
Painting an Accurate Picture of the Wealthy in Japan

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I. Introduction

Japan's wealthy are increasingly attracting attention. The media is full of stories about not only the old rich, including those who amassed their wealth from the large conglomerates, and but also the new rich, who became wealthy through entrepreneurship or investor acumen. The usual statistics available on household assets make it difficult to paint an accurate picture of the wealthy, however.

In this paper, we use published data to attempt to answer, as well as possible, such frequently asked questions regarding the wealthy as the amount and distribution of their assets, where they live, and how their asset portfolios are allocated. Since the term wealthy is generally used to mean people with substantial assets, unless specifically noted otherwise when we say wealthy in this paper we mean "asset wealthy". We also consider the "income wealthy" in Chapter III.¹

1. Financial assets per household: Macro data number roughly 2.1x that from micro data

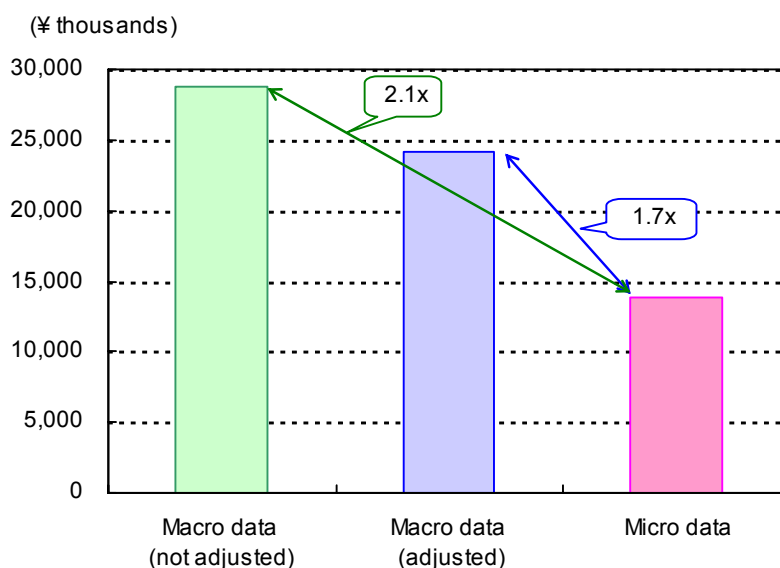
One method for estimating the assets held by the wealthy is to look at the discrepancy between macro data and micro data. There is in fact a large difference between the macro data and the micro data in figures on Japan's household financial wealth, a difference that can probably also be viewed as the assets owned by the wealthy that do not show up in the micro data.

Micro data, which is based on estimates from a survey of roughly 60,000 of Japan's 49.57 million households (the National Survey of Family Income and Expenditure), shows financial assets per household of ¥13.84 million (Figure 1).

Macro data for the same year from the Bank of Japan shows financial assets per household of ¥28.82 million, 2.1x the micro data number.

¹ Based on the available data, we define the asset wealthy as individuals or households with financial assets greater than ¥40 million, and define the income wealthy as those with annual income greater than ¥50 million.

Figure 1: Financial assets per household: Large differences depending on data source



- Notes:
1. All figures for 2004, the year the micro data surveys were taken.
 2. Macro data comes from the BOJ's Flow of Funds Account Statistics.
 3. Micro data comes from the Ministry of Internal Affairs and Communications' National Survey of Family Income and Expenditure.
 4. Adjusted macro data is adjusted for definition consistency with the micro data.

Source: Nomura Institute of Capital Markets Research, based on data from the BOJ, Ministry of Internal Affairs and Communications, and the National Institute of Population and Social Security Research

2. Discrepancy is large, even after adjusting for asset classes

Nevertheless, there are differences in the financial assets looked at by the respective data. Some assets, such as pension reserves and commercial financial assets, are included in the macro data but not in the micro data because households are not directly conscious of them. Recalculating the macro data by including only those financial asset classes counted in the micro data results in a figure for financial assets per household of ¥24.14 million, which is still 1.7x the micro data figure.

3. Financial assets held by those households with the highest savings may be 3.1x the published figures

Looking at the total rather than the per-household figures for financial assets, the micro data shows ¥686 trillion, while the macro data, after making the above-noted adjustment, shows ¥1,197 trillion. The difference of ¥511 trillion probably represents assets that went undetected in the micro data, and it is difficult to know the amount of financial assets and who owns them.

Assuming that this entire difference is held by the wealthy households in the micro data (those households in the highest savings bracket of ¥40 million and higher), the average financial assets held by households in this class would actually be ¥197.53 million, which is 3.1x the published figure of ¥64.58 million.

II. Distribution of assets among wealthy households

1. Estimated distribution of households by amount of assets owned

One way to estimate how assets are distributed among the wealthy is to combine the micro data with the macro data and inheritance tax data.

The highest savings bracket in the micro data (¥40 million and up) contains 7.8% of all households, but the distribution of households within this bracket by amount of assets owned cannot be deduced from the published data. Meanwhile, the inheritance tax data, which effectively only covers those persons with substantial assets, shows the distribution of inheritees by the taxable value of their estate (assets). For example, the inheritance tax data shows that roughly 70% of all inheritees had estates valued for inheritance tax purposes at ¥200 million or less, and that there were seven estates for the year valued at over ¥10 billion (Figure 2).

Combining this inheritance tax data with the micro data, it is possible to estimate the number of households, and total amount of financial assets held, in each category of financial asset amounts (Figure 3). Specifically, we estimated the number of households and amount of financial assets per household in each category of financial asset amounts, using the number of inheritees and total assets for each estate category in the inheritance tax data, and assuming that financial assets comprised 40% of estates.

Based on this, we estimate that the majority of households with financial assets greater than ¥40 million have financial assets of no more than ¥80 million. At the high end of the distribution, we estimate that approximately 3000 households have financial assets exceeding ¥2 billion and that the total financial assets held by households in this category is ¥14 trillion.

Figure 2: Distribution of inheritees by taxable value

Taxable value category	¥100 mn and below	Over ¥100 mn	Over ¥200 mn	Over ¥300 mn	Over ¥500 mn	Over ¥700 mn
Number of inheritees	9,270	21,632	6,782	4,418	1,479	776
Share	21%	48%	15%	10%	3%	2%

Taxable value category	Over ¥1 bn	Over ¥2 bn	Over ¥3 bn	Over ¥5 bn	Over ¥7 bn	Over ¥10 bn	Overall total
Number of inheritees	617	100	50	14	7	7	45,152
Share	1%	0%	0%	0%	0%	0%	100%

Source: Nomura Institute of Capital Markets Research, based on FY2005 data from the National Tax Agency

Figure 3: Distribution of financial assets among the wealthy by amount

Financial asset amount	Over ¥40 mn	Over ¥80 mn	Over ¥120 mn	Over ¥200 mn	Over ¥280 mn
Estimated number of households (thousands)	2,316	726	473	158	83
Share of total households	4.7%	1.5%	0.95%	0.32%	0.17%
Estimated total financial assets (¥ trillions)	137	75	76	39	29
Share of total financial assets	11%	6.2%	6.3%	3.2%	2.4%

Financial asset amount	Over ¥400 mn	Over ¥800 mn	Over ¥1.2 bn	Over ¥2 bn	Over ¥2.8 bn	Over ¥4 bn
Estimated number of households (thousands)	66.1	10.7	5.35	1.50	0.75	0.75
Share of total households	0.13%	0.022%	0.011%	0.003%	0.002%	0.002%
Estimated total financial assets (¥ trillions)	37	11	8	4	3	7
Share of total financial assets	3.1%	0.9%	0.7%	0.3%	0.2%	0.6%

Note: Assuming that 7.8% of all households are wealthy; financial asset amounts and distribution of households across categories based on inheritance tax data.

Source: Nomura Institute of Capital Markets Research, based on FY2005 data from the National Tax Agency, FY2004 data from the Ministry of Internal Affairs and Communications, and FY2005 data from the BOJ

2. The "winners" among the wealthy

The gap among households in assets held is growing, even among the wealthy. Figure 4, which shows the number of inheritees in each category of assessed estate value, indicates that the proportion of inheritees with estates valued over ¥500 million declined by approximately half between 1995 and 2005. Meanwhile, starting in 2005 additional asset categories were created for estates valued over ¥2 billion, and data is now available for the over ¥3 million, over ¥5 billion, over ¥7 billion, and over ¥10 billion categories. The gap among wealthy households between the winners and the rest of the wealthy in terms of assets held appears to be growing.

Growth in the income gap has often been a topic of discussion in recent years, but when considering that assets are formed by retaining income and that Japan's broader economy is just now putting behind it a period of asset deflation, growth in the asset gap will probably also start attracting attention.

Figure 4: Number of inheritees by taxable estate value

Taxable value category	(Year)					
	80	85	90	95	00	05
Up to ¥100 mn	69.3%	65.5%	26.0%	15.6%	17.0%	20.5%
Over ¥100 mn	19.7%	20.8%	38.1%	42.3%	45.5%	47.9%
Over ¥200 mn	5.5%	6.2%	13.6%	16.5%	16.5%	15.0%
Over ¥300 mn	3.3%	4.2%	10.7%	12.7%	11.8%	9.8%
Over ¥500 mn	2.2%	3.3%	4.3%	5.2%	4.1%	3.3%
Over ¥700 mn			2.9%	3.4%	2.5%	1.7%
Over ¥1 bn	2.2%	3.3%	4.4%	3.3%	2.0%	1.4%
Over ¥2 bn				1.1%	0.64%	0.22%
Over ¥3 bn						0.11%
Over ¥5 bn	2.2%	3.3%	4.4%	1.1%	0.64%	0.03%
Over ¥7 bn						0.02%
Over ¥10 bn	2.2%	3.3%	4.4%	1.1%	0.64%	0.02%
Overall total	100%	100%	100%	100%	100%	100%
(Total over ¥500 mn)	2.2%	3.3%	11.6%	13.0%	9.2%	6.8%
Total number of inheritees	26,789	48,114	48,302	50,746	48,463	45,152

Source: Nomura Institute of Capital Markets Research, based on National Tax Agency data.

III. Where are the wealthy?

1. The location of the asset wealthy

1) The asset wealthy are concentrated in Tokyo

Where exactly are the wealthy located? In this chapter, we look both at the "asset wealthy" and the "income wealthy".

Looking first at the asset wealthy, it is clear from the inheritance tax data by tax office, which covers only those with substantial assets, that the wealthy are concentrated in Tokyo (Figure 5). The Tokyo office of the National Tax Agency accounts for 35% of nationwide inherited property values and 29% of Japan's inheritees. Tokyo also accounts for the highest percentage of those estates categorized in the highest category of estate value, with roughly 60% of Japan's inheritees who left an estate worth more than ¥2 billion.

Figure 5: Taxation by tax office (2005)

Tax office	Taxable value of estate		Number of inheritees										Prefecture with jurisdiction
	Total amount (¥millions)	Share (%)	Total (people)	Taxable value category									
				Up to ¥100 mn	Over ¥100 mn	Over ¥500 mn	Over ¥1 bn	Over ¥2 bn	Over ¥3 bn	Over ¥5 bn	Over ¥7 bn	Over ¥10 bn	
Sapporo	164,462	2	808	142	630	27	8	0	1	0	0	0	Hokkaido
Sendai	371,551	4	1,917	400	1,429	73	14	1	0	0	0	0	Aomori Iwate Miyagi Akita Yamagata Fukushima
Kanto Shinetsu	1,348,911	13	6,215	1,242	4,570	313	75	9	5	1	0	0	Ibaragi Tochigi Gunma Saitama Niigata Nagano
Tokyo	3,616,025	35	13,292	2,738	9,134	947	368	68	22	11	1	3	Chiba Tokyo Kanagawa Yamanashi
Kanazawa	199,103	2	1,036	198	798	38	2	0	0	0	0	0	Toyama Ishikawa Fukui
Nagoya	1,514,207	15	7,411	1,468	5,591	295	43	5	6	1	0	2	Gifu Shizuoka Aichi Mie
Osaka	1,660,677	16	7,609	1,605	5,538	361	76	13	13	0	2	1	Shiga Kyoto Osaka Hyogo Nara Wakayama
Hiroshima	442,281	4	2,432	546	1,815	59	8	1	2	0	1	0	Tottori Shimane Okayama Hiroshima Yamaguchi
Takamatsu	286,515	3	1,544	351	1,143	44	5	0	0	0	1	0	Tokushima Kagawa Ehime Kochi
Fukuoka	322,161	3	1,510	305	1,136	52	12	1	1	1	1	1	Fukuoka Saga Nagasaki
Kumamoto	199,525	2	1,061	235	787	34	3	1	0	0	1	0	Kumamoto Oita Miyazaki Kagoshima
Okinawa	69,837	1	317	40	261	12	3	1	0	0	0	0	Okinawa
Total	10,195,255	100	45,152	9,270	32,832	2,255	617	100	50	14	7	7	

Source: Nomura Institute of Capital Markets Research, based on FY2005 data from the National Tax Agency

2) Changes in the regional breakdown of the asset wealthy

This regional breakdown of the asset wealthy has not always been the same. Tokyo currently accounts for approximately 30% of all inheritees, down from the bubble years but more recently in a slight growth trend (Figure 6). Osaka, the region with the next highest number of inheritees behind Tokyo, accounts for approximately 20% of inheritees, but its share is in a slight declining trend. Nagoya, in contrast, has seen incremental increases in its share.

Looking at each region's share of inheritees among only the top 5% estates, Tokyo has roughly a 50% share (Figure 7), while the growth in Nagoya's share of this subset is also quite impressive.

Figure 6: Inheritees by tax office

Tax office	80		85		90		95		00		05	
	(number)	(share)	(number)	(share)	(number)	(share)	(number)	(share)	(number)	(share)	(number)	(share)
Sapporo	545	2%	1,094	2%	747	2%	855	2%	854	2%	808	2%
Sendai	1,010	4%	2,146	4%	1,472	3%	1,924	4%	2,034	4%	1,917	4%
Kanto Shinetsu	3,654	14%	6,798	14%	5,910	12%	7,631	15%	7,347	15%	6,215	14%
Tokyo	8,619	32%	14,244	30%	17,787	37%	14,363	28%	13,237	27%	13,292	29%
Kanazawa	515	2%	938	2%	742	2%	1,079	2%	1,107	2%	1,036	2%
Nagoya	3,869	14%	7,113	15%	6,823	14%	8,545	17%	8,065	17%	7,411	16%
Osaka	5,350	20%	9,017	19%	9,525	20%	9,538	19%	8,515	18%	7,609	17%
Hiroshima	1,380	5%	2,551	5%	2,016	4%	2,503	5%	2,796	6%	2,432	5%
Takamatsu	606	2%	1,330	3%	1,083	2%	1,400	3%	1,695	3%	1,544	3%
Fukuoka	690	3%	1,576	3%	1,319	3%	1,606	3%	1,470	3%	1,510	3%
Kumamoto	492	2%	1,158	2%	672	1%	1,005	2%	1,022	2%	1,061	2%
Okinawa	59	0%	149	0%	206	0%	297	1%	321	1%	317	1%
Total	26,789	100%	48,114	100%	48,302	100%	50,746	100%	48,463	100%	45,152	100%

Source: Nomura Institute of Capital Markets Research, based on National Tax Agency data.

Figure 7: Top 5% of inheritees in assets by tax office

Tax office	80		85		90		95		00		05	
	(number)	(share)	(number)	(share)	(number)	(share)	(number)	(share)	(number)	(share)	(number)	(share)
Sapporo	26	2%	26	2%	19	1%	19	1%	31	1%	16	1%
Sendai	25	2%	26	2%	10	0%	29	1%	54	2%	44	3%
Kanto Shinetsu	230	16%	274	17%	272	13%	379	17%	399	16%	215	14%
Tokyo	825	56%	817	52%	1,303	62%	1,111	50%	1,155	46%	827	53%
Kanazawa	4	0%	13	1%	5	0%	27	1%	50	2%	19	1%
Nagoya	32	2%	115	7%	105	5%	201	9%	236	9%	134	9%
Osaka	225	15%	251	16%	354	17%	371	17%	409	16%	217	14%
Hiroshima	17	1%	13	1%	20	1%	21	1%	40	2%	28	2%
Takamatsu	14	1%	11	1%	5	0%	19	1%	37	1%	18	1%
Fukuoka	21	1%	18	1%	21	1%	37	2%	45	2%	35	2%
Kumamoto	7	0%	10	1%	1	0%	10	0%	23	1%	12	1%
Okinawa	1	0%	3	0%	3	0%	10	0%	13	1%	6	0%
Total	1,477	100%	1,577	100%	2,118	100%	2,234	100%	2,492	100%	1,571	100%

Source: Nomura Institute of Capital Markets Research, based on National Tax Agency data.

3) The location of the asset wealthy based on other data

Although the inheritance tax data shows the location of those persons with substantial assets who have already passed away, it does not indicate the location of the people who inherited these assets. Consequently, the only way to determine the location of people with substantial assets who are still alive is to look at the household data for the highest asset category within the micro data. Figure 8 shows the percentage of households in the highest asset category, based on various definitions in the micro data, for each prefecture. According to this, Tokyo, Kanagawa, Aichi, and Osaka all have a fairly high share of the total number of asset wealthy in Japan. There are also a number of prefectures in addition to those four where the number of households in the highest savings bracket account for a high share of the total number of households in that prefecture.²

² The average age of the asset wealthy has risen by about 10 years over the past 20 years, meaning that the wealthy are increasingly older individuals. One reason for this is that as people live longer, the age at which their heirs receive bequests is delayed. For more on this, see Sachiko Miyamoto, *Wagakuni Kakei Shisan Sentaku ni okeru Souzoku no Eikyuu* (The impact of bequests on household asset selection in Japan), *Zaikai Kansoku*, Spring 2007 issue (in Japanese).

Figure 8: Share of wealthy by region

Prefectures	Share of nationwide total			Share of total households within each prefecture		
	Highest bracket for savings (at least ¥40 mn)	Highest bracket for value of current residence (at least ¥100 mn)	Highest bracket for value of assets other than current residence (at least ¥100 mn)	Highest bracket for savings (at least ¥40 mn)	Highest bracket for value of current residence (at least ¥100 mn)	Highest bracket for value of assets other than current residence (at least ¥100 mn)
Hokkaido	3%	1%	1%	5%	0%	0%
Aomori	0%	0%	1%	4%	0%	1%
Iwate	1%	1%	1%	5%	1%	1%
Miyagi	1%	1%	0%	5%	1%	0%
Akita	0%	0%	0%	4%	0%	0%
Yamagata	1%	0%	0%	5%	1%	0%
Fukushima	1%	0%	1%	6%	0%	1%
Ibaraki	3%	1%	4%	9%	1%	2%
Tochigi	2%	1%	2%	9%	1%	1%
Gunma	2%	1%	1%	9%	1%	1%
Saitama	5%	9%	8%	8%	3%	1%
Chiba	5%	2%	4%	9%	1%	1%
Tokyo	14%	44%	14%	13%	9%	2%
Kanagawa	9%	10%	11%	11%	3%	2%
Niigata	2%	0%	1%	8%	0%	1%
Toyama	1%	0%	1%	9%	1%	1%
Ishikawa	1%	0%	0%	8%	0%	1%
Fukui	1%	0%	1%	11%	1%	1%
Yamanashi	1%	0%	1%	6%	0%	1%
Nagano	1%	0%	2%	7%	0%	1%
Gifu	2%	1%	2%	9%	1%	2%
Shizuoka	3%	1%	5%	9%	1%	2%
Aichi	8%	8%	9%	13%	3%	2%
Mie	2%	0%	1%	11%	0%	1%
Shiga	1%	0%	0%	10%	0%	0%
Kyoto	2%	3%	1%	9%	3%	1%
Osaka	7%	6%	8%	8%	2%	1%
Hyogo	4%	2%	4%	8%	1%	1%
Nara	2%	0%	0%	12%	1%	0%
Wakayama	1%	0%	0%	10%	0%	1%
Tottori	1%	0%	0%	10%	1%	0%
Shimane	1%	0%	0%	9%	0%	1%
Okayama	2%	0%	1%	11%	0%	0%
Hiroshima	2%	1%	2%	8%	1%	1%
Yamaguchi	1%	0%	1%	7%	0%	1%
Tokushima	1%	1%	1%	9%	2%	1%
Kagawa	1%	0%	1%	11%	0%	1%
Aichi	1%	0%	1%	8%	0%	1%
Kochi	1%	0%	1%	10%	1%	1%
Fukuoka	3%	1%	3%	7%	0%	1%
Saga	0%	0%	0%	6%	0%	1%
Nagasaki	0%	0%	0%	4%	0%	0%
Kumamoto	1%	0%	1%	3%	1%	1%
Oita	1%	0%	1%	6%	0%	1%
Miyazaki	0%	-	0%	2%	-	0%
Kagoshima	1%	-	1%	4%	-	0%
Okinawa	0%	0%	1%	1%	0%	1%
Total/average	100%	100%	100%	9%	2%	1%

Note: Covers all households with at least two people.

Source: Nomura Institute of Capital Markets Research, based on FY2005 data from the Ministry of Internal Affairs and Communications

2. The location of the income wealthy

1) Income wealthy are also concentrated in Tokyo

The wealthy also includes the "income wealthy", individuals with large incomes from businesses or asset investments. The location of the income wealthy can be seen from income statistics. We define the income wealthy here as individuals with annual incomes of over ¥50 million, 32% (18,577) of whom live in the municipality of Tokyo and 46% (26,950) of whom are under the jurisdiction of the Tokyo tax office (Figure 9). The income wealthy are thus concentrated in Tokyo to an even greater extent than the asset wealthy.

Figure 9: Location of individuals with income over ¥50 mn

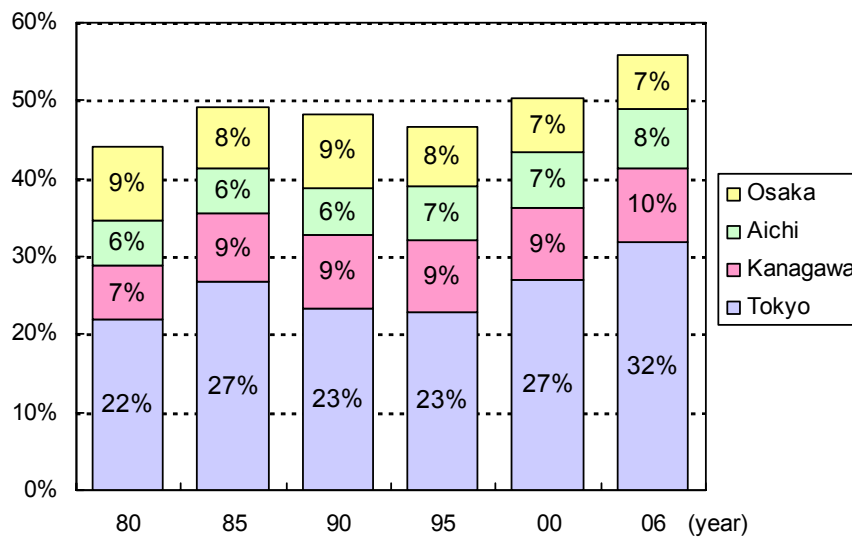
Tax office	Prefectures	Number	Share
Sapporo	Hokkaido	1,133	2%
Sendai	Aomori	247	0%
	Iwate	220	0%
	Miyagi	571	1%
	Akita	168	0%
	Yamagata	202	0%
	Fukushima	299	1%
	Total	1,707	3%
Kanto	Ibaraki	706	1%
	Tochigi	563	1%
	Gunma	476	1%
	Saitama	3,213	6%
	Total	5,880	10%
Shinetsu	Niigata	493	1%
	Nagano	429	1%
	Total	5,880	10%
	Tokyo	Chiba	2,596
Tokyo		18,577	32%
Kanagawa		5,604	10%
Yamanashi		173	0%
Total	26,950	46%	
Kanazawa	Toyama	269	0%
	Ishikawa	301	1%
	Fukui	206	0%
	Total	776	1%
Nagoya	Gifu	636	1%
	Shizuoka	1,400	2%
	Aichi	4,426	8%
	Mie	454	1%
	Total	6,916	12%
Osaka	Shiga	384	1%
	Kyoto	1,109	2%
	Osaka	3,942	7%
	Hyogo	2,567	4%
	Nara	597	1%
	Wakayama	275	0%
	Total	8,874	15%
Hiroshima	Tottori	72	0%
	Shimane	113	0%
	Okayama	434	1%
	Hiroshima	901	2%
	Yamaguchi	221	0%
Total	1,741	3%	
Takamatsu	Tokushima	207	0%
	Kagawa	219	0%
	Aichi	398	1%
	Kochi	142	0%
Total	966	2%	
Fukuoka	Fukuoka	1,586	3%
	Saga	155	0%
	Nagasaki	233	0%
Total	1,974	3%	
Kumamoto	Kumamoto	356	1%
	Oita	266	0%
	Miyazaki	235	0%
	Kagoshima	301	1%
Total	1,158	2%	
Okinawa	Okinawa	306	1%
Nationwide total		58,381	100%

Source: Nomura Institute of Capital Markets Research, based on FY2006 data from the National Tax Agency

2) Growing concentration in Tokyo

The high-income strata known as the "hills tribe" (for the posh Roppongi Hills section of Tokyo where they live and/or work) has become a frequent topic of discussion recently, as has the growing income gap. There is a possibility that even those regions where the income wealthy live are going through some changes. Figure 10 shows certain regions' share of individuals with income greater than ¥50 million over time, specifically the share of all individuals in Japan with income greater than ¥50 million for the four prefectures that have the largest number of wealthy residents: Tokyo, Kanagawa, Aichi, and Osaka. Tokyo's share has been climbing in recent years, while Osaka's share has been declining slightly.

Figure 10: Share by location of individuals with income over ¥50 million



Note: Shows each of the four prefectures' share of all individuals with income over ¥50 million.

Source: Nomura Institute of Capital Markets Research, based on National Tax Agency data.

IV. Asset allocations of the wealthy

1. Changes in the asset allocations of the wealthy

It is possible to examine the asset portfolios of the asset wealthy using inheritance tax data. Figure 11 shows a breakdown of inherited assets since 1980. Although land still represents the largest share of assets, that share has been declining since the bubble years, and recently dropped below 50%. There has been a notable rise, meanwhile, in the share of cash and deposits, from 9% to 20%.³

Although securities as a share of inherited property declined following the bubble years, it has recently started rising and is now higher than it was during the bubble years and prior. The allocations among specific types of securities have changed substantially, however. In the 1980s, nearly 40% of those securities comprised stock and equity in certain family-owned companies; that is, stock in their own company. In contrast, recent years have seen a dramatic increase in the share of beneficiary certificates in investment and loan trusts, while the share of stock and equity in other than certain family-owned companies has also grown. Overall, the share of stock in companies controlled by the estate has declined, which could be viewed as a shift to a more aggressive investment stance.

Figure 11: Breakdown of estate assets

Breakdown of estate assets		(year)					
	80	85	90	95	00	05	
Land	67%	67%	71%	69%	62%	50%	
House	3%	4%	5%	5%	4%	6%	
Property for business or agricultural use	1%	1%	0%	0%	0%	0%	
Securities	11%	11%	10%	8%	8%	13%	
Cash and deposits	9%	9%	8%	10%	15%	20%	
Household property	0%	0%	0%	0%	0%	0%	
Other	9%	10%	5%	6%	9%	10%	
Total	100%	100%	100%	100%	100%	100%	

Breakdown of securities within inherited property		(year)					
	80	85	90	95	00	05	
Stock and equity in certain family-owned companies	39%	35%	34%	37%	34%	28%	
Stock and equity in other than certain family-owned companies	42%	42%	48%	40%	40%	44%	
Government and corporate bonds	10%	14%	8%	10%	11%	13%	
Beneficiary certificates in investment and loan trusts	9%	9%	11%	13%	15%	16%	

Source: Nomura Institute of Capital Markets Research, based on National Tax Agency data.

³ This factor is dealt with at length in Sachiko Miyamoto, Perspectives on the Use of Household Financial Assets in Japan, Capital Market Review, Fall 2007 issue.

2. Comparing portfolio allocations between wealthy households and the average household

Comparisons with the average household are another important way to describe the portfolio allocations of the wealthy. Figure 12 compares wealthy households (those subject to inheritance tax and those in the highest bracket for ownership of various assets covered in micro data) with the average household.

Data on payers of inheritance tax is the total property subject to inheritance tax converted to an amount per inheritee. The figure indicates that the asset allocations of inheritance tax payers are relatively lower for cash and deposits and for life insurance, somewhat higher for real estate, and higher for securities, while debt as a percentage of assets is lower.

Meanwhile, there are notable differences in the makeup of household asset portfolios, depending on which asset category that the household belongs in the highest bracket, according to the micro data. Among households in the top bracket for savings (over ¥40 million), savings account for about 50% of net assets and securities 9%, while debt as a percentage of assets is low. The share of real assets was commensurately lower.

Among households in the top bracket for the value of their current residence (over ¥100 million), as well as households in the top bracket for the value of assets other than their current residence (over ¥100 million), there is a strong bias toward residential real estate assets, which account for over 90% of net assets. Savings accounts for less than 10%, and the share of securities is also low. Although debt as a share of net assets is low, it is high relative to savings. Overall, these groups appear to favor investment in real assets over investment in financial assets, and have low liquidity.

Among households with annual income of over ¥20 million⁴, the shares of both savings and real assets are similar to those of the average household, but securities as a percentage of savings is higher than the average household, as is the share of debt. Current residences account for half of all investment in residential real estate, with the remainder likely being investment property. These numbers suggest that this group takes a fairly aggressive investment stance in both financial assets and real assets.

Thus the asset allocations of the wealthy vary considerably, depending on the source of that wealth. Consequently, an important factor to keep in mind when offering investment advice to the wealthy is that they also differ in their type and level of exposure to asset risk.

⁴ Although we defined the income wealthy in the previous chapter as those with an annual income over ¥50 million, there is no available data on the asset allocations for this group, so we show instead households with annual incomes exceeding ¥20 million, for which data is available.

Figure 12: Comparing portfolio allocations between various wealthy households and the average household

(¥ thousands)

	Average household		Wealthy		Wealthy households							
			Person subject to inheritance tax		Highest bracket for savings (at least ¥40 mn)		Highest bracket for value of current residence (at least ¥100 mn)		Highest bracket for value of assets other than current residence (at least ¥100 mn)		Highest bracket of annual income (at least ¥20 mn)	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Net Assets	39,004	100%	374,972	100%	121,361	100%	236,897	100%	341,616	100%	163,255	100%
Net financial assets (savings less debt)	9,503	24%	65,617	17%	60,941	50%	18,281	8%	3,523	1%	25,038	15%
Savings	15,195	39%	90,389	24%	65,217	54%	34,603	15%	35,506	10%	53,335	33%
Demand deposits	2,323	6%	50,274	13%	8,832	7%	5,494	2%	5,052	1%	8,758	5%
Time deposits	6,940	18%			32,122	26%	16,000	7%	17,159	5%	24,352	15%
Life insurance, etc.	3,979	10%	11,366	3%	12,069	10%	7,237	3%	7,172	2%	10,840	7%
Securities	1,662	4%	28,749	8%	11,474	9%	5,643	2%	5,792	2%	8,793	5%
Outstanding debt	5,692	15%	24,772	7%	4,276	4%	16,322	7%	31,983	9%	28,297	17%
Real assets	29,500	76%	309,355	83%	60,420	50%	218,616	92%	338,091	99%	138,218	85%
Residential property	27,856	71%	295,700	79%	57,898	48%	215,732	91%	334,733	98%	133,626	82%
of which current residence	22,091	57%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	67,512	41%
Durable goods	1,501	4%	1,451	0%	1,811	1%	1,930	1%	1,990	1%	2,695	2%
Golf club memberships and other similar assets	143	0%	N.A.	N.A.	711	1%	954	0%	1,368	0%	1,896	1%
Other	0	0%	12,204	3%	0	0%	0	0%	0	0%	0	0%

- Notes:
1. All figures are from 2004. Both average and wealthy households limited to households of two or more individuals. Wealthy households based on the highest respective brackets in the Ministry of Internal Affairs and Communications data.
 2. Assets of individuals subject to inheritance tax is total inherited property divided by the number of inheritees. The value of inherited real estate shown is the estimated market value, assuming assessment for tax purposes was 50% of market value, to enable comparisons with other data.

Source: Nomura Institute of Capital Markets Research, based on FY2006 data from the Ministry of Internal Affairs and Communications and FY2005 data from the National Tax Agency