

Presentation Title: Improvement of middle class's old age income

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Abstract:

As French economist Thomas Piketty showed in his book "Capital in the twenty-first century", income and wealth inequality in Japan is growing in recent years. He showed that income and wealth of middle class in Japan are declining in this century. Therefore they cannot afford to prepare for their old age life. In addition, Japan's public pension will be reduced due to the declining birth rate and aging society in the future. Because of these reasons, the future income of the middle class will be lower than the current elderly income.

Considering these circumstances, self-help effort to prepare for old age has been more and more important. In Japan, individual type DC scheme was amended in 2016, however there is still room for improvement from the perspective of incentive or behavioral characteristics. In terms of the incentive, while tax merit for high-income class is high, tax merit for the middle income class is relatively low. Also, there is a behavioral characteristic that people would not take trouble to join when the tax merit is low.

In this presentation, I will address the issue of improving middle class's income in their old age life by applying knowledge of behavioral economics which is used in UK NEST or by referencing the merit of Germany's Leister pension.