

Defined Contribution Pension Plan Follow UP Letter

vol. 01
2020

DC Provider Edition

Understanding Your Money Plan

Brush Up Quiz! Economic / Money Sense

Take our quiz on topics related to oft-mentioned fundamental financial issues and test your economic knowledge and money sense.

A Money Plan That Makes Sense

This edition's theme is "Effectiveness of DC plans for long-term asset management."

Money for Life Events, and so on

We will introduce data on money. This time, the topic is "Educational Expenses."

Brush Up Quiz! Economic / Money Sense

Take the Money Quiz!

Q1

What is the measure that serves as the standard for evaluating the performance of investment trusts?

A Standard Deviation B Benchmark C Net Asset Value (NAV)

Q2

According to a survey conducted by the Fidelity Investor Education Institute in 2018, what is considered the most critical knowledge required after retirement?

A Ways to stay healthy B Asset Management Skills
C Dealing with long-term care issues



Q1

The answer is

B ▶

The measure that serves as a standard for evaluating investment trust investment performance is called a benchmark. Benchmarks differ depending on the market or the type of securities that each investment trust invests in. For example, when investing in stocks listed in Japan, the Nikkei Stock Average and TOPIX (Tokyo Stock Price Index) are often utilized as benchmarks. When assessing the investment performance of investment trusts, it is vital to not only look at changes in the net asset value (NAV), but how the NAV moves relative to the benchmark.

Q2

The answer is

A ▶

In a Financial Literacy Study for the Elderly conducted by the Fidelity Investor Education Institute in 2018, the results showed that "ways to stay healthy" ranked top in "knowledge necessary for post-retirement life," followed by "asset management skills." It was also found that the knowledge deemed necessary depends on gender rather than age, with men tending to focus on money such as asset management, pensions, and withdrawal of assets, whereas women tend to focus on health maintenance, nursing care and inheritance.

A Money Plan That Makes Sense

Effectiveness of defined contribution (DC) plans for "long-term asset management"



What factors are suitable for long-term asset management?

1

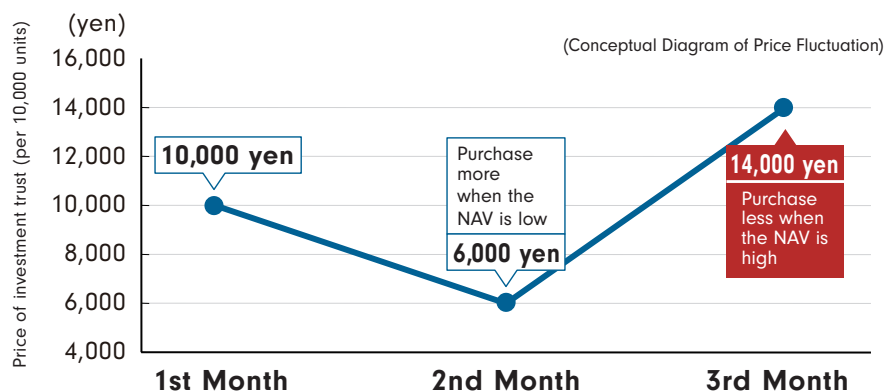
A DC plan is a type of "regular investment scheme," and is suitable for long-term asset management

DC plans are regarded as "suitable for long-term asset management" because they provide the possibility to benefit from the consistent investing of contributions over time. One is the expectation of the effect of the dollar-cost averaging method. This is the method of consistently investing a fixed amount each

month. If a fund's NAV at the time of purchase is high, the number of units purchased is small, but if the NAV is low, the number of units purchased should increase, and as a result, it can be expected that the average unit purchase price will decrease.

Fluctuations in the NAV of an investment trust (per 10,000 units) (image) *1

(Note) With a purchasing amount of 10,000 yen each month



Under a regular investment scheme utilizing the dollar-cost averaging method, unit purchases decline when the NAV is high, but unit purchases increase when the NAV is low, so you can expect that the average unit purchase price will decline.

	1st Month	2nd Month	3rd Month	
Purchasing 10,000 yen each month	10,000 units 10,000 yen	10,000 units 6,000 yen	10,000 units 14,000 yen	Total number of units purchased: 30,000 units Total purchase price: 30,000 yen Average purchase price: 10,000 yen
Purchasing 10,000 yen each month (dollar-cost averaging method)	10,000 units 10,000 yen	16,667 units 10,000 yen	7,143 units 10,000 yen	Total number of units purchased: 33,810 units Total purchase price: 30,000 yen Average purchase price: 8,873 yen

In this scenario, by using the dollar-cost averaging method, the total number of units purchased is high and the average purchase price can be kept low.

*1 The above is just a conceptual diagram and does not indicate the actual investment performance of any product. The number of units purchased each month is calculated by rounding up to the nearest whole number. Fees and taxes are not considered.

Educational Expenses

“What are the total educational expenses for a child?”



Approx. **8.23** million yen to
approx. **26.41** million yen

Source: Compiled by FIL Investment (Japan) based on data from the Ministry of Education, Culture, Sports, Science and Technology's (MEXT's) "Fiscal 2018 Survey on Children's Educational Expenditures" and Japan Student Services Organization's "Fiscal 2016 Survey on Student Life."

Parents naturally want their children to be well educated. How much would it cost to send a child to public schooling from kindergarten (3 years) to university? According to calculations from the MEXT "Fiscal 2018 Survey on Children's Educational Expenditures" and Japan Student Services Organization's "Fiscal 2016 Survey on Student Life," the average total is approximately 8.23 million yen.

On the other hand, the average total amount for private education from kindergarten to university (living alone while at university) is approx. 26.41 million yen. If only kindergarten and university are private, and elementary school to high school is public, this would amount to approx. 11.72 million yen (calculated on the premise of commuting to university from the family home).

■ Annual Cost of Education from Kindergarten to High School

	Kindergarten	Elementary School	Junior High School	High School
Public	223,647 yen	321,281 yen	488,397 yen	457,380 yen
Private	527,916 yen	1,598,691 yen	1,406,433 yen	969,911 yen

Source: MEXT "Fiscal 2018 Survey on Children's Educational Expenditures"

■ Annual Cost of University Life

	Family Home	Boarding/Apartment/Other
National	699,600 yen	1,307,700 yen
Public	711,000 yen	1,242,100 yen
Private	1,342,800 yen	2,027,100 yen

Source: Created by FIL Investment (Japan) based on the "Fiscal 2016 Survey on Student Life" by the Japan Student Services Organization.

Note: From the source data. "Family Home" only includes school expenses (excludes living expenses such as food expenses, etc. "Boarding / Apartment / Other" includes food expenses, rent / utility expenses, and health and hygiene expenses in addition to school expenses.

* The content of this follow-up letter is shown for illustrative purposes only and may differ depending on the adopted assumptions, so please consult with experts as necessary.

- Although the document is prepared by Fidelity Investments based on reliable information, we do not assume any responsibility for its accuracy and comprehensiveness.
- The information contained in this report is current as of the date of preparation, and is subject to change without prior notice depending on market conditions and other circumstances.
- This report is provided for investment educational purposes, and it is prohibited to disclose any part of it to third parties without the authorization of the right holder.

Financial Instruments Business Operator
Registered with Kanto Local Finance
Bureau (Registration Number: 388)
A member of Investment Trusts
Association Japan / Japan Investment
Advisers Association
© FIL Investments (Japan) Limited 2020
All rights reserved.

MKI200527-1 DC200527-2