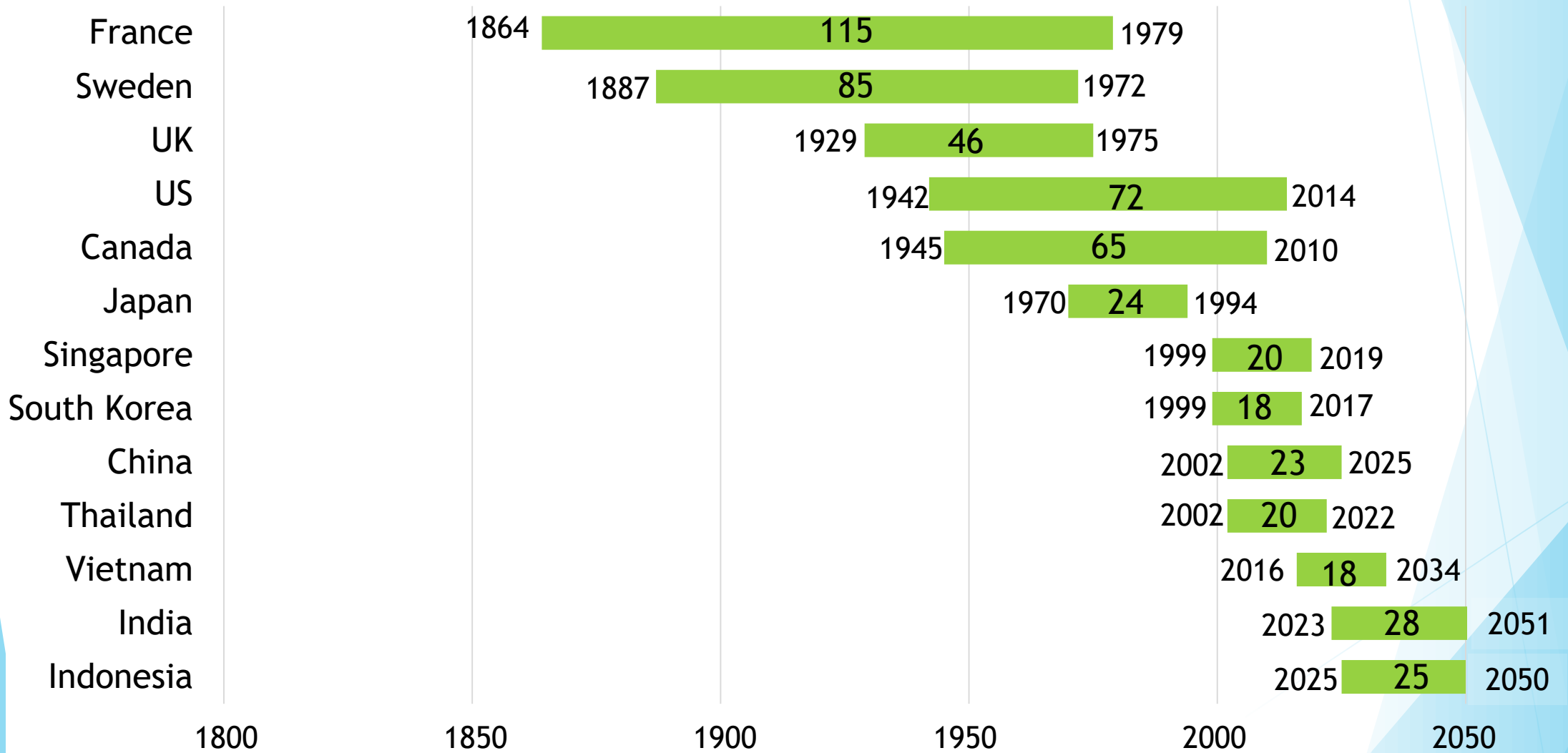
\* This presentation represents the views of the presenter, and not necessarily those of the JSDA.

# Demographic changes in Japan



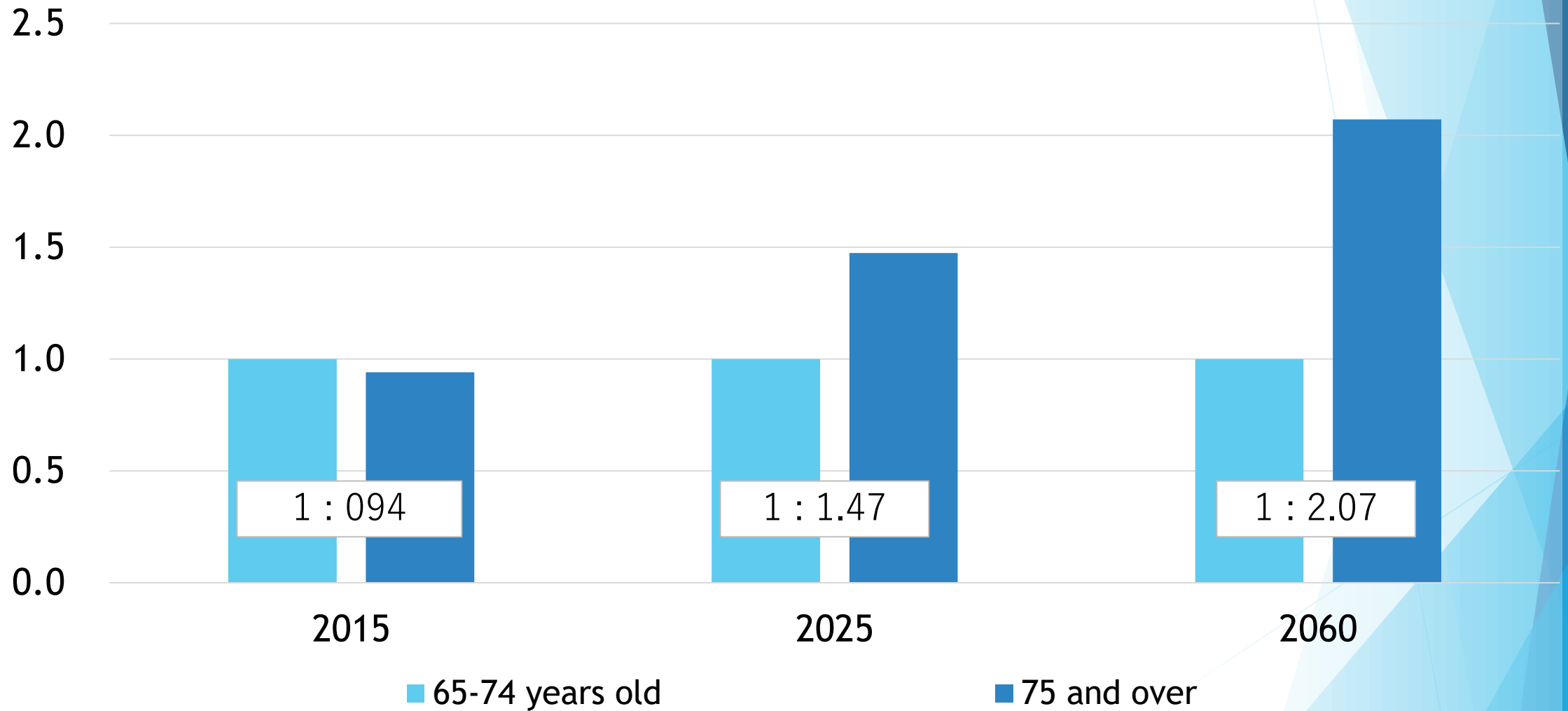
Source: National Institute of Population and Social Security Research

# “Doubling time”: speed of populating aging



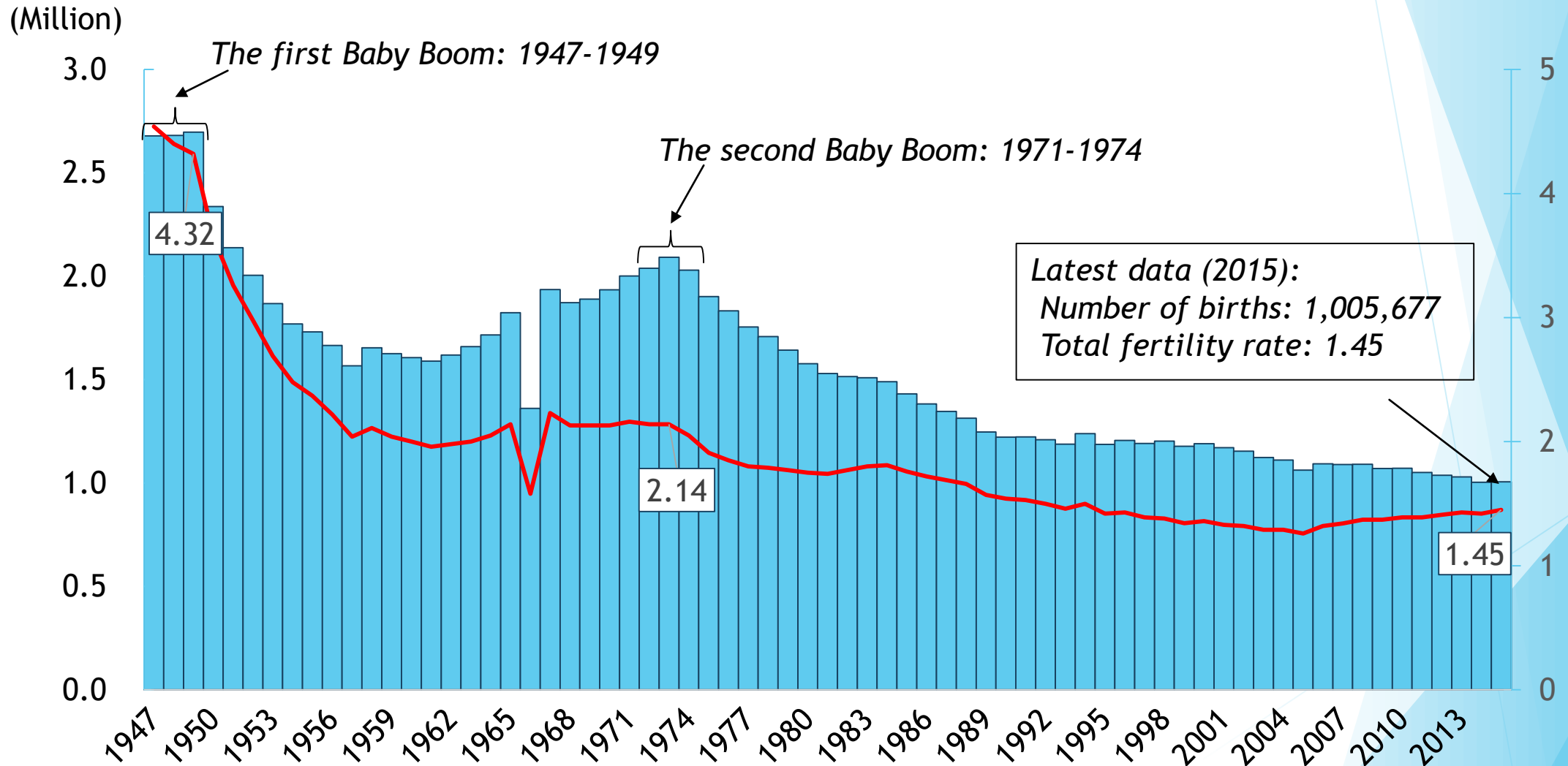
Source: Hiroki Nakaya, P.197, “Financial Gerontology”

# Depth of population aging



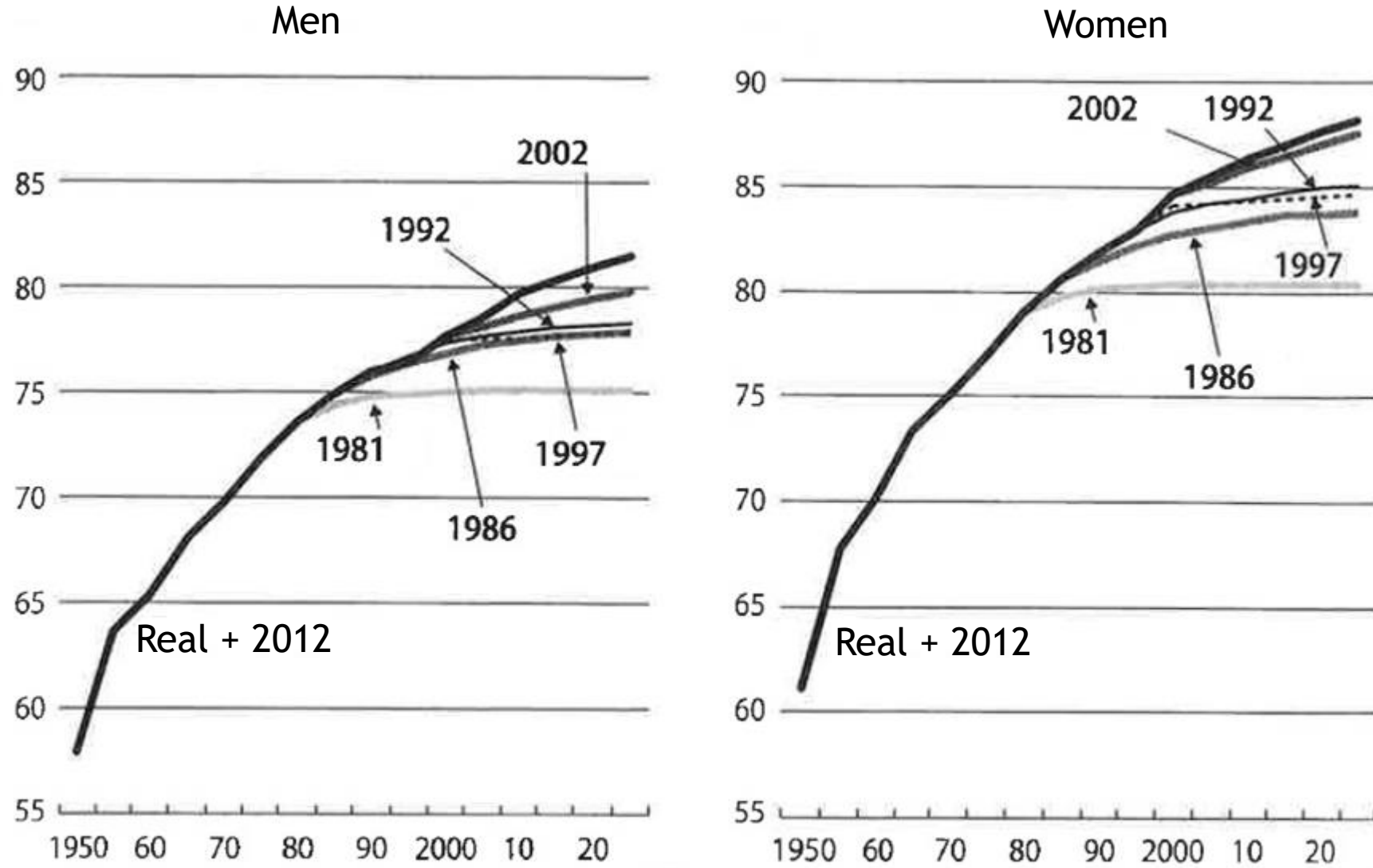
Source: National Institute of Population and Social Security Research

# Birth rate (total fertility rate)



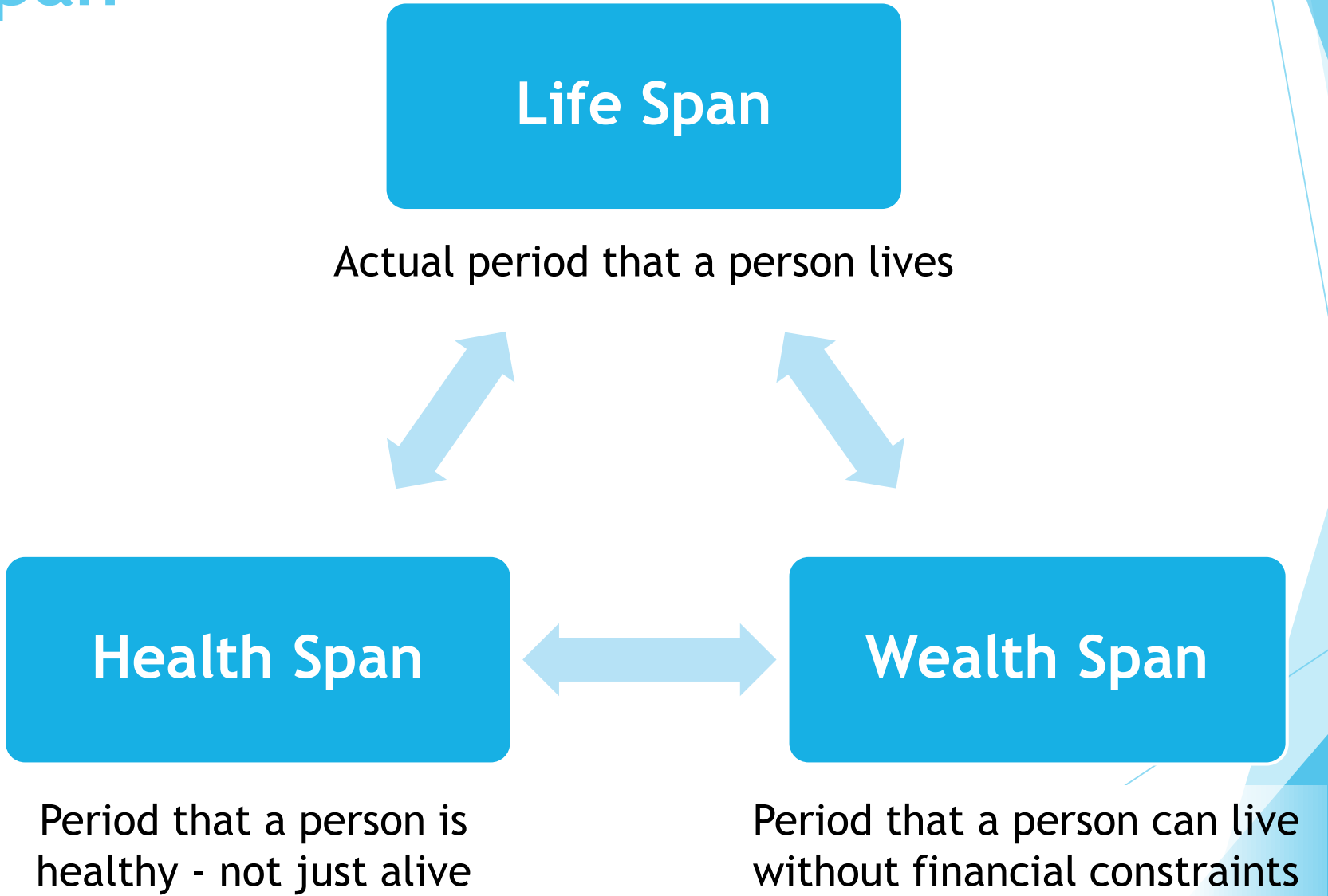
Source: Ministry of Health, Labour and Welfare

# Life expectancy: longer than expected



Source: National Institute of Population and Social Security Research

# The “spans”: life span, health span and wealth span



# Implications of rapid population aging

**Massive impacts on the entire economy and society**

**Social security systems including pension and medical care schemes particularly affected, sustainability threatened**

⇒ asset-building by individuals for old age increasing in importance

⇒ need for more effective pension schemes to enable efficient pension asset management



# Actions in the capital market

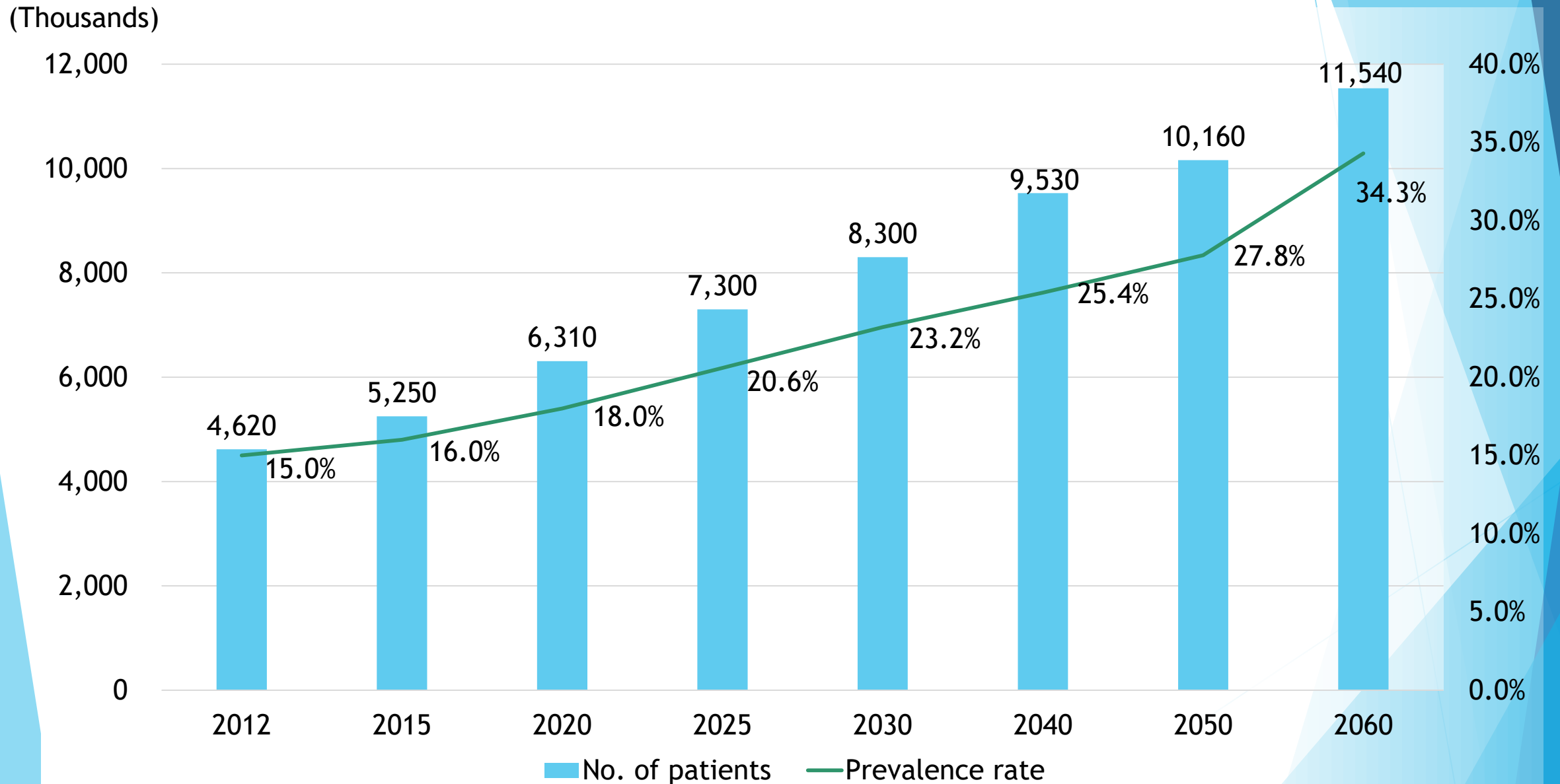
- **NISA, Junior NISA and Installment-type NISA:**  
Tools introduced to support individuals' asset building
- **Amendment to the Defined Contribution Pension Act:**  
Allows stay-at-home spouses and public employees to access DC pension plans and gives workers more flexibility in transferring pension assets upon changing job
- **Reforms of Government Pension Investment Fund (GPIF):**  
Revised its asset mix policy and enhanced its governance structure

# Asset management at decumulation stage

- **Post-retirement asset management**

In general, more emphasis on safety and liquidity, but depends on each individual's situation and preference (e.g. trade-off between longevity risk and liquidity risk, possibility of re-employment, health condition and estimated medical care costs, possibility of support from family members, need to preserve legacy, risk-taking attitude toward asset price fluctuations, tolerance of future uncertainty, etc.)

# Increase in demented elderly people (DEP)



Source: Cabinet Office, Government of Japan

# Management of DEP's financial assets

How to manage financial assets held by DEP: suggestions from Financial Gerontology (FG)

- **Currently:**

  - Management of DEP's property is often entrusted to a guardian of the adult.  
⇒ inefficient management, misappropriation by guardians

- **FG suggests:**

  - “Proactive approach before people become DEP”:

    - Encourage people to address their longevity risk before they become DEP by utilizing financial products and services such as deferred income annuity

  - “The Second GPIF for DEP”:

    - Set up a public fund to manage DEP's financial assets to raise their living standards by tapping into the capital market's functions

# Key takeaways

- ▶ Longer-than-expected life expectancy and lower-than-estimated birth rate exacerbated difficulties caused by population aging.
- ▶ Population aging have significant impacts on the economy and society, particularly social security systems.
- ▶ Asset-building through self-reliant efforts and better management of seniors' financial assets are gaining in importance.
- ▶ Some major reforms are underway and ideas being raised from various studies including financial gerontology.
- ▶ Opportunities for research to find better solutions to the difficulties caused by population aging. We wish to work with FC/IE practitioners around the world and share our findings.

# Opportunities in difficulties

***Winston Churchill:***

***“A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty”.***

***“Kites rise highest against the wind – not with it”.***

# Contacts:

- ▶ JSDA website:

<http://www.jsda.or.jp/en/index.html>

- ▶ Questions through:

<https://www.jsda.or.jp/contact/app/Contact.php?id=50>

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