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Investment Behavior Stimulated by Tax Literacy

Literacy Survey on Asset Formation:

Summary and preliminary analysis of survey results on three types of literacy: finance, taxation, and pensions

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Summary

- Financial literacy is cited as a factor that promotes asset formation. However, it can be pointed out that surveys based on existing research are biased toward measuring financial knowledge and understanding. In order to supplement the existing research, Daiwa Institute of Research conducted its own survey in January, 2020. This paper examines what kind of literacy leads to concrete financial behavior by establishing questions that grasp literacy on the tax system and pensions, as well as the financial system.
- The results of the analysis show that ① the higher the degree of all three types of literacy (finance, taxation, and pensions), the greater the rate of experience in holding risk assets and the greater the utilization rate of tax incentives; ② pension literacy may have less influence on the holding of risky products than financial and tax literacy; and ③ tax literacy may have greater influence on participation in systems offering tax incentives than does financial and pension literacy.
- Financial and economic education has been promoted in educational courses, and many financial institutions are engaged in financial and economic education. In this paper, a preliminary analysis was carried out on which areas of literacy should be focused on in education in order to promote asset formation. Our results suggest that financial literacy and tax literacy are relatively effective in promoting asset formation.

Attention

This report is a summary translation. The official document is only in Japanese.

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