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In this paper, we report factor analysis for a stock portfolio owned by individual investors in Japan. It was found that individual investors basically owned small value stocks and had a preference for unsystematic risk. Moreover, the well-known preference for dividends was apparent when they sought to change the proportion of stocks held. Furthermore, the investment performance of individual investors was inferior to that of institutional investors. These preferences and trends are similar to those of individual investors in the US.

Individual Investment Management and Characteristics of Behavioral Economics in Japan

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This study empirically analyzed the influence of individual attributes on individual risk asset selection and asset holding in Japan. As for personal attributes, we used not only standard characteristics related to asset allocation, such as degree of risk aversion and time discount rate, but also accuracy of and over/under-confidence regarding financial knowledge.

We found two main results. First, the following attributes of the household decision maker in asset allocation increase the risk asset ratio: low risk aversion, high score in a financial knowledge test, and over/under-confidence regarding financial knowledge. Second, a high financial knowledge test score increases asset holding amount. Moreover, over-confidence regarding financial knowledge also increases asset holding amount.

Trends in Retirement Income-related Policies in the US: From Asset Accumulation in 401(k) Plans to Decumulation in Retirement	<i>Akiko Nomura, CMA</i>	25
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Defined contribution plans such as 401(k) plans play an increasing role in retirement income plans in the US. Although they are a self-support type of retirement plan, the idea of strengthening the automatic features has been accepted so that more individuals can pursue asset accumulation in a rational manner. More recently, such issues as how to personalize products and services for participants closer to retirement, how to deal with longevity risk in the decumulation phase, and how to deal with the cognitive decline as one gets older are attracting attention and solutions are being sought. In Japan, policy measures to support asset accumulation are being strengthened proactively. Individual DC plans, nicknamed iDeCo, are available to virtually all working generations as of January 2017, and a new type of NISA with a regular investment feature is to debut from January 2018. While these developments are significant, continuing efforts for more improvements and innovative approaches are needed as was the case in the US.

Target Replacement Rate and Savings Rate as New Approach for Accumulators in Building Retirement Assets in Japan	<i>Satoshi Nojiri, CMA</i>	35
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The last 20 years have not seen a shift from saving to investing as had been hoped. I think one of the reasons for this is that people understood the message as ‘to take my money out from bank deposits and put it into markets’, whereas the real message is ‘to put some portion of one’s salary into stocks/bonds and investment trusts and to thereby change the allocation of household assets’. In order to make NISAs and iDeCo more effective, this article introduces the concept of a ‘target replacement rate’ and ‘savings rate’ based on our survey results. To show a retirement-related ‘rate’ and not ‘dollar amount’ is one popular approach for accumulators regarding retirement readiness in the US and UK, but not yet in Japan. But I believe it must be a good tool for Japan too to enable accumulators realize a satisfactory retirement life some 30 or 40 years later and to be aware of the importance of readiness for retirement.

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