

Exploring Retirement Planning in Japan

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— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

ABSTRACT

In this paper, the author used her bicultural upbringing raised both in the U.S. and in Japan, and her bilingual abilities in English and Japanese languages to study the retirement planning that the Japanese citizens used. The Japanese citizens have been forced to retire by the Japanese government by age 60 and are not offered the national pension until age 65. This creates frustrations among those that are waiting for sufficient income to support their retirement even they are able and willing to work after age 60. This paper examined the current literature on the Japanese retirement strategies, and the Japanese citizens' retirement planning with qualitative and quantitative approach. This paper found that the Japanese citizens who participated in this study generally are more comfortable with saving than investing. The findings and results of this study added to the knowledge by surveying and updating the current retirement planning behavior of the Japanese citizens and discussing the implication for the future research.

Keywords: financial planning, global business, Japan, pension, retirement, the U.S., workforce.

1.1 INTRODUCTION

The Japanese people in the Japanese mainland have a longer life expectancy relative to that of the world (Inoue, 2016). The Japanese people are encouraged by the Japanese government and its society to consume a healthy diet based on vegetables, fish and fruits in small portions, and exercise moderately to manage their weight, avoid obesity and any preventable illnesses (such as heart diseases, diabetes, etc.) due to lack of attention to diet and physical activity. However, in recent years, even in Japan, the disparity in income has become more prominent than ever (Ministry of Agriculture, Forestry and Fisheries of Japan, 2017). In an increasingly aging society in Japan with fewer younger workers supporting more and more an aging population with taxes, aging households in Japan are experiencing difficulty with financially supporting their retirement (Natuno, Shibamiya, & Watanabe, 2017). Japan offers the public pension to its citizens, but in recent years, because there is a growing gap between high income earners and those that are not, people with less retirement income who have to live out after age 60 are having a frustrating time supporting their retirement (Tsunagawa, n.d.).

However, the public pension offering in Japan starts at age 65, so it is difficult for those who do not have enough savings or financial plans to wait for five years after turning 60 and retiring (Clark & Ogawa, 1992; Martin, 1989; Shimizutani & Oshio, 2010). Some developed nations such as Japan and Korea are becoming increasingly populated with aging individuals because of medical improvements, and thus, people are living longer than they used to several decades ago. While economic development of a country can bring higher standard of living, especially in Japan where people live approximately until 81 for males, and 87 for females on average (Seika wo ageru chieto koudou, 2017; Wilson, 2017), the Japanese national pension, which

supports people older than 65 until their death, has to be supported by the taxes of younger working people who are gradually decreasing in number in comparison to the geriatric population in Japan. In thirty years, it is estimated that a ratio of a person who is older than 65 to the younger workforce will be one to 2.5 (Seika wo ageru chieto koudou, 2017). It is not easy to live out a life after age 65 until one is in their mid-eighties or older with little financial resource and support from family members in Japan (Martin, 1989; Shimizutani & Oshio, 2010).

This paper aims to increase the understanding of the importance of financial planning for the Japanese citizen's retirement because many experiences growing difficulty during their retirement. This paper discusses the details of the Japanese national pension offerings and how people plan for their retirement. Additionally, this paper aims to understand the knowledge of randomly selected Japanese people who lives in Japan with electronic survey. This paper draws the limitations, the implications for the future research from the discussion of the findings, and results.

1.2 RESEARCH OBJECTIVE

The objective of this research paper is to investigate the Japanese citizens' financial planning for their retirement in Japan. Japan is a highly aging society with less and less young generation of workers supporting the national pension system for the elderly over age 65. This paper aims to understand how Japanese people are preparing for their retirement in Japan. This paper adds to the current knowledge of academic studies on the Japanese people's retirement planning.

2.1 LITERATURE REVIEW & STUDY SIGNIFICANCE

Japan is one of the most aging societies, and it is challenging to survive one's retirement; it is imperative to save and plan wisely for one's life after age 65 (Martin, 1989; Shimizutani & Oshio, 2010). The Japanese are taught to save whenever possible because they did not have anything after the defeat of the World War II (Shiba, 1979). Often Japanese are trained to forgo pleasure and live frugally to save for future rainy days. This mentality was pronounced especially in older generations over age of 60 and on as those are the people who experienced the devastation of the Japanese economy after the war.

Making smart financial choices, investing, and living frugally may be installed in many Japanese, but perhaps not in everyone. Alternatively, some Japanese may be taught to live economically but have not been educated enough to know how to save and invest effectively in preparing well for retirement. As one approaches retirement, making sound financial decisions is even more significant than ever because one needs to likely live off of their savings and investments. It is indeed difficult to struggle to survive in one's old age when one needs more expensive medical care from deteriorating health, and needing more physician and hospital visits (Kougaku ryouyouhi seido wo riyou sareru minasama he, n.d.).

According to Martin (1989), older people over age 60 or 65 can support themselves through employment when or if they are given the opportunity to do so. Many of the elderly Japanese people in their 60s and 70s are fit and healthy due partly to the universal health care system in Japan. As a society, Japanese people are encouraged to maintain a reasonable weight and to have a regular exercise through commuting on foot or walking around town. Around 30 percent of Japanese males and 15 percent of Japanese females over age 65 in 1987 were in the labor force in Japan, when only about 16 percent of American elderly males and 7 percent of American elderly females in the U.S. were working to support themselves in 1987 (Martin, 1989; Matsuyama, 2008). As people age, the economy tends to discard them as less efficient

workers in the market. This tends to be true in most economies and nations, but particularly the case in Japan. Thus, it is evident that older people in Japan (and also in the U.S.) are motivated and capable of working and supporting themselves when given a chance to do so.

According to Casey (2005), the Japanese economy has been influenced by the lifetime employment of Japanese men, and as one passes the middle age, one tends to be demoted to a less financially compensated position. Casey (2005) points out that many older workers are working in less structured and unimportant positions. The economy is not always in good condition, managers in Japan are often recommended or forced to retire at an earlier age. As people age and they lose their jobs, more people rely on public assistance to survive and support themselves. However, Casey (2005) recommends to employers of both western and eastern societies to learn to use aging workforce as people around the world are living longer due to medical and technological advances. It is straightforward and easy for employers to dispose of older workers as less useful and unproductive, but those people still have valuable experience to put to use in the job market. With effective human resource management, companies should learn to use aging workforce appropriately with perhaps less financial compensation than the younger more productive workforce.

Clark and Ogawa (1997) state that it is confusing how the Japanese government requires people to retire at age 60 because Japan has the highest labor force participation rate out of any industrialized nations, and it is clear that Japanese people like to keep working well past the age 60. Some Japanese may prefer retiring at age 60, but the author of this paper have heard that many Japanese people would like to keep working even after age 60 because it gives them meaning to live and to participate in their society (Matsuyama, 2008; S. Kamiya, June 30, 2015, personal communications). People in Japan simply feel that the mandatory retirement age of 60 as too early. Clark and Ogawa (1997) claim that it is indeed inconsistent with how Japanese people prefer to keep working in their old age, but the Japanese government requires them to stop working at age 60, yet the Japanese national pension offering does not start until one reaches the age 65.

Wakabayashi (2008) explains that as one ages in Japan, older people after retirement spend less than when they were younger and working. This is because the consumption naturally declines from having less disposable income to spend. The life cycle hypothesis confirms that as one ages and reach their retirement; people consume less because they have less income and money they can spend for pleasure and maintenance of their lifestyle, but also these people who retired may desire or forced into less pleasure and more austere standard of living. In one's older age, people often require more medical attention and care which add up to more expenses in healthcare spending, but it is frustrating that one has less income and money to spend even on health maintenance and visitations to medical facilities (Wakabayashi, 2008).

Rajines (2007) reports that Japan's retirement plans that employers offer has been changing. Historically, Japan's pension program has been a social security system provided by the country, and one combines this with retirement plans offered by one's employers. However, in 2001, Japanese government and policymakers became interested in revision of its pension laws as in the U.S., 42 million people who invested in 401k plans have accumulated considerable wealth over the decades. Japanese companies now are offering Book Reserve Plan (BRP), Tax-Qualified Pension Plan (TQPP), Employees' Pension Fund (EPF) after the 2001 reform of employer-sponsored plans. This passage of the registration in Japan motivated Japanese companies to encourage its workers to be less reliant on company's pension plans that are

employers' liabilities for years to come and rely more on self for their own investment in stock or give one-time cash severance payment (Rajines, 2007).

Though Japan is one of the most rapidly aging societies, there have not been comprehensive studies done in academia to understand how Japanese people living in Japan are preparing for their retirement in such changing demographics. Are the family members such as one's sons and daughters financially, emotionally and physically helping their parents who are waiting to receive pension payments from the Japanese government? It does not appear so (Dailyands, 2017).

How people in Japan surviving their retirement after 60 is not very well known yet there is an understandable frustration among those who are forced to wait without income until age 65 (Martin, 1989; Shimizutani & Oshio, 2010). Even after one receives pension payments, how are they surviving? It is tough to survive one's retirement only with national pension payments in Japan ("Rougo no seikatsu hi", 2017). How are these people who retire in Japan surviving financially? Are Japanese employers and Japanese government effectively educating Japanese people on how to prepare for their retirement? What are financial strategies for Japanese people to successfully save and invest, so one does not need to suffer surviving one's retirement? These questions have not been answered well in presently aging Japanese society with fewer younger working people to support the costs of its aging population (Casey, 2005; Clark & Ogawa, 1997; Clark & Ogawa, 1992; Makino, 1994; Matsuyama, 2008; Rajnes, 2007; Wakabayashi, 2008; Yashiro, 2009; Yoshida & Yuki, 2004). This paper adds to the knowledge by exploring and investigating such unanswered questions and the gap that exists in the current literature. The researchers and practitioners are able to deepen their awareness and understanding of aging phenomena in Japanese society, its retirement planning, and how people who retired are surviving their retirement living.

2.2 RESEARCH QUESTION (Qualitative and Quantitative) and HYPOTHESES (Quantitative)

This paper used the following research question and hypotheses to guide its direction of the investigation.

RQ:

How do the Japanese citizens in Japan prepare for their retirement in its increasingly aging society?

H1:

The Japanese citizens of the present are risk-averse about investing and are more comfortable with saving.

H1A:

The Japanese citizens of the present are neither risk adverse about investing nor saving.

This study inquired whether the Japanese citizens use financial advisors, employee financial education on retirement planning, and whether the Japanese citizens see themselves as financially literate or confident in their financial knowledge to make investment decisions. Whether Japanese citizens have family and friends to help support during their retirement was studied.

3.1 METHODOLOGY (Qualitative and Quantitative)

In this finance paper, the qualitative study interviewed eight Japanese nationals who reside in Japan on their retirement planning and strategies. The researcher interviewed those who are in

their legal adult ages of 18 or above. The qualitative study used the contents of Japanese governments' official documents on elderly pension system offerings in Japan to analyze the interviewed information. Also, it used non-profit-organizations who inform the elderly in Japan on retirement planning.

Similarly, the quantitative study administered a five-level Likert score survey (e.g. strongly agree to disagree strongly) to a group of Japanese citizens who reside in Japan. The quantitative study was designed to understand the situation of Japanese people's retirement such as self-reported education on financial planning, and other retirement related matters. The survey contained ten questions.

Data Collection (Qualitative)

This qualitative study interviewed eight Japanese national research participants who resided in Japan over the period of October 2017 via an online conference call. The researcher in the U.S. and participants in the Tokyo area in Japan had about an hour interview per each participant.

Data Collection (Quantitative)

The quantitative study collected primary data from a group of Japanese citizens who lived in the Tokyo area during October 2017. The survey was created in the Japanese language by the researcher who is fluent in both English and Japanese. This study collected 40 responses via the online survey.

Data Analysis (Qualitative)

The qualitative portion of this study used the analysis of Japanese government's websites and documents on pension system, non-profit-organizations' website that were provided inform retiring citizens in Japan on financial planning. The study uses current literature on Japanese retirement to understand the interviews with Japanese citizens who are preparing for retirement or are already retired. Sample qualitative interview questions are in Appendix A.

Data Analysis (Quantitative)

The primary data collected for the quantitative study was the five-level Likert score survey result from a group of Japanese citizens who resides in Tokyo, Japan. The study assessed its response rate and used only complete responses by participants for data analysis. It discarded partially answered surveys because the use of such data skews the outcome of analysis.

The survey studied self-reported financial education (financial literacy) or information to Japanese people who are retiring, and matters related to their preparedness for the retirement, such as investment and saving behaviors, reliability of government pension system. Sample quantitative survey questions are in Appendix B.

4.1 FINDINGS

(Qualitative)

The findings of qualitative interview with the eight research participants are summarized in Table 1 with categories such as age, gender, occupation (if not already retired), retirement preparedness, investment behavior, self-reported financial literacy, family support and marital status, education level, whether one believes the Japanese government pension system is reliable for retirement, desire to work after age 60, and one's health condition.

Table 1: Findings of the Interviews

Participant	Age	Gender	Occupation	Retirement Preparedness	Investment Behavior	Savings Behavior
1	55	M	Food Ind. Manager	No	Moderate	High
2	70	F	Part-time Retail	No	None	High
3	30	M	Engineer	Maybe by 60	Moderate	High
4	37	F	Pharmacist	Maybe by 60	None	Moderate
5	25	F	Hospitality	No	None	High
6	33	F	Radiology	No	None	High
7	59	F	Part-time Retail	Yes (Husband Executive)	Moderate	High
8	42	M	Teacher	Not sure	No Answer	No Answer
Participant	Self-Reported Financial Lit.	Family Support/ Married?	Education Level	Govt. Pension Reliable?	Desire to Work after 60?	Health Condition
1	Moderate	Yes Married	Master's	No	Yes	Good
2	Moderate	No Single	Bachelor's	No	If able	Poor (cancer)
3	Moderate	Yes Single	Doctorate	No	If needed	Good
4	Moderate	Yes Single	Master's	No	Yes	Good
5	Low	Yes Single	Highschool	No	Yes	Good
6	Moderate	Yes Widowed 2 Children	Bachelor's	No	Yes	Good
7	Moderate	Yes Married	Bachelor's	No	If needed	Good
8	Moderate	Yes Single	Master's	No	Probably	Good

Table 2: Results of the Five-Level Likert Survey

	Total	Male	Female	Age 18-25	Age 26-35	Age 36-45	Age 46-55	Age 56-65	Age 66+
Q1: Level of Comfort in Investing in Stock	12	6	6	18-25	26-35	36-45	46-55	56-65	66+
Not comfortable at all (1) or not comfortable (2)	6	3	3	1	1	1	1	1	1
Neither comfortable or uncomfortable (3)	3	2	1	0	0	0	0	1	2
Very comfortable (5) or comfortable (4)	3	1	2	0	1	1	1	0	0
Q2: Level of Comfort in Investing in Real Estate									
Not at all comfortable (1) or not comfortable (2)	4	1	3	1	1	0	1	0	1
Neither comfortable or uncomfortable (3)	5	2	3	0	1	2	0	0	2
Very comfortable (5) or comfortable (4)	3	3	0	0	0	0	1	2	0
Q3: Level of Comfort in Making Financial Decisions									
Not at all comfortable (1) or not comfortable (2)	2	1	1	1	0	0	0	0	1
Neither comfortable or uncomfortable (3)	7	4	3	0	1	2	1	2	1
Very comfortable (5) or comfortable (4)	3	1	2	0	1	0	1	0	1
Q4: Level of Comfort with Saving									
Not at all comfortable (1) or not comfortable (2)	0	0	0	0	0	0	0	0	0
Neither comfortable or uncomfortable (3)	2	1	1	1	1	0	0	0	0
Very comfortable (5) or comfortable (4)	10	5	5	0	1	2	2	2	3
Q5: Frequency of Act of Saving									
Never save (1) or not save often (2)	0	0	0	0	0	0	0	0	0
Save half of the time (3)	3	2	1	1	2	0	0	0	0
Always save (5) or save often (4)	9	4	5	0	0	2	2	2	3
Q6: Level of Self-Confidence in Financial Knowledge									
Not at all informed (1) or not informed (2)	3	1	2	1	1	1	0	0	0
Neither informed or uninformed (3)	5	3	2	0	1	1	1	0	2
Very informed (5) or informed (4)	4	2	2	0	0	0	1	2	1
Q7: Frequency of Act of Investing									
Never (1) or rarely invest (2)	3	1	2	1	1	0	0	0	1
Invest half of the time (3)	7	3	4	0	1	2	2	0	2
Always invest (5) or often invest (4)	2	2	0	0	0	0	0	2	0
Q8: Level of Satisfaction with Financial Education by the Japanese Government									
Not at all satisfied (1) or satisfied (2)	6	3	3	1	2	2	0	0	1
Neither satisfied or not satisfied (3)	4	2	2	0	0	0	2	2	0
Very satisfied (5) or satisfied (4)	2	1	1	0	0	0	0	0	2
Q9: Self-Reported Financial Dependability of the Government's Pension and Social Security Plans for Retirement									
Not at all dependable (1) or not dependable (2)	10	6	4	1	2	2	2	2	1
Neither depend or not depend (3)	2	0	2	0	0	0	0	0	2
Highly dependable (5) or dependable (4)	0	0	0	0	0	0	0	0	0
Q10: Level of Comfort in Financial Security for Retiring									
Not at all comfortable (1) or not comfortable (2)	7	4	3	0	0	1	2	2	2
Neither comfortable or uncomfortable (3)	4	2	2	0	2	1	0	0	1
Very comfortable (5) or comfortable (4)	1	0	1	1	0	0	0	0	0

Analyzing the findings in Table 1, the higher the education level, participants tend to feel more secure about their retirement because their high educational attainments usually offer higher paying jobs. Research participants who are not highly educated nor have high paying jobs but are married to spouses with high income also felt relatively secure about retirement. Research participants believed that having support systems such as extended family and marriage tends to offer a safety network during retirement.

One research participant is living alone with no family support and is single, with a low paying part-time job with poor health condition such as cancer. This individual feels very concerned with retirement and her future medical care and survival during retirement. She wants to work to support herself, but she finds it difficult to hold a full-time job due to her illness. She wants to work after age 60 to support her retirement. Almost all participants desire to work after the age 60 (when most working Japanese people are asked to retire from careers) to support their lives during retirement (Research participant 2, October 6, 2017, personal communications).

All participants (100 percent) responded that they did not count on Japanese government pension system or social security alone to provide meaningful financial support for their retirement, which was statistically significant. Almost all participants had high savings behaviors and none or moderate investment behaviors, which was statistically relevant. Most participants responded that they were moderately financially literate to make savings and investment decisions to prepare for their retirement.

4.2 RESULTS

(Quantitative)

The quantitative portion to test the hypotheses with five level Likert-style survey to understand the Japanese people's retirement preparedness resulted in a very small sample size of 12 respondents to analyze. This quantitative study was able to collect 12 complete survey responses from participants who reside in Japan in October 2017.

The results (primary data collected and categorized via total number of responses, gender, and age groups) of the five-level Likert score electronic survey of 12 complete responses are presented in Table 2. The researcher sent out 40 electronic surveys to Japanese residents in the Tokyo area, and received 20 surveys in October 2017. However, of 20 returned surveys, only 12 surveys were complete. The study uses these 12 completed surveys for data analysis. Of 12 complete surveys, six respondents were male, and another six were female. Of 12 complete surveys, one respondent represents ages 18 to 25, two respondents belong to ages 26 to 35, two in 36 to 45, two in 46 to 55, two in 56 to 65, two in 66 to 75, and one in over 75 age categories. Descriptive analysis of the primary survey data collected were as follows:

Level of Comfort in Investing in Stock

The result shows that most respondents in this survey were not comfortable with investing in stock. Six out of 12 respondents (50 percent) answered not comfortable at all with investing (score 1) or not comfortable with investing in stock (score 2). 50 percent of respondents reported that they were not confident in investing in stock was statistically relevant but not significant. Three respondents out of 12 (25 percent) said neither not comfortable nor comfortable with investing in stock (score 3). Three respondents (25 percent) answered comfortable with investing in stock (score 4) or very comfortable with investing in stock (score 5). Few participants in younger age groups 26 to 35, 36 to 45, 46 to 55 showed they were more comfortable than others in the sample group with stock investments. From this limited sample, male showed slightly higher comfort level than females in stock investment.

Level of Comfort in Investing in Real Estate

Five out of 12 respondents (41.6 percent) answered that they were neither comfortable or not comfortable with real estate investments (score 3). Two respondents (16.6 percent) answered very comfortable with real estate investment (score 5). Three respondents (25 percent) answered not comfortable with real estate investment (score 2). No one age group or gender are particularly comfortable or uncomfortable with real estate investment.

Level of Comfort in Making Financial Decisions

Seven out of 12 respondent (58.3 percent) answered they were comfortable nor uncomfortable with financial decisions (score 3). Three respondents (25 percent) answered they were comfortable (score 4), and two respondents (16.6 percent) answered uncomfortable (score 2) with financial decisions. No one age groups or gender were more comfortable or uncomfortable with financial decisions.

Level of Comfort with Saving

The results show that respondents tend to be comfortable with saving. Five out of 12 (41.6 percent) respondents answered very comfortable (score 5) and another five (41.6 percent) said comfortable with saving (score 4). Thus, 83 percent of participants answered that they feel comfortable with saving, which is statistically relevant. Two (16.6 percent) said they were neither comfortable nor uncomfortable with saving (score 3). No gender or age groups were uncomfortable with saving.

Frequency of Act of Saving

The results showed that most respondents were comfortable with saving frequently. Four out of 12 respondents (33.3 percent) answered very comfortable (score 5) and another five (41.6 percent) said comfortable with saving frequently (score 4). 75 percent of respondents said they were comfortable with saving frequently, which was statistically relevant. Three (25 percent) said they were neither comfortable nor uncomfortable with saving frequently (score 3). No gender or age groups were uncomfortable with saving frequently.

Level of Self-Confidence in Financial Knowledge

Five out of 12 respondents (41.6 percent) said they feel they were neither financially informed and not informed (score 3). Three (25 percent) said they were financially informed (score 4), and two (16.6 percent) said they were not financially informed (score 2). No gender or age group were particularly informed or uninformed financially.

Frequency of Act of Investing

The results showed that this sample was mostly neutral around investing frequency. Seven out of 12 respondents (58.3 percent) said neither invest often nor not invest often (score 3). Two (16.6 percent) said they invest often (score 4), and three (25 percent) said they do not invest often (score 2). No gender or age groups showed the tendency to invest or not invest often.

Level of Satisfaction with Financial Education by the Japanese Government

The survey result showed that participants were satisfied with financial information provided by the Japanese government. Three out of 12 respondents (25 percent) said not at all satisfied with (score 1) and another three respondents (25 percent) said not satisfied with (score 2) financial information given by the government. 50 percent of respondents were not satisfied with the financial education provided by the government on retirement planning. Four out of 12 respondents (33.3 percent) said they neither were satisfied nor not satisfied with financial information offered by the government (score 3).

Self-Reported Financial Dependability of the Government's Pension and Social Security Plans for Retirement

The results showed clear concern for the dependability of the Japanese government pension and/or social security plans alone to support oneself for retirement. Nine out of 12 respondent (75 percent) said they not at all depend on the Japanese government's pension and/or social security plans alone for retirement (score 1). One respondent selected score 2 for not depending

on the Japanese government pension system alone for retirement (8.3 percent). Total of 83.3 percent of respondents did not depend on the Japanese government pension and/or social security plans alone for their retirement.

Level of Comfort in Financial Security for Retiring

The results show the tendency to be uncomfortable with retiring and feeling financially insecure about doing so. Three out of 12 respondents (25 percent) said not at all comfortable with retiring (score 1), four (33.3 percent) said not comfortable (score 2), four (33.3 percent) said neither uncomfortable nor comfortable with retiring (score 3). 58.3 percent of respondents said that they are financially unprepared to retire. No gender or age groups showed significant difference in their level of comfort with their financial security with retiring.

In sum, from the results of this survey, H1 was verified and H1A was not confirmed. The findings and results of the study showed that Japanese citizens were uncomfortable with investing, and they reported that they were comfortable with savings. Thus, this quantitative study showed that Japanese citizens prepared for their retirement more by saving than investing both in frequency and amounts.

5.1 DISCUSSION

(Qualitative and Quantitative)

According to OECD, Japan Ranks Eighth out of 35 Membered Nations for Elderly Poverty

This study found that Japanese citizens are very comfortable with saving and they save often. What is the reality of Japanese aging population's standard of living? According to Organization for Economic Cooperation and Development (OECD) (2015) of 35 membered countries, poverty in Japanese people who are older than 65 is still significant. The prevalence of elderly poverty in Japan is 7 percent higher than the OECD member nations average, and it is about the same percentage as the U.S. elderly people who are living in poverty. Japan ranks as the eighth highest poverty rate among elderly people among 35 membered nations of OECD. Poverty in elderly in Japan was around 19 percent in 2011. Other OECD participating nations such as Italy had 11 percent elderly poverty rate, Germany has 10 percent, the U.K., Sweden, and Canada had below 10 percent in 2011 (OECD, 2015).

In Japan, people who live in poverty were making below 1,220,00 Japanese Yen in 2012 according to the Ministry of Health, Labor, and Welfare (2012). This data shows that about one in five Japanese people over the age of 65 are living under the poverty level (Ministry of Health, Labor, and Welfare, 2012). One might question whether or not younger people who are raising children may need to spend more money than older people who only need to support their living, but these retired older people might not be experiencing many difficulties with a smaller income.

Fujimori (2015) explains that when one has small cash flow, such a person generally has small savings from his statistical analysis. Especially those who are living in poverty in Japan, elderly below poverty line are struggling to meet their daily needs. In addition, looking at poverty in Japan closely, those who live alone as a retired resident, experience higher likelihood of poverty (Hinkon Toukei Home Page, 2014). According to Hinkon Toukei Home Page (2014), where data of Japanese people living under poverty level are analyzed using statistical techniques, in 2012, males over the age 65 who were living alone under poverty was about 30 percent, and females over the age 65 who were living alone under poverty was about 45 percent in Japan. This trend is evident in the findings of this study.

Could the Japanese Government Help Elderly Residents in Poverty?

According to the National Institute of Population and Social Security Research (2014) in Japan, in twenty years, there will be increase in elderly Japanese residents over the age of 65 by 66 percent for males and 38 percent for females. This survey predicts that more elderly Japanese will be living alone and will be single (National Institute of Population and Social Security Research, 2014). Traditionally, Japanese are more private than Chinese though both Asian cultures are collectivistic (Hofstede Center, n.d.). It might be reasonable to assume that some older people in Japan might be enjoying high income single lifestyle, but some people cannot work full-time jobs due to unfortunate employment situations or opportunities and cannot accumulate savings in working years. Thus, as Yabe (2015) states, there are many older retired Japanese single residents who struggle with poverty at their old age.

Those elderly Japanese residents who experience poverty in their retirement simply because of their lack of knowledge of how the national pension system works. When one fails to make payments into the national pension in their working years, they cannot receive any basic national pension when they reach the age 65. The author of this paper personally knows that some younger people in Japan choose not to pay into the national pension system because they need to pay in much more than they feel they are getting back in return and decide to invest their income some other ways. In addition, when people did not work in full-time positions with benefits, it is very difficult to receive social security pension in Japan because this is only paid through employers' contributions for their employees' retirement. In Japan, one needs to pay 25 years into both the national pension system and the social security pension system to receive retirement payments from the age 65. Some Japanese workers cannot fulfill such a long continuous working period requirement, and they experience the lack of pension payments even though they may have paid into the system for many years (Research participant 3, October 10, 2017, personal communications).

To decrease the likelihood of people who cannot receive any pension payments from the Japanese government, there is a debate for decreasing the payment requirement period from 25 years to 10 years. This helps some Japanese who have made payments into the national pension system or the social security pension system so that more people are eligible to receive the national pension payments at age 65, but one needs to plan to save effectively to avoid poverty in one's old age because it is difficult to live on pension payments from the Japanese government alone (Horie, 2015).

Could the Japanese Society Offer More Employment for Elderly?

This study found that most Japanese people desire to work after age 60 to support their living. It will be helpful for elderly people in their 60s and 70s and over to be able to participate in the workforce in Japan, as many Japanese are still healthy at age 60 when government require them to retire from work (Yabe, 2015). Coupled with how younger people are deciding not to have children due to difficulties in raising them and balancing careers, it makes sense to have older people join the workforce to help them support themselves. It is estimated that national pension and social security payments in Japan will decline as the country becomes highly populated with people older than 65 (Horie, 2015). In twenty years, there will be 25 percent of people who are over 65 in Japan (Horie, 2015). Because there will be less and less young workers who will contribute to the pension system in Japan, the money that when people reach the age of 65 can receive from the national pension and social security will decline relative to the decrease in younger people that will be working (Research participant 4, October 14, 2017, personal communications).

It will be beneficial for both the older people and Japanese society if older Japanese who are able to work to be employed and delay their receipt of national pension and social security payments. When people in Japan can delay their age of receiving the pension payments from the Japanese government, they can increase their value of the pension for rest of their lives. For example, when one increases the pension receipt until age 70 from age 65, they will increase the payment value by 42 percent (Horie, 2015). This will help older workers who are healthy and well enough to participate in the work world and to live independently on their income and the national pension and social security when they start to receive payments at age 70 (Research participant 5, October 18, 2017, personal communications).

In addition, the Japanese government should allow workers who are not salaried or part-time to also participate in social security pension system. Social security system in Japan are contributed by salaried workers and business owners. When people are working in temporary jobs or part-time jobs are allowed to participate in Japanese social security system, at the end, people who are paying into the social security will increase, so more people's overall pension payments from the government in Japan will increase (Fujimori, 2015). The full amount of national pension payment is currently 65,000 Japanese Yen per month, and many in this basic national pension plan are people who were only able to work part-time, or temporary work are participating (Horie, 2015). It is nearly impossible to survive only on 65,000 Japanese Yen a month, considering that many apartment rent costs over 100,000 Japanese Yen in most Japanese cities (Research participant 6, October 22, 2017, personal communications). One needs to have other means to support oneself to survive in retired years because older people often fall ill easily and get sicker as they age, naturally needing more medical care and nursing, which are very expensive (Research participant 7, October 22, 2017, personal communications).

Japan's national pension system was originally designed for farmers and small business owners who never retire, but to help them aid in their older age with supplemental income (Fujimori, 2015). It was never intended for people to solely rely on the national pension alone after the age 65 to live. With more people living single in their older age and many needing financial and medical assistance in retirement in Japan, the government should offer welfare assistance to those older people who no longer work and are in need. It is pointed out that globally, Japan does not offer enough assistance to people who are struggling in poverty especially in their older years. Most people who use the welfare system do not abuse them but they truly need the assistance in Japan. Only about 0.5 percent of people who received welfare were considered not legitimate (Fujimori, 2015). For instance, in the U.K., older people who need assistance are able to receive aid from the government, and poverty rate in elderly visibly decreased (Fujimori, 2015). Though it is healthy to encourage those who are older and able to work to participate in employment with the understanding of employers who will give opportunities to older workers, Japanese government needs to work on multiple areas to improve the retirement living for the Japanese residents (Research participant 8, October 30, 2017, personal communications).

Financial Education and Awareness in Japan

Self-reported financial literacy of Japanese people from this study was moderate. There are many people in Japan who worked many years of their lives and did not realize that they will be living in poverty as they retire (Fujimori, 2015; Yabe, 2015). This phenomenon of elderly retired Japanese people who are struggling to make everyday living and meet their basic needs and health maintenance is unfortunate because most of these people did not live a luxurious lifestyle while they were working or that they did not have good income while they were working. Although it is difficult to know how much wealth accumulation is enough for each

individual, Pfau (2011) found that as one ages, investors prefer to take less risk. People usually have certain goals on how much wealth they want to accumulate by the time they retire. Pfau (2011) shares that one should invest more aggressively unless they have around 10 percent of incomes as savings. It is generally recommended that one invest as aggressively while they are younger and able to invest more money compared to one's older years (Pfau, 2011).

Japanese are taught to save whenever possible and not live wastefully because many of those who worked to build the country after the war did not have anything. This is confirmed by the results of this quantitative study. The study shows that Japanese people are very comfortable with saving but are more uncomfortable about investing. While some people who are educated in financial information do invest in stocks and real estate in Japan, most Japanese people are raised in risk-averse culture (Hofstede Center, n.d.) that they are unfamiliar with investing in stock other than their own company's (Research participant 1, October 2, 2017, personal communications). This study found that Japanese people feel uncomfortable taking risks and investing in stock even when they have well-compensated jobs with benefits. Generally, these Japanese people are comfortable working for employers and collecting their salaries, then they save a portion of their income and then they will spend on rent, mortgage, children's education, etc. but they generally do not aggressively invest (Research participant 1, October 2, 2017, personal communications; Research participant 4, October 2, 2017, personal communications; Research participant 7, October 2, 2017, personal communications). It is certainly helpful to be risk-averse in certain instances to avoid foolish loss of assets, but it will be helpful for the future security of one's financial health of retirement years to take reasonable investing risk to accumulate wealth when possible (Pfau, 2011) especially when one has a secure full-time job in Japan.

This study has found that Japanese people especially between ages 60 to 65 are frustrated with the lack of monetary income as they are forced to retire yet the national pension and social security payments only start from age 65. Hiroe (2015), Fujimori (2015) and Yabe (2015) have recommended that the Japanese government should let Japanese elderly and working age people to participate in social security pension system and delay the receipt of payments until age 70 so that Japanese people will have more national and social security pension payments at age 70 to support their retirement living. In addition, Hiroe (2015), Fujimori (2015) and Yabe (2015) have also recommended that Japanese government should encourage businesses to allow healthy and competent older workers to keep working or work in less compensated but still meaningful jobs so that older Japanese people can rely on income and not solely rely on pension payments from the Japanese government.

This study has found little evidence that Japanese people are well informed of financial investments in stock or other financial assets. Japanese people are conservative about spending and are comfortable with saving, but many of the retiring people are still experiencing lack of financial means to support their retirement. Lusardi and Mitchell (2007) have found that vast majority of people around the world are financially literate to make any type of investment decisions. Lusardi and Mitchell (2007) mentioned that due to Japan experiencing the loss of the war and they have very little money or resources at that time, the Japanese government strongly worked on building Japanese people's conditioned behavior to save whenever possible and live frugally. However, Japanese government after the war did not encourage Japanese to invest in stocks and other financial assets to accumulate wealth for the future. Rajines (2007) reported that Japanese companies that are offering retirement plans to their employees are evolving since 2001 because Japanese companies realized that Americans with 401k plans have accumulated a significant amount of wealth. More Japanese companies are encouraging its

workers to invest on their own rather than rely on pension contributions from companies' payments to the Japanese government social security system. However, Japanese people still need to actively educate themselves about financial investments and take reasonable risk to accumulate wealth rather than saving their income when their savings are not invested and potential successful return on investment to be lost due to passing on optimal investment opportunities during working years.

5.2 LIMITATIONS

This study has some limitations. First, this study's sample size is too small to make a broad generalization about the retirement strategies chosen by individuals who live in Japan. This study is not intended to draw generalizable conclusions based on the small sample size used in this study. Second, this study does not use sophisticated statistical analysis to understand associations and relationships between the variables examined. Such rigorous statistical analysis is out of scope of this study. This study's aim is to inform scholars to help them further their understanding of retirement strategies in Japan. However, it should not be used as a sole source to draw a generalizable conclusion or trends about current retirement strategies chosen by those in Japan. Third, another limitation of this study in both qualitative and quantitative approaches are due to limited time, restriction by the small sample size, and limited access to Japanese people who are nearing their retirement or are already retired. Fourth, this study is done to understand the retirement planning and strategies of Japanese people in Japan, which is one of the most aging societies relative to other countries. Though it is important to understand how one would prepare for retirement in Japan, this gained knowledge from this study cannot be generalized to other residents in other nations. Further, to understand the details and comprehensiveness of how Japanese people are preparing and surviving their gap years in retirement from age 60 when they are required to retire to age 65 when Japanese people can start to receive Japanese national pension offerings, we need further research and investigation.

5.3 FUTURE RESEARCH IMPLICATIONS

Future researchers can address the limitations of this study and use a larger sample size to draw statistically significant results to inform scholars of trends and associations between variables studied in this research. Future scholars can further use more rigorous statistical tests than this study did and test existing theoretical models that this study was unable to examine.

This study has found that the Japanese people are diligent about saving their income. However, many of them are taught to save, but they are not educated or feel comfortable enough to take a reasonable risk and to invest a portion of their income. Though Japanese companies themselves make investment decisions, individual Japanese people are still not used to investing in stocks or other financial instruments. Future research can focus on how such strongly installed Japanese belief in saving over investing has gradually changed since 2001 when Japanese companies started to encourage their employees to invest on their own to prepare for their retirement rather than relying on companies' contributions to the social security system and Japanese government's national pension payments. Because younger working Japanese people are pessimistic about receiving much social security or national pension payments as they are made to pay into such systems heavily yet return of payments are expected to be less compared to older generations who are retiring or have already retired.

5.4 CONCLUSION

It is commonly known that Japanese people have one of the longest life expectancies in their 80s due to its culture reinforcing healthy diet choices and regular exercise. However, this study learned that Japanese people are taught to save since the end of the war but are still relatively

uncomfortable about investing as individuals and taking some risks for future return on investment to make their retirement living more comfortable rather than miserable. Though life does involve luck, and some are fortunate to retire well and live comfortably and are well taken care of, this study found that more people who lived worked hard are still struggling to meet their basic needs after they retire in Japan. Of course, there is risk involved in any investment decisions, but it is worthwhile to take some risk to invest while one can accumulate some wealth before their retirement.

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APPENDIX A:

21 Sample Qualitative Interview Questions

- 1) Do you feel ready to retire at age 60?
Do you feel financially secure now that you are retired?
- 2) Do you plan to work after age 60 to support yourself?
- 3) How are you preparing for your retirement?
Do you save or invest?
- 4) How old are you?
- 5) What is your gender?
- 6) Do you think your family members or friends might help you during your retirement?
(Do you have a support system?)
- 7) Do you feel you are knowledgeable enough to make financial or investment decisions?
Do you feel government and/or corporate financial information/education prepared you well for retirement?
Do you rely on the financial advisor to make financial decisions?
- 8) How much do you spend each year (or each month)?
- 9) What is your annual income?
- 10) How much do you have in savings?
- 11) How much do you invest in stock?
- 12) How much do you invest in real estate?
- 13) Do you invest in anything other than stock or real estate, if so what and how much?
- 14) How much do you save each year?
- 15) What your monthly expenses?
Do you rent or own home?
What is your monthly mortgage?
- 16) Do you spend a significant amount of money on medical, educational or living expenses or anything else?
Are you healthy or are you very ill?
- 17) Are you married or single?
- 18) What type of retirement pension and/or retirement plans do you have?
- 19) What is or was your profession or occupation?
- 20) What is the highest degree completed? (high school, technical school college, graduate or professional school?)
Do you have any professional licenses or credentials?
- 21) How many years have you been in the workforce?

APPENDIX B:

Ten Sample Quantitative Five-Level Likert Score Survey Questions

- 1) Not comfortable at all with investing in stock (1) –
Very comfortable with investing in stock (5)
- 2) Not at all comfortable with investing in real estate (1) –
Very comfortable with investing in real estate (5)
- 3) Not comfortable at all with financial decisions (1) –
Very comfortable with financial decisions (5)
- 4) Not comfortable at all with saving (1) –
Very comfortable with saving (5)
- 5) Never save (1) –
Always save as much as possible (5)
- 6) Not at all financially informed and capable (1) –
Very financially informed and capable (5)
- 7) Never invest (1) –
Always invest as much as possible (5)
- 8) Not at all trust financial information given by government (1) –
Able to highly trust financial information given by government (5)
- 9) Not at all trust government's pension and/or social security plans for retirement (1) -
Able to highly trust government's pension and/or social security plans for retirement
(5)
- 10) Not at all comfortable with retiring (financially insecure) (1) –
Very comfortable with retiring (financially secure) (5)