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Japanese Households' Financial Asset Allocation: A Critical Study of the Government's Asset Relocation Policy

（**Executive Summary**）

This study critically analyzes the Japanese government's policy to shift households' financial assets from bank deposits to investment instruments. There are three points for discussion; (1) whether U.S. households' allocation pattern should be used as a benchmark, (2) the effects of long-term stagnation of the Japanese economy on households' asset accumulation, and (3) the macroeconomic impact of asset relocation. Regarding the first point, the financial asset allocation patterns of U.S. households are severely affected by the top 5 percent asset group, whose risk-asset ratio is significantly higher than average households. Therefore, great caution should be exercised when using the U.S. allocation pattern, derived from the aggregate household financial assets, as a benchmark for policies aimed at relocating Japanese households' financial assets toward risky assets. Regarding the second point, the growth rate of Japanese households' financial assets are distinctly lower than that of U.S. households. This is mainly owing to long-term stagnation of the Japanese economy and sluggish stock prices. Additionally, the low risk-asset ratio among the Japanese younger generation is not caused by their risk aversion, but mainly because of liquidity constraints resulting from holding risky nonfinancial assets, such as real estate. Regarding the third point, the corporate sector remains a fund-surplus sector in Japan. This implies that its growth is not hampered by liquidity constraints and that shifting households' bank deposits to risky assets will not accelerate the Japanese economy's growth rate. Conversely, as the economy grows faster, households will spontaneously increase investments in risky assets as disposable income increases and liquidity constraints are relaxed.

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1.Foreword

Financial assets held by the Japanese household sector in 2022 was US$ 14.9 trillion, or US$ 118,000 per head, which is much less than that of the U.S. household sector (US$ 115.5 trillion/US$ 348,000 per head). The asset allocation patterns for both countries are shown in figure 1.

（Figure 1）Financial asset allocation of Japanese and U.S. households
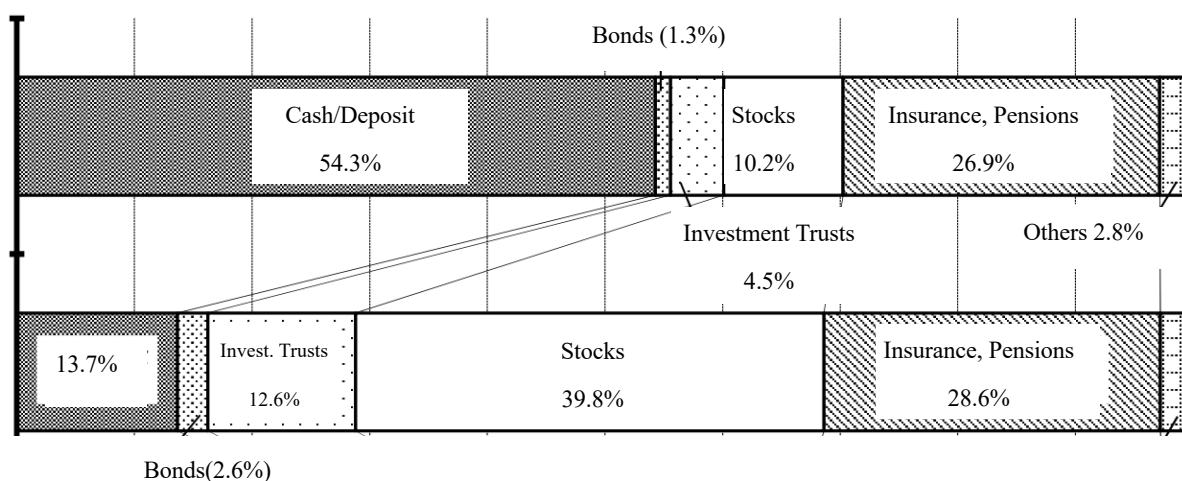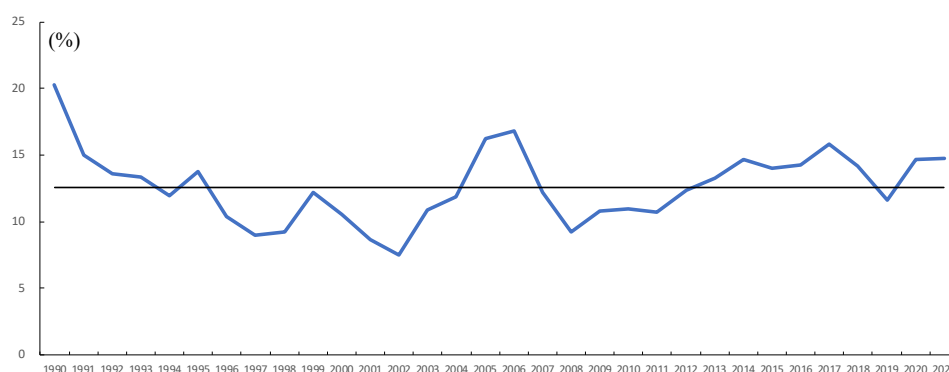

(Source) BOJ (2022).

The Japanese Financial Services Agency (FSA), the government's financial regulation body, and some economists argue that the portfolio allocation of Japanese households is significantly biased toward bank deposits (checking and time deposits) and cash compared to that of U.S. households, citing the data shown in figure 1 as evidence. This figure was published by the Bank of Japan, as a part of the "Flow of Funds Statistics of Japan, the U.S. and the Euro area."

According to this figure, Japanese households have a lesser share of stocks/investment trusts (Japan=15.7%, U.S.=52.4%) than U.S. households, while majority of financial assets are allocated to bank deposits (Japan=54.3%, U.S.=13.7%). The FSA and some economists contend that Japanese households must shift their financial assets from bank deposits to stocks and investment trusts based on U.S. households' asset allocation. The FSA campaign to "shift from bank deposits to investment instruments"

began in the late 1990s[2].

Despite the efforts of government and financial institutions, asset relocation toward investment instruments has barely realized in the last 20 years. Figure 2 depicts the share of risky assets as a percentage of total financial assets beginning from 1994, a few years from the burst of the "bubble" in 1990–91. Although the risky asset ratio fluctuated as share prices moved, no upward trend was observed during this period.

（Figure 2） The share of risky assets (stocks and investment trusts) of Japanese households

(Source) BOJ (2022).

Several recent studies published in Japan have concluded that the shift from bank deposits to investment instruments has not occurred in the last 20 years[3].

This study critically analyzes the government's promotional policy to shift Japanese households' asset allocations from bank deposits to investment instruments by examining data. This study discusses three points; (1) issues related to benchmarking U.S. asset allocation, (2) the negative effects of the long-term stagnation of the Japanese economy, and (3) the macroeconomic effects of asset relocation.

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[2] FSA has adopted a new slogan "shifting from bank deposits to a more efficient asset allocation plan," which is more reasonable than the previous one.
[3] Maeda (2017) and Hirota (2018) are examples of such research papers.

2. Issues related to benchmarking the U.S. asset allocation

This chapter explains the reasons against using the asset allocation of U.S. households as a benchmark for evaluating that of Japanese households.

2.1. Problems with using the U.S. asset allocation pattern as a benchmark

First, it is important to note that considering the asset allocation pattern shown in figure 1 as representative of "typical" or "average" families would be a misunderstanding. The data used in figure 1 were derived from the flow of funds statistics, which are macroeconomic statistics capturing financial transactions between major economic sectors in a country, such as the household, corporate, government, and overseas sectors, and their balance sheets. Figure 1 shows how each country's household sector allocated financial assets as a whole. Therefore, the allocation patterns of individual households could differ significantly from those shown in the figure.

In reality, financial asset allocation of individual households is determined by income level, age, asset/liability conditions, and other factors. Therefore, there is no unique optimal allocation pattern suitable for all households. In other words, the U.S. asset allocation pattern for the household sector, shown in figure 1, cannot be considered optimal.

Second, to evaluate the suitability of the allocation pattern of U.S. households, the allocation patterns of other developed countries are shown in figure 3 for comparison. It clearly indicates that the allocation pattern of the U.S. household sector is an outlier compared to those of other developed countries.

The unique asset allocation pattern in the U.S. is closely related to the uneven distribution of financial assets among households. To verify this phenomenon, household survey data are available for the U.S. and Japan. Figure 4 displays the outstanding amount of financial assets held by households, categorized into five (Japan) and four (the U.S.) groups based on the average outstanding amount of financial assets. The wealthiest Japanese group owns 57 times as many assets as the poorest group's average, while in the U.S., the wealthiest group holds 240 times as many assets as the poorest group, indicating that financial assets are held quite unevenly in the U.S. compared with Japan.

（Figure 3）The financial asset allocation of the household sector in European countries
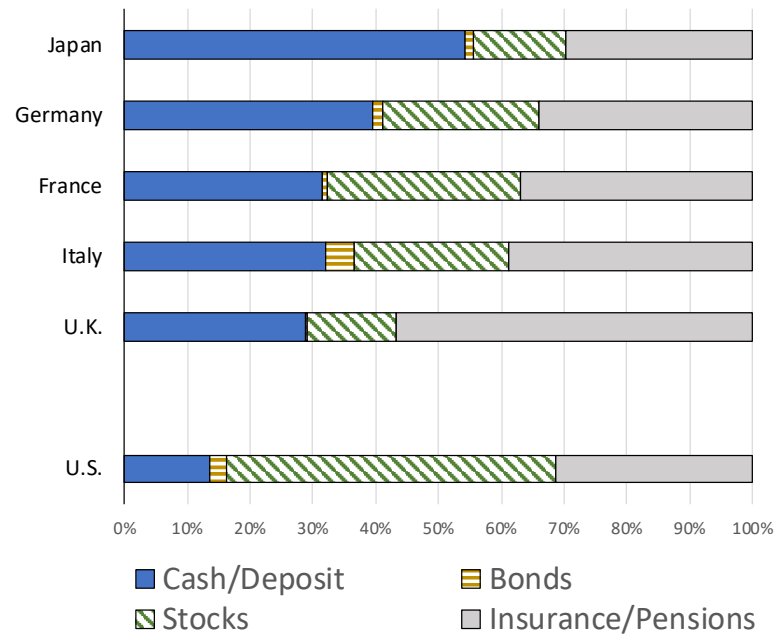
(Source) Central banks of each country. Data as of 2021, except Japan and the US (2022).

Third, it is a misunderstanding to assume that every household in the U.S. allocates 40% of their financial assets to risky assets. As discussed previously, financial assets in the U.S. are significantly unevenly distributed compared to those in other developed countries, including Japan. This also holds true for the distribution of risky assets. Figure 5 illustrates the distribution of stock holdings in both Japan and the U.S. Although the asset class classifications differ between the two countries, the top 20 percent of Japan owns approximately 60 percent of total shares, while the U.S. top 25 percent holds 96 percent of total stocks.
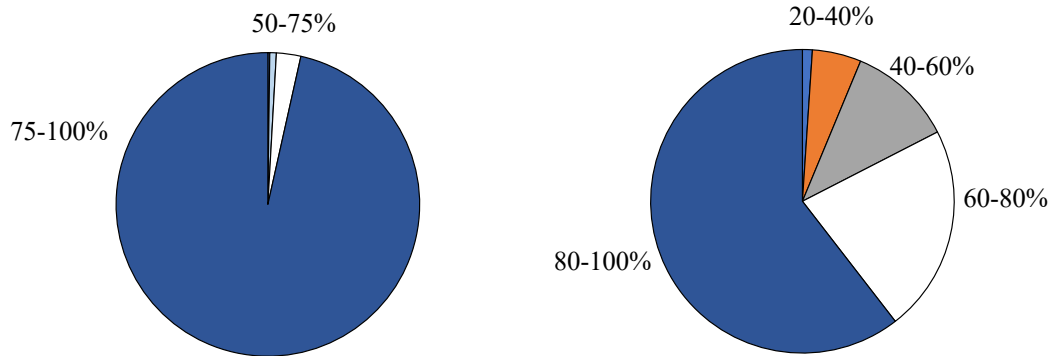
（Figure 4）The distribution of financial assets by asset class in Japan (left) and the U.S. (right)
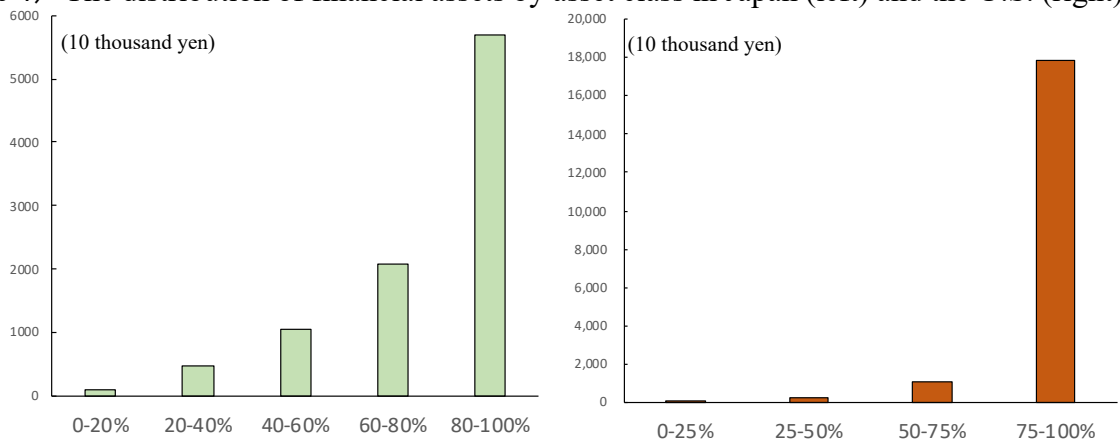
(Source) Kakei-chousa (2022) for the data on Japan, FRB (2019) for the data on the U.S.

(Note) Value of U.S. assets are converted to Yen using the conversion 1 dollar=135 Yen.

（Figure 5） The distribution of stock holding by household sector by asset class

50-75%

20-40%

40-60%

75-100%

60-80%

80-100%

(Source) Kakei-chousa (2022) for the data on Japan, FRB (2019) for the data on the U.S.

Similarly, figure 6 shows the percentage of households holding risky assets (stocks and investment trusts) for each country. Although figure 1 indicates that the household sector as a whole allocated approximately 40 percent of their assets to stocks, only 15 percent of households actually hold stocks. Further, only 10 percent of U.S. households hold investment trusts directly. These findings are consistent with figure 5, indicating that the top 25 percent of the asset size class own almost all stocks.

（Figure 6） Percentage of households holding risky assets
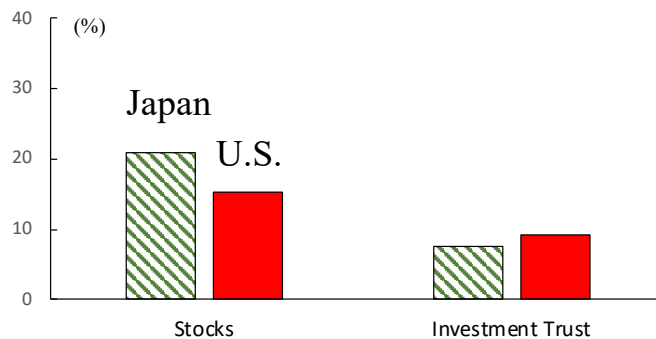
(Source) Zenkoku-syohi-dokou-chousa (2014) for data on Japan and FRB (2019) for the data on the U.S.

In Japan, the share of households holding stocks and stock investment trusts is 20.9 percent, which is slightly higher than that of U.S. households (in a Japanese survey, stocks and stock investment trusts cannot be separated). Similarly, the percentage of households holding trust investments in Japan is 7.6 percent, which is slightly lower than that of U.S. households. Figure 6 suggests that the share of households holding risky assets is at most 20 percent, which appears significantly low than the data in figure 1. The difference between the two figures indicates that figure 1 illustrates the aggregate data of all households and is significantly influenced by the extremely biased allocation of financial

assets among households[4].

2.2. The degree of risk aversion of Japanese households

Some Japanese economists and policymakers argue that Japanese households are too risk averse. This section assesses whether this statement can be supported by the data.

The first point to note is that total assets owned by households consist of not only financial assets, but also nonfinancial assets, such as real estate. Real estate value fluctuates widely because of frequent booms and busts in land prices. Additionally, owing to the accounting laws in Japan, the value of houses depreciates swiftly. Therefore, households naturally regard nonfinancial assets as risky, because of the volatility in real estate value.

Figure 7 illustrates the allocation of total assets (financial and nonfinancial assets) in both countries. Japanese households allocate approximately 60 percent to nonfinancial assets, while U.S. households' share of nonfinancial assets is approximately half that of Japanese households.

（Figure 7）Total assets (financial and nonfinancial assets) held by households
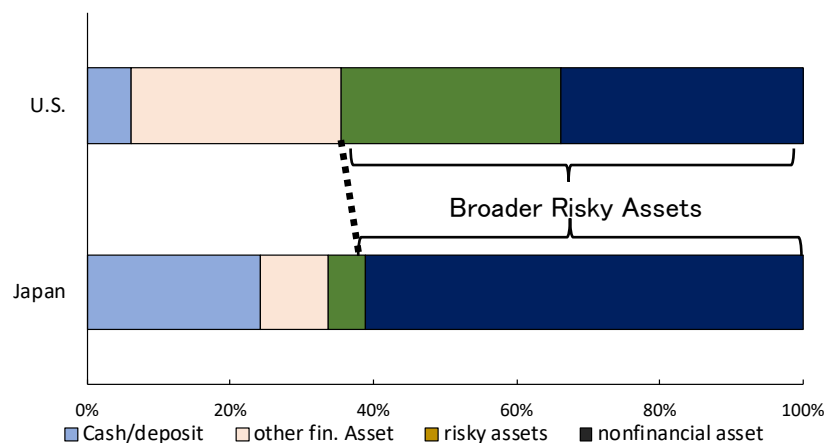
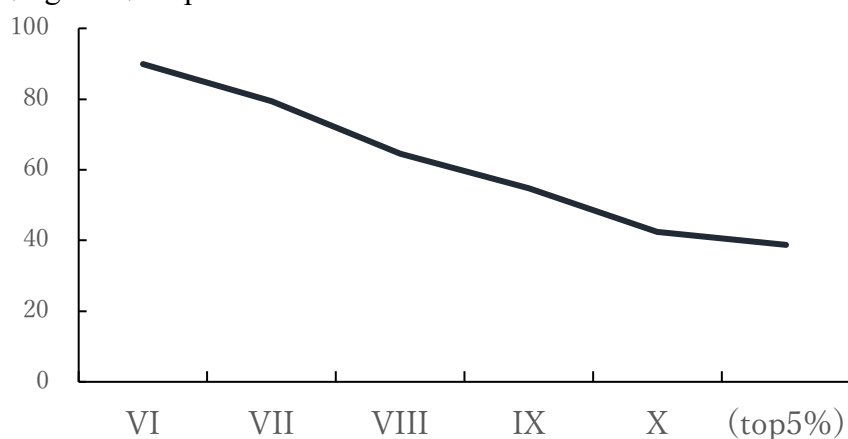(Source) Zenkoku-syohi-dokou-chousa (2014) for data on Japan and FRB (2022) for data on the U.S.

(Note) "Broader risky assets" consists of risky financial and nonfinancial assets.

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[4] Economic theory predicts that households choose their financial assets as a combination of safe assets, such as bank deposits, and a portfolio of risky assets. The theory also implies that even risk-averse households will own some portion of risky assets for optimization. However, as figure 6 suggests, the percentage of households holding risky assets is quite low. This phenomenon is observed commonly among developed countries and is widely known as "stock holding puzzle."

If broader risky assets are defined as the sum of risky financial and nonfinancial assets, households in both countries allocate approximately 60–70 percent of their total assets to broader risky assets. In Japan, although the share of risky financial assets is smaller than that of the U.S., the share of broader risky assets increases to the level of U.S. households because prices of housing and real estate are higher relative to the prices of other goods in Japan. A significant share of broader risky assets creates liquidity constraints for Japanese households. Therefore, households seem to prioritize holding sufficient liquid assets, such as bank deposits, and to restrain risky assets, such as stocks and investment trusts.

Figure 8 shows that as financial asset holdings increase, the share of nonfinancial assets to total assets declines. Therefore, liquidity constraints are strong among low- to middle-class households, whereas high-class households can allocate significant amounts of risky financial assets as liquidity constraints would not be a concern.

（Figure 8）Japanese households' share of nonfinancial assets to total assets

(Source) Zenkoku-syohi-dokou-chousa (2019).

(Note) Households are classified by the outstanding amount of financial asset holdings. Only upper classes (Vi to X) are shown as lower classes indicated negative total assets.

In Japan, households with mortgage payments, which impose liquidity constraints, have lower risk-asset ratios than those without mortgage payments, as shown in figure 9.

Overall, figures 7 to 9 indicate that when households allocate their financial assets to risky assets, they consider not only the volume of financial assets, but also nonfinancial assets, which are risky assets as well.

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（Figure 9） Risk-asset ratio of household with/without mortgage payment
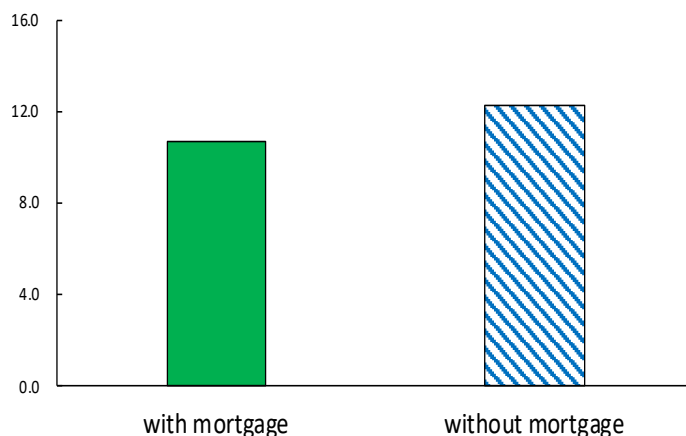
(Source) Kakei-chosa (2021).

(Note) Risk-asset ratio is defined as risk financial asset/financial asset.

Second, prior studies in this field have directly compared the risk aversion of U.S. and Japanese households. One such study was performed by Ito, Takizuka and Fujiwara (2017) who measured risk aversion of both Japanese and U.S. households by questioning participants on the type of reward they prefer for a certain type of job. Their results show no significant difference between the two countries in terms of their risk aversion. They stated "we cannot conclude that Japanese households are more risk-averse than the U.S.," and that the difference in risk-asset ratio cannot be explained by risk aversion of Japanese households.

3. The effects of long-term stagnation of the Japanese economy

The second point that is examined is the negative effects of the long-term stagnation of the Japanese economy on asset accumulation in Japanese households.
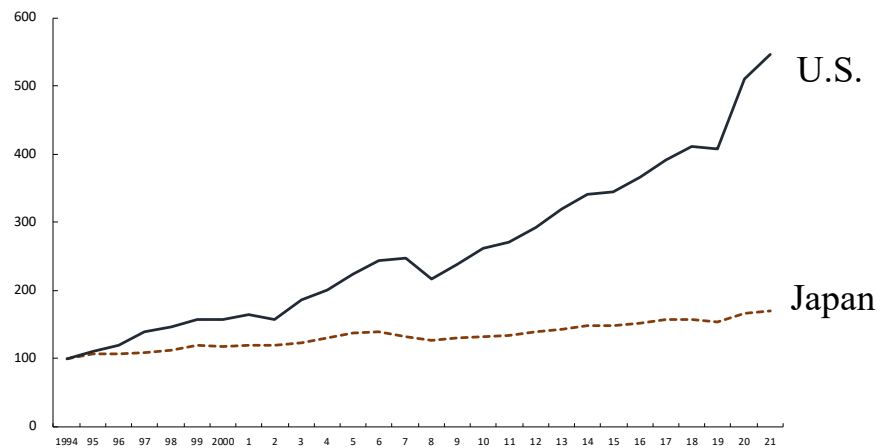
3. 1. Stagnation of the Japanese economy

Figure 10 shows the long-term movement of the outstanding amount of financial assets held by Japanese and U.S. households. Owing to data constraints, the graph is plotted from 1994. In 2021, U.S. household assets grew 5.5 times compared to 1994, whereas those of Japan increased only 1.7 times during the same period. What are the main reasons for this large gap between the two countries?

Financial assets are accumulated net savings. Savings on the other hand, is income minus consumption by definition, which suggests that the growth rates of financial assets

and income are co-related, assuming the savings rate (saving/income) is constant. Figure 11 displays the nominal GDP of both countries as a proxy for household income (year-end 1994=100).

（Figure 10）Outstanding amount of financial assets held by Japanese and U.S. households (1994=100)

(Source) BOJ (2022) and FRB (2022).

Figure 11 shows the severity of the Japanese economy stagnation. The index for 2021 was 107.1, indicating that the Japanese economy grew by only 7.1 percent in 30 years, or 0.25 percent annually. In contrast, the U.S. economy increased 3.3 times, or 4.4 percent annually. Although the Japanese nominal GDP was significantly affected by Japanese deflation during this period, the large gap in GDP compared to the U.S. must have had a significant effect on financial asset accumulation in Japan.

（Figure 11）Nominal GDP of Japan and the U.S. (1994=100)
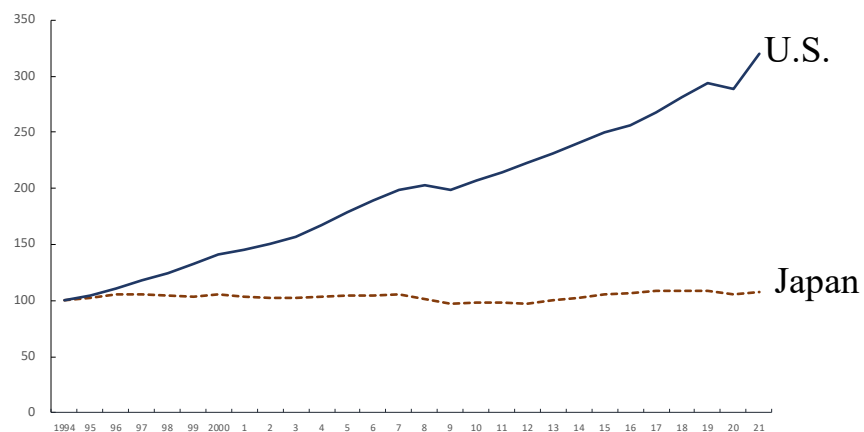
(Source) Naikakufu (2022) and BEA (2022).

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Next, figure 12 and 13 include data from the Euro area for comparison. Owing to data constraints, the graphs are plotted from 2003 as the benchmark, and show that the Euro area figures fall between that of the U.S. and Japan. These graphs also confirm the close relationship between nominal GDP and household financial assets.
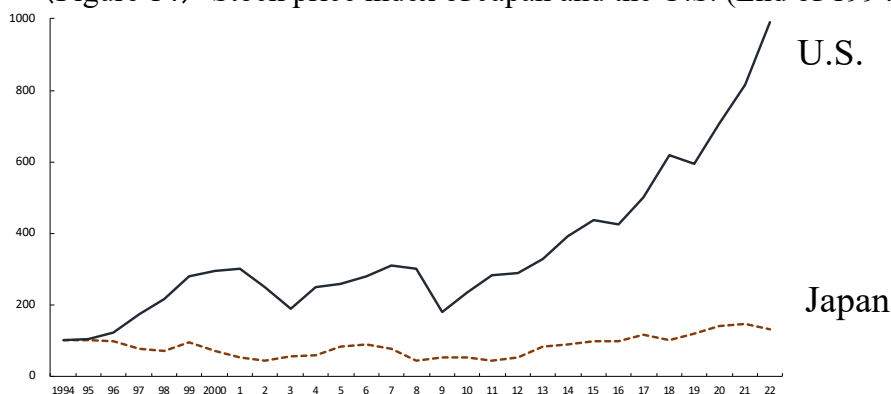
（Figure 12-13） Financial Assets and the Nominal GDP of Japan, U.S., and the Euro area (2003=100)
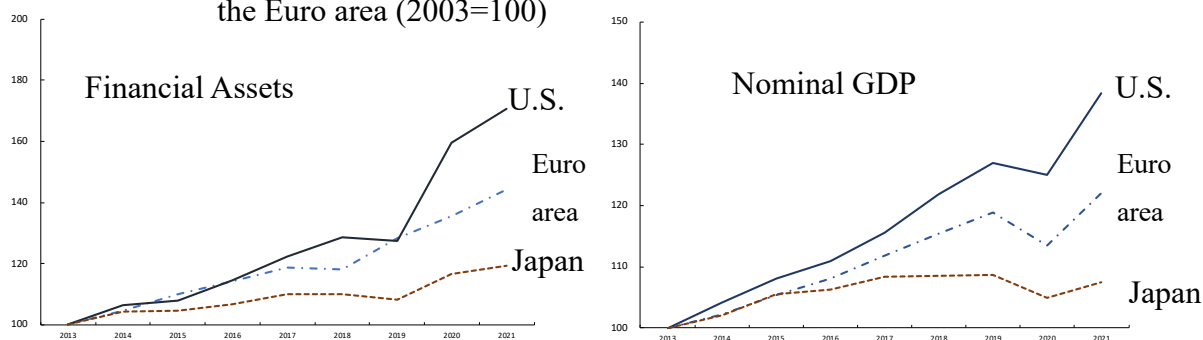
(Source) Naikakufu (2022), BEA (2022), FRB (2022) and Eurostat 2022)

Figure 14 illustrates the stock price index movements in both countries as a proxy for the rate of return on risky assets.

（Figure 14） Stock price index of Japan and the U.S. (End of 1994=100)

(Source) Nikkei index for Japan and S&P500 for the U.S. on end-of-year basis.

The difference in the rates of return between the two countries is evident from figure 14. In case of the U.S., households could easily gain benefits from holding stocks as stock prices have soared, especially since the 2010s. The U.S. stock prices increased 9.9 times in 2022 compared to 1994, while Japanese stock prices rose only 1.3 times during the same period. The base year 1994 was when the Japanese "bubble" had just

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burst, therefore, stock prices plunged for more than 20 years until finally recovering to 1994 levels in 2017.

The large stock price performance gap, in addition to the difference in the accumulation pace of financial assets, would have a significant effect on households' attitudes toward risky investments. In the U.S., investing in stocks often resulted in increased stock values, and such experiences create a virtuous cycle, in which an increased portion of the asset was invested in additional stocks and other risky assets. In contrast, Japanese households cannot easily earn capital gains from owning stocks or incur capital losses from them, resulting in a vicious cycle of reluctance to invest in risky assets.

In Japan, low-income growth and falling stock prices have persisted for decades rendering investments in risky assets unworthy. Therefore, it is economically unreasonable to ignore the differences in the basic economic and financial conditions of both countries and attempt to induce households to increase their investments in risky assets. Figure 2 indicates Japanese households' rational behavior of not relocating financial assets to risky assets during stagnated economic conditions. The Japanese government's policy priority should be to stimulate economic growth to change households' attitudes toward investments.

3. 2. Portfolio balances by age-category

In addition to economic stagnation, another unique feature of the Japanese economy is its aging society and decreasing total population. In Japan, there is often criticism that financial assets are too concentrated among older people. Figure 15 shows that in Japan, individuals over the age of 60 own 56.2 percent of total assets, while in the U.S., individuals over the age of 65 also possesses approximately 50 percent. Therefore, both countries show similar tendencies for older persons possessing approximately half of total assets.

Next, Figure 16 shows that the age distribution of stock holdings, a typical risky asset households would hold, also shows a similar distribution pattern in both countries. The share of individuals over 65 years of age is higher in Japan than in the U.S. In Japan, some critics argue that "older persons hold a larger portion of financial assets, which are allocated heavily in bank deposits. Such large amounts of sleeping assets are one of the main causes of long-term stagnation of the Japanese economy." However, the data show that aged households hold a significant share of financial assets not only in Japan, but also in the U.S.; this pattern is consistent with the life-cycle model. The Stock holdings

of both countries also show similar patterns.

（Figure 15） Households' Financial assets classified by age

Japan   U.S.

□ -30s ▨ 40s ▧ 50s ■ 60s ■ 70s-   □ -35 ▨ 35-44 ▨ 45-54 ▧ 55-64 ■ 65-74 ■ 75-
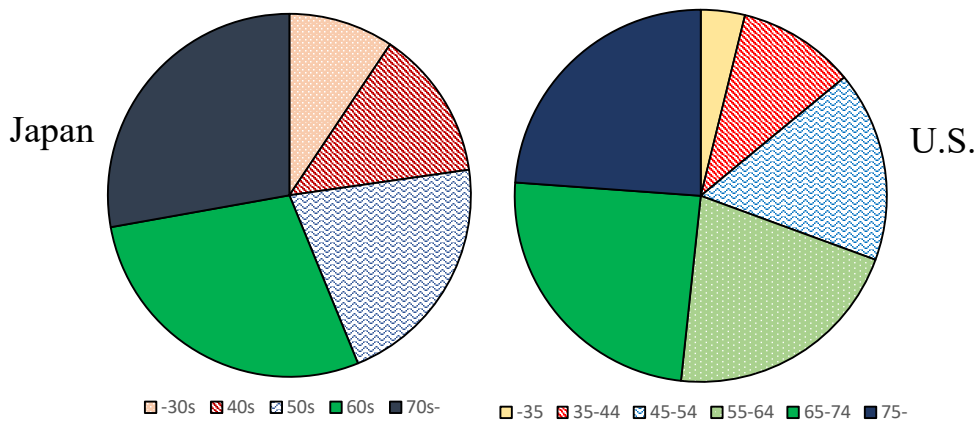
(Source) Kakei-chousa (2022) and FRB (2019).

Figure 17 shows the risk-asset ratios of Japanese households classified by age. The ratio is close to zero for those aged below 35 years and increases to approximately six percent for the 35–44 age group. This ratio gradually increases with age[5]. This pattern shows that despite some critics' arguments, aged households are not too conservative to hold only bank deposits. Figure 15–17 indicate that holding risky assets requires a certain level of total financial assets and that this condition is met only in those in their 50s and above in Japan.

（Figure 16） Households' stock holdings classified by age

Japan   U.S.

□ -35 ▨ 35-44 ▨ 45-54 ▤ 55-64 ■ 65-74 ■ 75-   □ -35 ▨ 35-44 ▨ 45-54 ▤ 55-64 ■ 65-74 ■ 75-
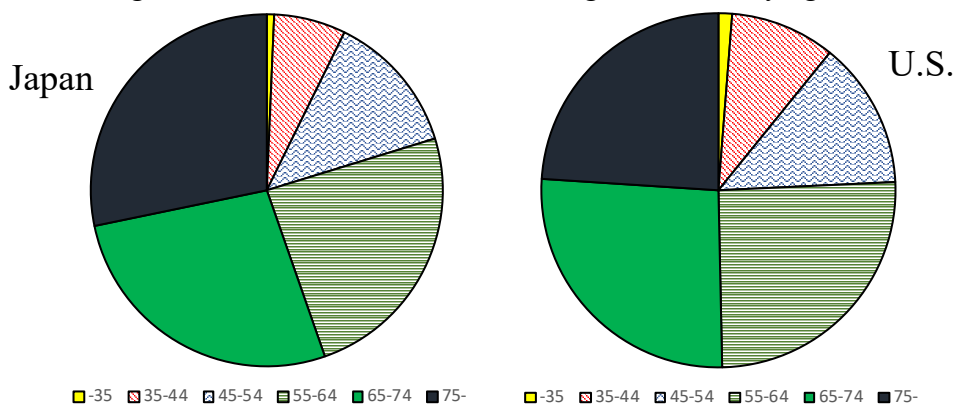
(Source) Shouhi-Jittai-Chousa (2022) and FRB (2019).

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[5] It is interesting to note that contrary to the life-cycle model, Japanese households' risk-asset ratio rises even after retirement. This may be affected by the retirement benefit system, which is unique in Japan.

（Figure 17） Japanese households' risk-asset ratio categorized by age
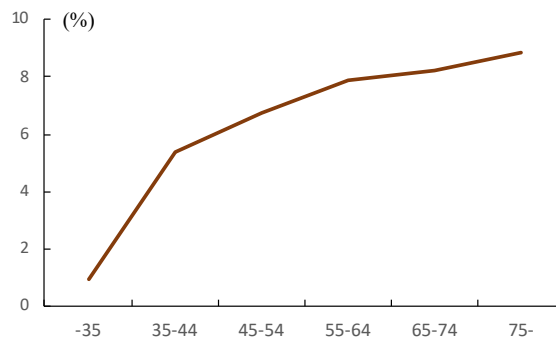
(Source) Kakei-Chosa (2022).

(Note) risk asset is defined as stock holdings.

Figure 18 shows Japanese households' net savings (gross savings minus liabilities) categorized by age. During the ages of 35–44, net savings are negative because of relatively small gross savings and a significant amount of liabilities, mostly consisting of housing loans. Given this financial situation, naturally the priority is to avoid investing in risky assets and secure sufficient liquid assets.

（Figure 18） Japanese households' net savings (gross savings minus liabilities) categorized by age
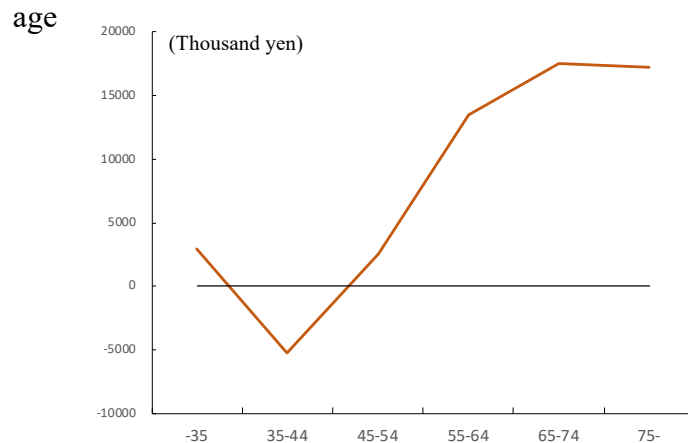

(Source) Kakei-Chosa (2022).

As mentioned in section 2.2, holding a substantial amount of housing loans is one of the main reasons for the low risk-asset ratio of the younger generation in Japan. According to a survey conducted by the Ministry of Land, Infrastructure, Transportation, and Tourism, the purchase of single-family housing peaks at the age of 41, and the annual

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mortgage payment amounts to approximately US$ 8900 to US$ 10,000, which is approximately 20 percent of their annual income. Approximately 60 percent of those who participated in the survey responded that paying a mortgage is a substantial burden for their family. Figure 19 compares the ratio of disposable income to the outstanding amount of housing loans in Japan and the U.S.

（Figure 19）Ratio of housing loan/disposable income of Japanese and U.S. households
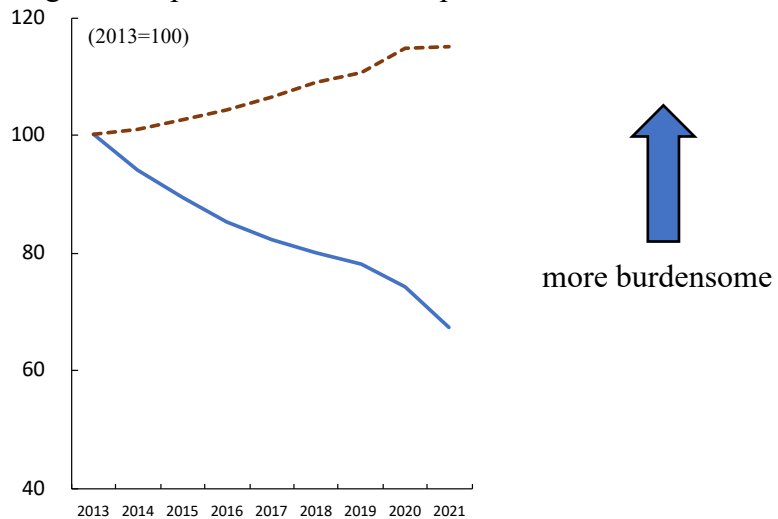
(Source) GDP statistics, BOJ (2022) for Japan, FRB (2022) for the U.S.

The figure shows that in Japan, households' burden of housing loans is increasing, while that in the U.S. is decreasing. In Japan, disposable income barely grew during 2013–2022, while the value of housing loans increased. In the U.S., the value of housing loans also increased, but the growth rate of disposable income was higher than that of housing loans, lowering the ratio. The increased burden of housing loans for the younger Japanese generation has caused liquidity constraints and restrained investments in risky assets.

3. 3. Accumulating financial assets for life after retirement

The last section of this chapter compares the types of financial assets accumulated for life after retirement in Japan and the U.S. In the U.S., the main types of assets for such purposes are defined contribution plans such as 401(k)s and IRAs. The 401(k) commenced in 1981 and the amount outstanding is US$ 18.1 trillion. In Japan, corporate-type defined contribution plan was established in 2001, 20 years after the U.S. The amount outstanding for all types of DC, including corporate type, is growing swiftly in Japan, but the latest value remains at US$ 0.16 trillion, or one hundredth of the U.S. value. Investment value per person are US$ 34,300 for Japan's corporate-type DC, and

US$ 133,300 for the American DC[6].

Figure 20 and 21 show the purpose for holding financial assets categorized by age. Households in both countries show a similar pattern, where in their 20s and 30s, priority is placed on expenditures for housing and children's education, while preparing for retirement gradually increases and becomes a top priority after the age of 40 and beyond.
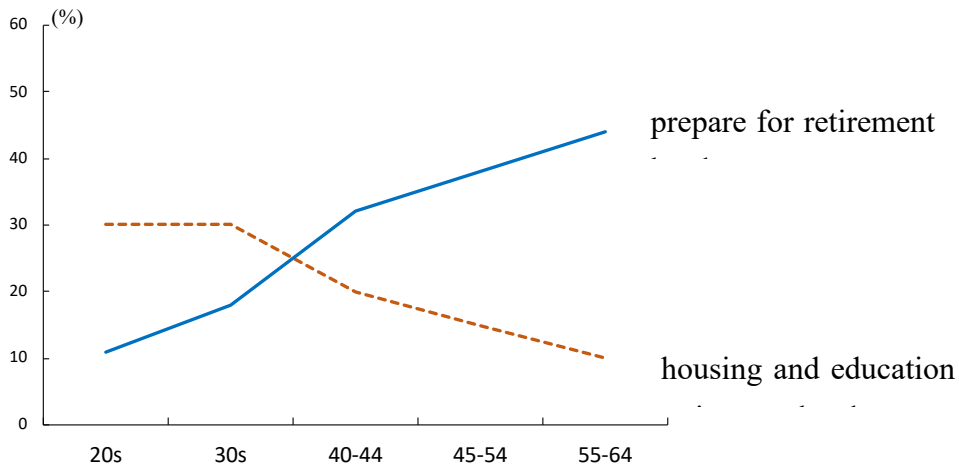
（Figure 20） Purpose of holding financial assets categorized by age (Japan)
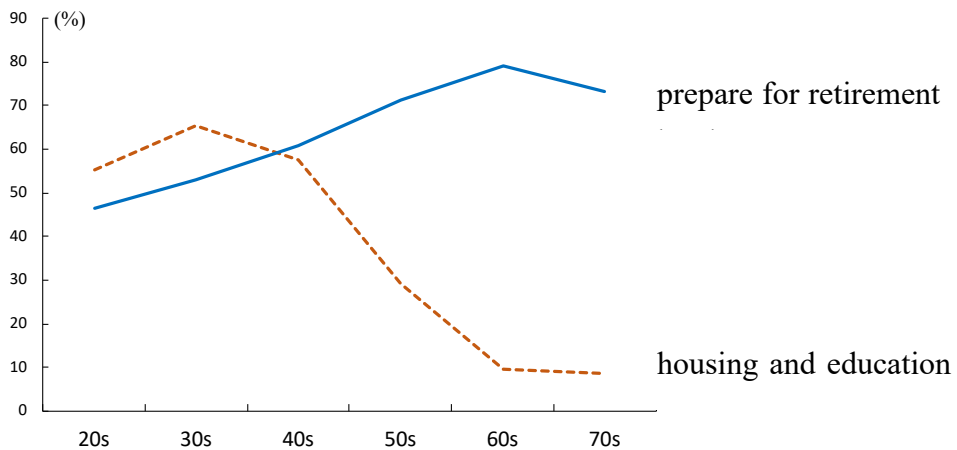
(Source) CCFSI (2022).

(Note) Up to three answers are allowed.

（Figure 21） Purpose of holding financial assets categorized by age (U.S.)

(Source) ICI (2023)

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[6] The amount for Japanese D.C. averages at the age of 60s while that of the U.S. average from 55–64 years of age. The data source is the Pension Fund Association for Japan and FRB (2019) for the U.S.

（Figure 22）Japanese households' criteria for choosing financial products categorized by age
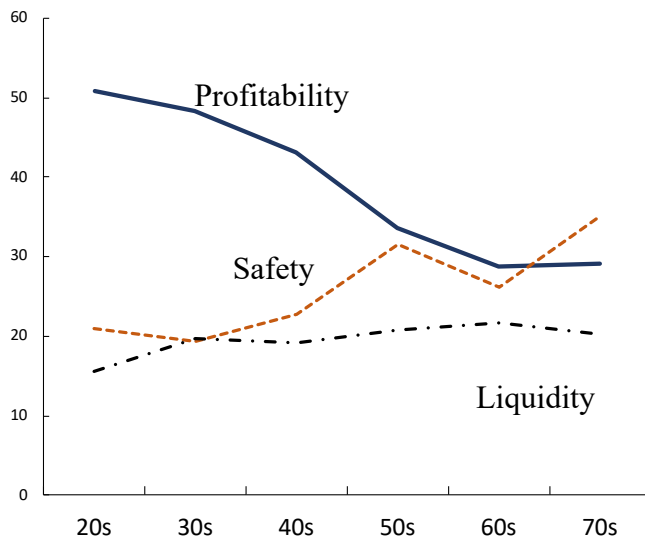
(Source) CCFSI (2022).

Figure 22 depicts the results obtained from surveying Japanese households regarding the criteria for choosing their financial products. Profitability is the first choice for the younger generations. However, as the age category rises, their priority changes to asset safety rather than profitability. This pattern is consistent with the life-cycle theory. Younger generations prioritizing profitability is also consistent with the accumulation of retirement assets. The contradiction between figure 17, in which younger generations show a low risk-asset ratio, and figure 22, in which they prefer profitable financial assets, could be explained by liquidity constraints.

4. Macroeconomic effects of shifting financial assets

This chapter discusses the third point; how the shift of financial assets from bank deposits to investment instruments, affects the macro economy. Usually, households are considered a fund-surplus sector and funds are provided to fund-shortage sectors, such as the government or corporations, via indirect financing through banks or direct financing through capital markets. Some Japanese critics argue that "to revive the Japanese economy, financial assets accumulated by households should be utilized." Their argument could be interpreted as "Japanese households' 1,000 trillion yen of bank deposits bear little interest rates and are lying dormant in banks. Such funds should be invested in growing industries, including venture companies, to revive the Japanese economy." This

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chapter discusses several issues related to this statement.

First, the Japanese corporate sector is not constrained by fund shortage. Figure 23 shows the lending attitudes of Japanese financial institutions. After the global financial crisis, lending attitudes continued to be relaxed and the corporate sector as a whole was not facing liquidity constraints.

（Figure 23） Lending attitudes of Japanese financial institutions
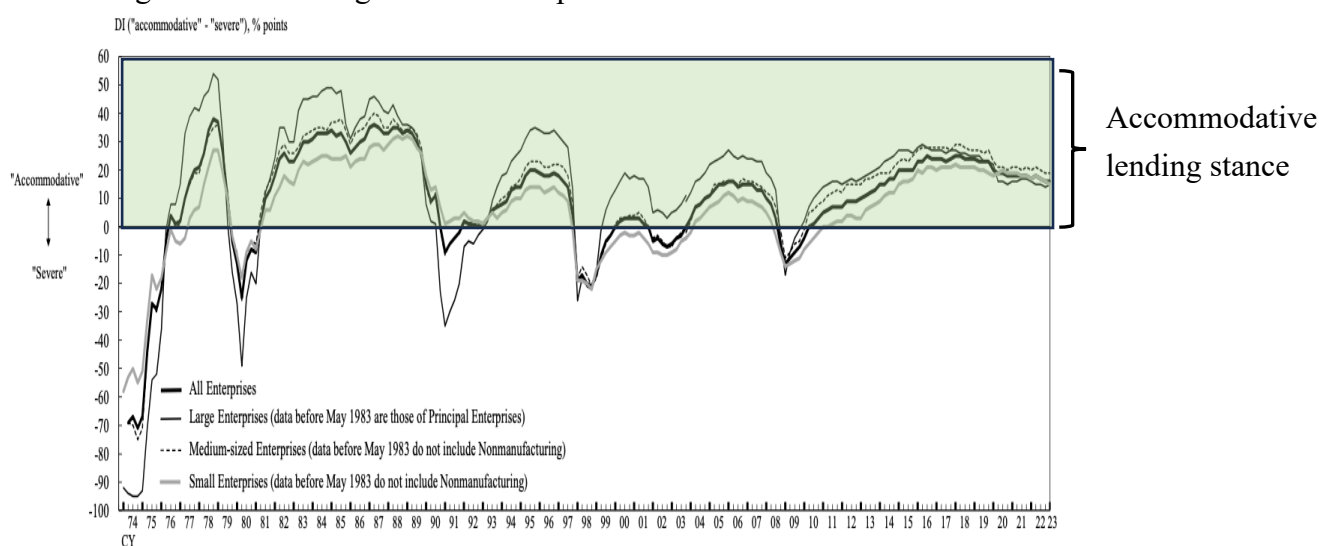
(Source) BOJ (2023).

Second, in a normal economy, nonfinancial corporations require funds for fixed investments, such as increasing production capacity or constructing new buildings. If internal funds are insufficient for such investments, they must rely on bank lending or the issuance of new stocks and/or corporate bonds. However, figure 24 shows that the Japanese corporate sector, as a whole, has been a fund-surplus sector for more than two decades. Fund surplus in the corporate sector implies either a lack of investment opportunities to expand business operations and improve productivity or corporate managers are too risk-averse and reluctant to invest. Either way, it is one of the main reasons for the long-term stagnation of the Japanese economy.

Under such circumstances, a household's direct purchase of newly issued stocks has little effect on stimulating fixed investments. The number of stocks newly issued by listed companies was US$ 957 million in 2022, and the five-year-average was US$ 4,226 million. As the total amount of nominal fixed investments in fiscal year 2022 was US$ 715 billion, even if households purchased all newly issued stocks, it constitutes only

0.6 percent of total investments. Meanwhile, purchasing stocks from stock markets has little effect on corporate funding, except that stock prices may rise with increased trading.

（Figure 24）Fund-surplus/shortage by major economic sectors
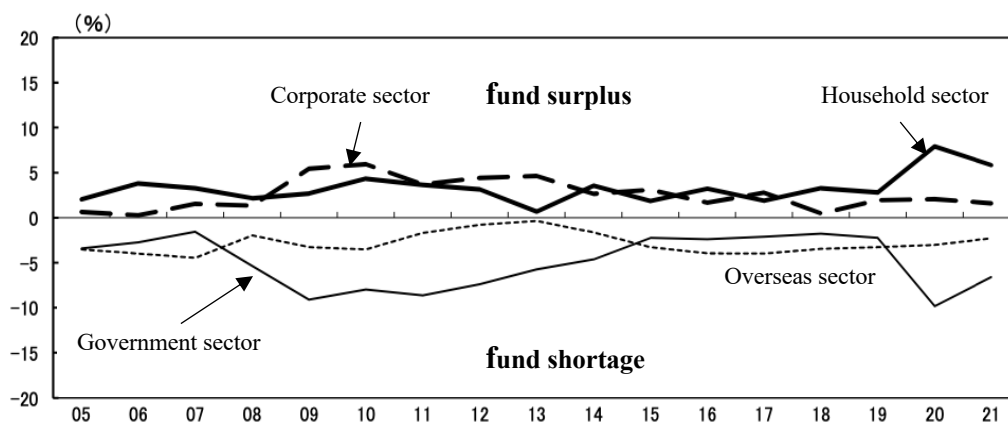
(Source) BOJ (2022).

(Note) Figures are shown as a percentage of nominal GDP.

Third, it is often said in Japan that "to stimulate the economy, providing risk money from the household sector to growing companies, including venture companies, are necessary." The amount of investments in start-up companies in Japan was only US$ 4.3 billion in 2020, whereas that in the U.S. was US$ 143 billion. However, the amount in Germany is US$ 5.6 billion, which is marginally greater than that in Japan. This suggests that the U.S. fund-supplying system has developed outstandingly, rather than the amount in Japan being too small. Additionally, investing directly in venture companies or capital requires professional knowledge that cannot be handled by households.

Fourth, how is the Investment-Savings (IS) balance affected by government policies that shift household funds to risky assets? Figure 24 indicates that the corporate sector continues to be a fund-surplus sector, whereas the government sector is running a huge deficit financed by issuing government bonds. Currently, approximately 90 percent of government bonds are held by financial institutions, including the central bank.

It is widely known that IS balance holds only ex-post. As a thought experiment, if a significant amount of household bank deposits were to flow into risky assets, then as financial institutions lose deposits, they are forced to sell government bonds. This could cause a decrease in bond prices (increase in interest rates), and if the central bank tries to stabilize interest rates, it must conduct security purchasing market operations. This results in a shift in government bonds from private financial institutions to the central bank. If

the central bank does not intervene in the bond market, rising interest rates will exert downward pressure on business activities. Additionally, as the above discussion implies, even if households purchase all newly issued stocks, the stimulating effects on productivity or economic growth rates seem to be marginal. Therefore, it seems unlikely that shifting household financial assets as a starting point for government policy will succeed in changing the IS balance toward a more growth-oriented pattern[7].

The current combination of the fund-surplus corporate sector and government deficits results from the response of individual sectors to long-term economic stagnation. Therefore, judging from the IS balance, it seems unlikely that the relocation of households' financial assets alone could increase economic growth. Conversely, economic theory predicts a causality of "economic growth → household asset relocation," and not vice versa, as advocated by the government. As discussed under the Chapter 3, if the Japanese economy succeeds in increasing economic or productivity growth, disposable income of households would also increase. Consequently, younger generations would increase the purchase of risky assets, as liquidity constraints would be relaxed. This causality may be more convincing than the reverse scenario.

5. Conclusion

This study critically analyzed the Japanese government's policy of shifting households' financial assets from bank deposits to investment instruments. There were three points for discussion; first, whether to use the U.S. households' allocation pattern as a benchmark, second, the effects of long-term stagnation of the Japanese economy on the asset accumulation of households, and third, the macroeconomic impact of asset relocation.

Regarding the first point, the financial asset allocation of U.S. households is extremely biased toward the top 5 percent wealthiest group, whose risk-asset ratio is outstandingly high. Therefore, care should be taken when using the U.S. allocation pattern derived from aggregate household financial assets as a benchmark for policies to relocate Japanese households' financial assets toward risky assets.

Regarding the second point, the growth rate of Japanese households' financial

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[7] As mentioned, investment-savings balance hold ex-post and it is difficult to analyze how one sector's behavioral change will affect other sections in ex-ante.

assets is distinctly lower than that of U.S. households. This was primarily because of the long-term stagnation of the Japanese economy and sluggish stock prices. Additionally, the younger Japanese generation's low risk-asset ratio is not caused by their risk aversion, but mainly by liquidity constraints imposed by risky nonfinancial assets, such as real estate.

Regarding the third point, the corporate sector remains a fund-surplus sector in Japan. This implies that liquidity constraints do not hamper its growth, and that shifting households' bank deposits to risky assets will not accelerate the growth rate of the Japanese economy. Conversely, if the economy starts to grow faster, households will spontaneously increase investments in risky assets as rising disposable income and relaxed liquidity constraints are realized.

There are other points of discussion that are not addressed in this study. The first is the entry cost associated with starting investments. The entry cost for Japanese consumers includes a sound level of financial literacy, further structural refinement of DC plans and other financial products, and improvement in the trustworthiness of financial institutions. Currently, the Japanese FSA is planning or engaging in various policies to lower the entry cost for investments, including improving financial literacy, the structural renewal of the Nippon Individual Savings Account, a personal-type defined contribution plan, and the establishment of an independent financial adviser system.

Another point for discussion is that the rising inflation rates in Japan, starting from 2022, lowered the real interest rates of banking deposits to negative territory, as the nominal deposit rate was very close to zero percent. The significant changes in the relative profitability of major financial instruments, not seen for decades, may have caused spontaneous asset relocation by Japanese households.

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