

Make use of “iDeCo” for household asset building

“iDeCo” is a nickname using initial letters in bold of **i**ndividual-type **D**efined **C**ontribution pension plan in Japan. Since January 2017, the new pension scheme has extended participants by accepting (i) public servants, (ii) housewives, and (iii) employees of companies with corporate-type pension plan, in addition to existing beneficiaries such as self-employed persons and employees of companies without DC pension plan. By this expansion, almost all of the members of national pension, ranging from age of 20 to 60 years old, can participate in “iDeCo”.

Point 1

Application of “iDeCo” can be made at only one financial institution Able to invest in investment trusts and deposits every month from JPY 5,000

- Those who wish to be member of “iDeCo” can apply at banks, securities houses and insurance companies, however, can apply only at a single financial institution. It is better to check financial products provided by each financial institutions under their schemes, as each of them has different product line-up. Although financial institution can be changed at any time, asset cannot be managed during transition period and extra fee might be charged for change of institutions.
- Under scheme of “iDeCo”, one can invest mainly in capital guaranteed products (term deposit etc.) and investment trusts and can switch products afterwards at all times. Contribution is deducted from salary for employees and for others it is deducted directly from their accounts. Minimum contribution amount is JPY 5,000 which will be applied to all of admitted persons, while contribution ceiling differs by each admitted persons (please refer to table below). Contribution amount can be changed once a year. Fees such as (i) admission fee, (ii) account maintenance fee and (iii) fees included in products (trust fee of investment trusts) will be incurred.

Point 2

iDeCo has tax benefit

Members can receive contributions from 60 years old onward

- “iDeCo” has tax benefit same as corporate-type DC pension plan. In detail, (i) installment is tax exempted, (ii) profit from investment (capital gain and dividend received of investment trust, interest of deposit etc.) and (iii) deduction of retirement income or public pension etc. is applied, depending on form of receipt, at the time of receipt.
- Contribution can be terminated and resumed at any time, however, we can withdraw money from “iDeCo” from 60 years old onward as a principle. Therefore, it is better not to invest money necessary before 60 years old in “iDeCo”.

Admitted Persons and Contribution Ceiling of “iDeCo”

Admitted Persons	Detail of Admitted Persons	Contribution Ceiling (Monthly)
Self-employed Persons	National pension members ranging from 20 to 60 years old	JPY 68,000
Company Employees	Differ by each company's pension scheme	JPY 12,000 - JPY 23,000
Public Servants	Admitted after legal reform on January 2017	JPY 12,000
House wives	Admitted after legal reform on January 2017	JPY 23,000

(Source) SMAM, based on publicly available information.

Make wise use of both “iDeCo” and “NISA” to build household assets for the future

- “iDeCo” enables asset building in a planned way to provide for future, as money cannot be withdrawn before 60 years old. We can retain assets in a better way for our future self and family by saving tax utilizing “NISA (tax-free small-lot investment program)”, the program under which capital gain and dividend received will be tax exempted up to certain amount of investment, together with “iDeCo”.

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