

Financial Literacy and Wealth Accumulation: Evidence from Japan^{*}

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Abstract

Using micro data on Japanese households, I analyze the relationship between financial literacy and wealth accumulation. Controlling for many determinants of wealth and taking account of endogeneity problems of financial literacy, I find that financial literacy increases the amount of wealth, consistent with the results in previous studies, and the magnitude of the impact is sizeable. Moreover, I examine the effect of savings promotion activities in schools, which is called children's banks, and find that contrary to my expectation, savings promotion activities in elementary schools do not have a significant effect on wealth accumulation, implying that the savings habits during childhood might not necessarily continue until individuals become adults. Finally, I confirm that financial literacy increases the probability of holding equities and that of having retirement savings plans, indicating that financial literacy might facilitate wealth accumulation through stock market participation and retirement savings plans, as suggested in Van Rooij, Lusardi, and Alessie (2012).

Keywords: Financial literacy; Wealth accumulation; Financial education; Retirement planning; Stock holding

JEL Classification: C26, D14, I21, J24, J26

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