Pensions, the Conversation Worth Having

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As educators in Japan, we need to discuss pensions in order to better prepare for retirement. Some part-time teachers have never registered for *kokumin nenkin* [national pension]. Yet these modest benefits are accessible after only 10 years of contributions and while small, constitute reliable income. Retirees may also be eligible for foreign pensions. NISA and iDeCo investment accounts begun earlier in one's career can assist, too. Rental income from revenue property or from renting part of one's home can help fund one's retirement, but it is difficult to get a conventional mortgage once retired. Full-time employees can also benefit from *taishokukin* [retirement or severance money] as well as *kosei nenkin* [employees' pension] which is available to pensioners who have been contributing through their workplaces. This short article by an educator, not a financial planner or an accountant, outlines these pensions and introduces some resources in order to promote a much-needed conversation.

日本の教育者として、退職を　より良く準備してくために、私たちは年金について考える必要がある。　非常勤講師の中には、国民年金に登録をしていない者もいる。国民年金の受給には拠出開始から10年経っている必要があり、受給額も少額ではあるが、信頼性のある収入となる。また、退職者は海外の年金も同様に受給資格がある可能性もある。キャリアの早い段階においてNISAやiDeCoへの投資をすれば、それも退職準備の手助けとなるだろう。収益物件や家の一部を貸し出す賃貸収入による収入さえ、退職をサポートしてくれる。ただ、一度退職してからの住宅金融は困難である。正職員は職場を通じて支払っている厚生年金に加え、退職金も受け取ることができる。本稿ではファイナンシャルプランナーや会計士でなく、教育者としての筆者が、このような年金制度を説明し、誰もが考慮しなければならない議題を提議するため、いくつかの資料を紹介する。

Just before my 60th birthday, I received a large green envelope containing an estimate of my future pension. I was shocked at how small it was and kept looking for missing pages. The experience brought home to me the larger problem. We handle the rituals of retirement very well in Japan, at least for full-time employees, providing them with public recognition and retirement parties. But initiating a conversation about pensions, one I should have had much earlier in my career, seemed like breaking a taboo.

If one is a full-time faculty member, there are the modest sums of 厚生年金 [*kosei nenkin*/the employee pension plan] and of 退職金 [*taishokukin*/the retirement or severance money paid on retirement]. Then there is the meager 国民年金 [*kokumin nenkin*/national pension plan], which may be all a part-time lecturer teaching at several universities will receive. Thankfully, teachers planning their retirement have a growing number of online resources as well as a useful book for foreigners, *The Expat's Guide to Growing Old in Japan: What You Need to Know* (Penn, 2017), with its overview of retirement and the Japanese pension system.

Kokumin Nenkin: The National Pension Plan

Discussing the *kokumin nenkin* first, both full-time and part-time lecturers pay a modest monthly premium of ¥16,610 (Japan Pension Service, 2021). According to explanations at the JPS website, a full government pension with 40 years (480 months) of contributions pays out ¥780,900 annually. Using the formula on the website, in my case, 25 years (300 months) brings in 0.625 (62.5%) of a full pension, or ¥488,062 each year. Full-time faculty have their contributions deducted automatically from their monthly pay, but part-time lecturers need to register for it. Legally, all residents of Japan between ages 20 and 59 are required to pay this premium which not only provides a pension, but also disability insurance and survivors' benefits. An excellent posting on the website All About Japan (Kanert, 2021) outlines the pension system and provides images of the appropriate forms.

I personally know of part-time teachers who have never registered for *kokumin nenkin*. They may believe they may not be staying in Japan long or that the pension is too small to bother. They likely feel that they will not be able to collect it when they retire, particularly if they retire abroad. But at the very comprehensive website Retire Japan (with a reader forum, investment and pension information, and coaching), Tanaka (2021a) argues, "Consider it a cheap, state-backed annuity. It won't be enough to meet your needs, but it should provide a minimal safety stop income that you can build on with your savings and investments" (para. 6). As with any pension, drawing it early, for example, at age 60 rather than 65, means you will get less. In this case, 70% of your amount at age 65. In a posting about a *nenkin* statement, Tanaka (2021b) recommends deferring your pension if you can afford it, "Not taking the pension until the age of 70 increases it by 42%, and deferring it to 75 will increase it by 84%" (para. 7).

In the past, people who were leaving Japan could only withdraw a maximum of three years of their contributions as a lump sum, but now partial withdrawals are possible and the period to qualify has been shortened. (Kanert, 2019; Blincowe, 2018). Pension premiums are tax-deductible, and since 2017 it's been possible to claim a pension even after only 10 years of contributions (120 months) or ¥195,225 yearly (JPS, 2021). That amount seems negligible, but again the income lasts a lifetime and requires no management. Those living abroad who qualify for the minimum pension, have never taken a lump sum withdrawal, and have the appropriate documents such as their pension number, identification, their My Number, and a notarized statement confirming their identity and age, can apply through a form on the pension website (Pension Fund Association, 2021) or use a Japanese accountant who offers such services to foreigners.

Other National Pension Plans

There is a common misconception about Japan's international social security treaties. This supposes that people can transfer their years in the Japanese pension system and claim the benefits of the more generous pension system of their country of origin. Runchey (2021) explains, "Social security agreements can affect whether you meet the minimum contributory requirements to receive benefits (what I call eligibility), but they don't affect the amount of those benefits (what I call entitlement)" ("What social security agreements don't do" section). For example, by contacting a JPS office, and also negotiating with the bureaucracy in another country, someone who has worked much of their life in Japan, say 19 years, can borrow a year from those years they contributed to a pension overseas.

However, foreigners in Japan may have other pensions to which they are entitled or to which they can still contribute. Before moving to Japan, I lived in Canada until age 36 and accordingly qualify for two pensions there, which combined, rival my *kokumin nenkin* (Government of Canada, 2021). The minimum residency requirement there to qualify for Old Age Security (OAS) is 10 years between the ages of 18 and 65. With 18 years' residency in my case, the calculation is 18 years divided by 40 years (the total possible pensionable years), or 45% ($3,323) of the full pension of $7,384 annually. In Canada, I also made contributions through my employers to the Canada Pension Plan (CPP), entitling me to collect an additional $3,768 at age 65. As with all pensions, if I decide to start collecting later, there will be higher premiums.

NISA, iDeCo, and Online Investing

In Japan, if you are young enough, two government investment plans are worth considering, though you may need help with the Japanese forms when you open them. The Nippon Individual Savings Account (NISA), which can be opened at any bank or brokerage, was created in 2014 to stimulate the economy and promote individual savings (Belhadj, 2019). In brief, one can contribute a maximum of ¥1.2 million per year for a maximum of five years to the "Ordinary NISA", up to a maximum investment of ¥8 million, or contribute an annual total of ¥400,000 for a period of 20 years to a "*Tsumitate NISA,*" or a regular NISA (a plan initiated in 2018) for a maximum investment of ¥8 million (Belhadj, 2019). Depending on how you invest the money, and for how long, its value may increase substantially and help fund your retirement. NISA is modelled on similar tax-free savings accounts in other countries, such as the 401K in the U.S., the Individual Savings Account (ISA) in the U.K., and the tax-free savings account (TFSA) in Canada. Those plans are superior because they allow individuals to keep contributing until their retirement or until contributors reach their 70s. Of course, with all these plans, you pay taxes on withdrawls, but you can withdraw small amounts of money from them as needed.

For those planning to retire in Japan, a more attractive option is to open a 個人型確定拠出年金 [*kojingata kakutei kyoshutsu nenkin*/iDeCo account] (National Pension Fund Association, 2021). It can be opened at banks and other financial institutions, and it enables you to invest in Japanese mutual funds, save cash, or buy insurance. You can invest pre-tax income until age 60 and cash out tax-free (to a maximum of ¥22 million after 40 years) when you retire. Self-employed, part-time workers, including part-time faculty, can contribute larger monthly amounts to reach this maximum sooner. This is better than tax-free savings accounts in other countries because although you can't withdraw money from it until age 60, you don't pay tax when you do. Despite these advantages, the Ministry of Health, Labour and Welfare (2021) reported that by November, 2019 only 1.78 million subscribers held iDeCo funds (p. 13).

Of course, individuals can help fund their retirements by investing in stocks. They can buy and sell them through discount online brokerages. In Japan, these include Rakuten, Monex, and SBI; and for a brokerage with English support, there is also Interactive Brokers. Each charges modest fees for stock trades. You also can use financial advisors who charge fees when you purchase or sell mutual funds offered by their brokerage. Income and dividends from offshore investments are taxable, but any tax paid overseas is deductible. In addition, since 2014, the Ministry of Finance in Japan requires that overseas assets in excess of ¥50 million that are held by permanent residents have to be registered, and dividends and other proceeds are of course taxed (PricewaterhouseCoopers, 2013).

Managing investments yourself is far beyond the scope of this article, but information once proprietary to investment firms can be easily researched online and stocks purchased through discount online brokerages. While still in his 30s, a teacher named Andrew Hallam became a millionaire on a teacher's salary and his book describes investing in plain language (Hallam, 2017), *Millionaire Teacher* includes an excellent explanation of how you can use passive investments like exchange-traded funds (ETFs) that require little trading or specialist knowledge, and over time outperform the mutual funds often sold by banks and financial advisors. ETFs consist of a broad basket of different stocks traded on exchanges around the world such as the Tokyo or New York Stock exchanges. They have low annual management fees, and can be bought and sold quickly and more cheaply through online brokerages than buying them from financial advisors. There are now many types of ETFs specializing in such areas as different stock exchanges, the tech sector, consumer staples, and large caps (large publicly traded companies such as Apple or Tesla with a value in excess of US $10 billion).

Rental income

Although not a pension, one source of regular retirement income, often overlooked, is from renting a property or part of your home. According to the Organisation for Economic Co-operation and Development (OECD) (2021), real estate prices in Japan are lower than 32 other member states, including Australia, Canada, the E.U. area, the U.K., and the U.S. But in my experience, because buildings depreciate so quickly in value in Japan, it is hard to make a profit selling a home in the suburbs, in smaller urban areas, or in the countryside. The numbers improve, though, if you buy an older property in a big city and hang onto it. Several teachers I know have been making a good monthly income from buying old Tokyo apartments near train stations, renovating them, and then renting them out to short-term and long-term tenants. One even converted part of his house into a small studio apartment with its own kitchen and toilet. He always found renters among students and foreigners staying in Japan who had difficulty finding accommodation. Because the apartment was in his home, he could easily keep an eye on his renters.

The Plaza Homes website (2021) describes the lending requirements for banks in Japan and the procedures for buying property. As the requirements indicate, if you've ever thought about borrowing money to buy a home, or an investment property, you need to do this while still working. This has come as a shock to several of my retired friends. No matter how much money they may have in the bank or in stocks, they cannot qualify for a bank mortgage in Japan. Any property they may wish to buy will have to be purchased in cash. Furthermore, home ownership in retirement may become more important to people than they realize because landlords in Japan prefer not to rent to retirees who may develop health concerns or have trouble paying for rent increases.

Taishokukin (retirement or severance money)

Tenured faculty at Japanese universities, similar to employees at Japanese corporations, are also eligible for 退職金 [*taishokukin*/retirement or severance money], a cash payment for years of service. Universities calculate the amount based on the number of years you have been a tenured employee. There is a base payment for the year you start and then increments each year, with larger increments at 20 years, 25 years, and so on, depending on the size and finances of your school. You can determine your *taishokukin* by inquiring at your university administration or payroll office. Mine was ¥14,536,200.

Kosei nenkin (employee pension)

The second pillar of the Japanese pension system is the *kosei nenkin* [employee pension], which in my case, is from a private university and administered by the Promotion and Mutual Aid Corporation for Private Schools of Japan (PMAC). Founded in 1953 and head-quartered in Tokyo, PMAC also provides members with health insurance, home loans, travel discounts, and recreational facilities (PMAC, 2021). Figure 1 shows my pension contributions calculated at ¥620 each month multiplied by 12 months each year, plus ¥1,500 x 4 for my two bonuses

3　お知らせ

［参考］これまでの保険料納付額

(1) 国民年金（第1号被保険者期間）	(累計額)	0円
(2) 厚生年金保険（被保険者負担額）		
一般厚生年金期間	(累計額)	0円
公務員厚生年金期間（国家公務員・地方公務員）	(累計額)	0円
私学共済厚生年金期間（私立学校の教職員）	(累計額)	14,289,675円
(1) と (2) の合計	(累計額)	14,289,675円

4　最近の月別状況

last 13 months　　contributions

年月（平成）	国民年金 第1号・第3号 納付状況	厚生年金保険 加入区分	厚生年金保険 標準報酬月額（千円）	厚生年金保険 標準賞与額（千円） 2x	厚生年金保険 保険料納付額
28年 6月		（私学）	620	1,500	155,905
28年 7月		（私学）	620	bonus	45,595
28年 8月		（私学）	620		45,595
28年 9月		（私学）	620		45,595
28年10月		（私学）	620	bonus	45,595
28年11月		（私学）	620	2x	45,595
28年12月		（私学）	620	1,500	155,905
29年 1月		（私学）	620		45,595
29年 2月		（私学）	620		45,595
29年 3月		（私学）	620		45,595
29年 4月		（私学）	620		46,692
29年 5月		（私学）	620	1,500	159,657
29年 6月		（私学）	620	1,500	159,657

Figure 1. Pension contributions.

(two months' salary), paid in June, and then again in December. When this form was issued (which was not at the end of the school term and therefore did not contain all of my contributions), I had contributed a total of ¥14,289,675.

Figure 2 shows 291 months of contributions over some 25 years (though again, there would be additional contributions between the date of the notice and my last month of teaching.) The columns under 1a indicate potentially different employers I might have worked for and subsequent insurable earnings for those months. In my case, I worked full-time at one university for the duration of my 25 years in Japan. I would be eventually drawing an annual pension of ¥1,608,000, which comes out to ¥134,000 monthly. When I turn 65 later this year, there will be the additional annual benefit I mentioned earlier for my *kokumin nenkin* of ¥38,152 each month.

The retirement application form for *kosei nenkin* was nine pages in length and annotated with explanations and examples. In navigating my application, I found additional help at the PMAC office which offers some English support. The single most helpful information I received was a documents list. These

Nenkin

([redacted])

ねんきん定期便

基礎年金番号	[redacted]

お問い合わせの際には、上記基礎年金番号を
お知らせください。

※この「ねんきん定期便」は、下記の時点で作成しており、
平成29年 6月までの年金加入記録を表示しています。
〇私学共済厚生年金期間（私立学校の教職員）：平成２９ 年　８ 月１４ 日
〇国民年金及び一般厚生年金期間　：平成２９ 年　８ 月１８ 日
〇公務員厚生年金期間（国家公務員・地方公務員）　：　年　月　日

1　これまでの年金加入期間

国民年金（a）			船員保険（c）	年金加入期間合計（未納月数を除く）（a＋b＋c）	合算対象期間等（d）	受給資格期間（a＋b＋c＋d）
第1号被保険者（未納月数を除く）	第3号被保険者	国民年金計（未納月数を除く）				
0月	0月	0月	0月			
(public officials) 厚生年金（b） Kosei nenkin				Insurable months : 24 years		
一般厚生年金	公務員厚生年金（国家公務員・地方公務員）	私学共済厚生年金（私立学校の教職員）	厚生年金保険　計	291月	0月	291月
0月	0月	291月	291月			

※「合算対象期間等」欄には「国民年金の任意加入期間のうち保険料を納めていない期間（任意加入未納期間）」の月数を表示しています。
なお、この任意加入未納期間の月数は参考であり、年金を請求する時に書類による確認が必要となります。

Shigaku Kosei

(nat'l pension)
Kokumin...

2　老齢年金の見込額
※老齢年金の見込額は、ご自身の加入条件や経済動向により変化します。あくまで参考としてください。

	老齢年金の種類と見込額（1年間の受取見込額）			
年金受給開始年齢	歳～	歳～	Age 62 歳～	Age 65 歳～
(1) 国民年金				老齢基礎年金 457,839円
(2) 厚生年金保険	特別支給の老齢厚生年金	特別支給の老齢厚生年金（報酬比例部分）円	特別支給の老齢厚生年金（報酬比例部分）円	additional premium 老齢厚生年金（報酬比例部分）円

Figure 2. Insurable months and benefits at 65.

consisted of: (1)年金手帳 [*nenkin techo*/Japanese pension book or a document with your pension number], (2)住民票 [*juminhyo*/certificate of residence (or if living abroad, government-issued identification showing age, address, and birthday)], (3) bank information for transferring funds, (4) work history and pension contribution periods, (5)源泉徴収票 [*gensen choshuhyo*/official tax form noting income tax paid for the current tax year], (6)戸籍謄本 [*kouseki touhon*/family register], (7) marriage certificate (translated into Japanese), (8) spouse's *gensen choshuhyo*, (9) spouse's *nenkin techo* [pension information], (10)納税管理人の届け書 [*nozei kanrinin no todokesho*/Declaration Naming a Person to Administer Taxpayer's Tax Affairs (if the pensioner is leaving Japan)], and (11) a tax declaration for U.S. citizens.

After you begin receiving your pension, annually, on your birthday, you will receive a card in the mail called 現況届 [*genkyo todoke*/your address and status report] that requires your signature (verifying that you are alive), your My Number, and a verification of your address. Your spouse will be entitled to survivor benefits of up to 50% of your pension, and if you have children under the age of 18, they may draw benefits, too.

Conclusion

At 65, my *kosei nenkin* and my *kokumin nenkin* combined will yield ¥172,153 monthly. The former will likely be subject to a withholding tax of about 10%, depending on the country where it is received, if paid overseas instead of to a pensioner living in Japan. In the educational sectors of the G7, public school teachers and university lecturers often receive pensions that constitute 50% to 80% of their annual earnings. My pension, though lower, is much better than many in Japan. This is particularly true for the part-time faculty at my university who contribute so much, yet are only eligible for the *kokumin nenkin*. This fact makes our conversations about pensions and planning for retirement in Japan more important than ever.

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