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Actual Income and Assets of Elderly Households and Future Policy Issues:

Based on an Analysis of Intra- and Intergenerational Disparities

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As Japan increasingly moves toward becoming a "super-aged" society, responding to a decline in the level of the basic pension is attracting attention as an important issue. The number of elderly people living in one-person households in Japan is increasing significantly, and is expected to increase even further in the future due to a marked rise in the number of never-married people. Among one-person female households, a considerable number receive the basic pension as their sole income. We must also take into consideration concerns that members of the "employment ice age" generation (the generation that entered the job market from the mid-1990s to the early 2000s, during the economic slump following the collapse of the bubble economy), many of whom are non-regularly employed and/or single, will face an increased risk of being unable to maintain their standard of living in old age.

While the average income of Japan's elderly overall has remained flat in recent years and intragenerational disparities have not grown significantly, disparities in assets are extremely large, making it necessary to focus on the diversity of elderly households in terms of household types, disposable income, and assets. Furthermore, intergenerational disparity is also an important perspective, and the analysis in this paper reveals that (1) even if the elderly and the young have the same annual income, the margins available to support their standard of living differ due to differences in assets and disposable income, and (2) in particular, there is room to reexamine the burden on the working-age population represented by medical benefits for the elderly in later life, in terms of both income and assets.

Given the above, the following issues emerge. First, immediate consideration is required to prevent further decline in the level of basic pension benefits, in order to prevent the risk of elderly households being unable to maintain their standard of living from becoming a reality. Second, it will be important to create an environment enabling women and the elderly to continue working and to promote responses that take effect from a younger age, such as building assets toward old age. Third, given the considerable intra- and intergenerational asset disparities, it will be necessary to further discussions toward requiring the elderly to pay their fair share*.

This is a translation of a paper originally published in Japanese in December, 2024.

2025 is the year in which all baby boomers will turn 75 or older, and Japan will finally become a "super-aged" society. Against this backdrop, an actuarial valuation of public pension plans was conducted in the summer of 2024, and a future decline in the level of the basic pension, including for members of the "employment ice age" generation who will become elderly in the future, was identified as a concern. It was also pointed out that enhancing the basic pension in order to ensure the sustainability of quality of life in old age will be an important issue.

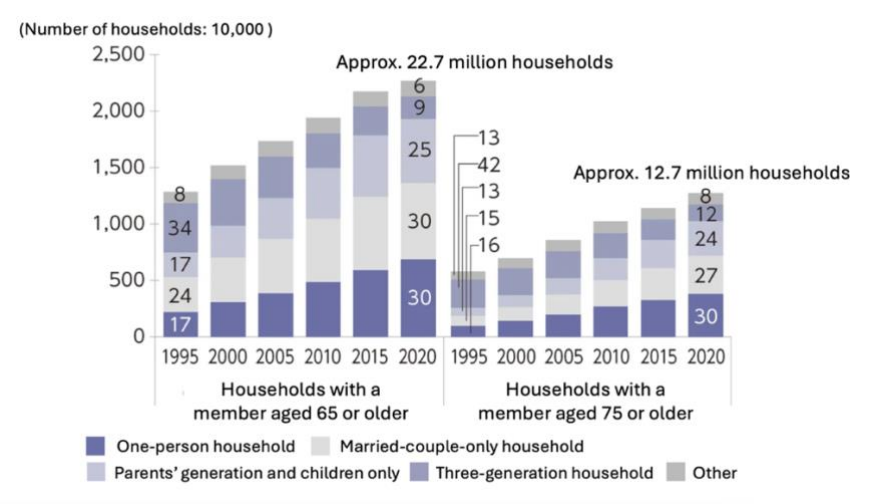
How has the environment surrounding the elderly, their actual living conditions, and the status of their income and assets changed over the past 30 years? What conditions can we predict that the elderly will face in the super-aged society of the future? Based on the latest data currently available, this report will examine the living conditions of elderly households and intra- and intergenerational disparities. It will then explore the policy issues that need to be addressed.

1. Actual Status of Households with Elderly Members: Marked Increase in the Number of One-person Households

(1) There Has Been a Significant Increase in the Number of Elderly People Living in One-Person Households

As of the 2020 Population Census, the number of households with a member aged 65 or older (including, among others, three-generation households in which the head of the household is a member of the working generations) had reached about 22.7 million, accounting for about 40% of all private households. Of these, 30% were one-person households (an elderly person living alone) and 30% were married-couple-only households (Figure 1). Further, 25% of these households had never-married children living with them, many of whom could be considered to be "parasite singles." (Note that the term "children" here includes not only never-married persons but also those without a spouse due to separation or being widowed.) Incidentally, only 9% of respondents lived in a three-generation household.

Figure 1: Household Types with Elderly Members



(Note) The figures indicate the total number of households with members aged 65 or older or with members aged 75 or older, and the percentage breakdown by household type. "Parents' generation and children only" includes "married couples and children," "male parent and children," and "female parent and children."
(Source) Population Census (2020)

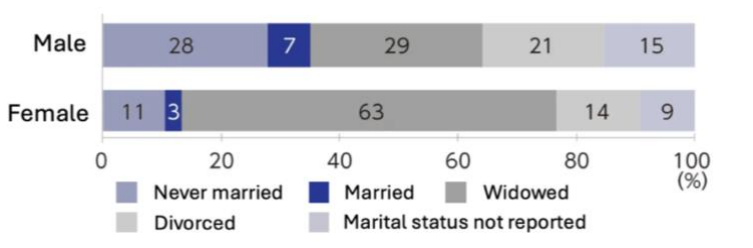
Compared to the composition of households in 1995, 25 years prior to this census year, three-generation cohabitation had decreased by 25 percentage points as of 2020. On the other hand, the number of one-person households increased by 13 percentage points. Further, the number of households consisting of the parents' generation and children only increased by eight percentage points, and married-couple-only households increased by six percentage points. The same trend is evident even if we restrict our focus exclusively to households with elderly members aged 75 or older. The number of elderly persons living alone has increased significantly with the aging of the population.

(2) The Number of Single-Female Households Is About Twice as High as That of Single-Male Households; The Number of Never-Married Single-Male Households Has Been Increasing in Recent Years

Next, looking at one-person households (aged 65 or older), which is the most numerous segment, and one that is growing, the number of one-person female households was 4.4 million in 2020, nearly double the number of one-person male households. Never-married men and women constitute 16% of one-person households. Figure 2 shows the respective composition of male and female one-person households. Among women, becoming widowed is the most common cause for living in a one-person household, with women accounting for an overwhelming 63% of all widowed one-person households. For men, becoming widowed and remaining never married are the most common reasons, at 29% and 28% respectively. The significant difference in the rate of remaining never married between men and women can be attributed to the large number of

couples made up of remarrying men and women marrying for the first time, creating a cumulative difference between men and women who have never been married.

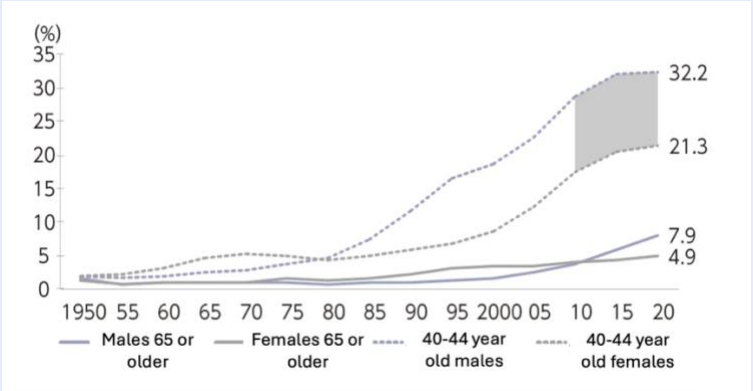
Figure 2: Gender and Spouse Relationships among Elderly One-Person Households



(Note) One-person households of individuals aged 65 or older, representing approximately 2.3 million male households and 4.4 million female households.
(Source) Population Census (2020)

Note that the never-married rate among those aged 65 or older has been rising since around the mid-1980s for women and since the 2000s for men (Figure 3). In addition, the never married rate for men in their early 40s has been rising rapidly since around 1985, reaching as high as 32% in 2020. Incidentally, the "employment ice age" generation (the generation that commenced employment amid the economic downturn following the collapse of the bubble economy from the mid-1990s to the early 2000s) entered their 40s in the early 2010s, and will enter their 60s in the early 2030s. The significant upward trend in the percentage of never-married people suggests that the number of elderly people living with never-married children may increase in the immediate future and the number of elderly people living alone may further increase from the 2030s, making it necessary to take early action to ensure the sustainability of quality of life in old age.

Figure 3: Changes in Never-married Rate among Individuals aged 65 and older and in their Early 40s



(Note) Shading represents the "employment ice age" generation
(Source) Population Census (2020)

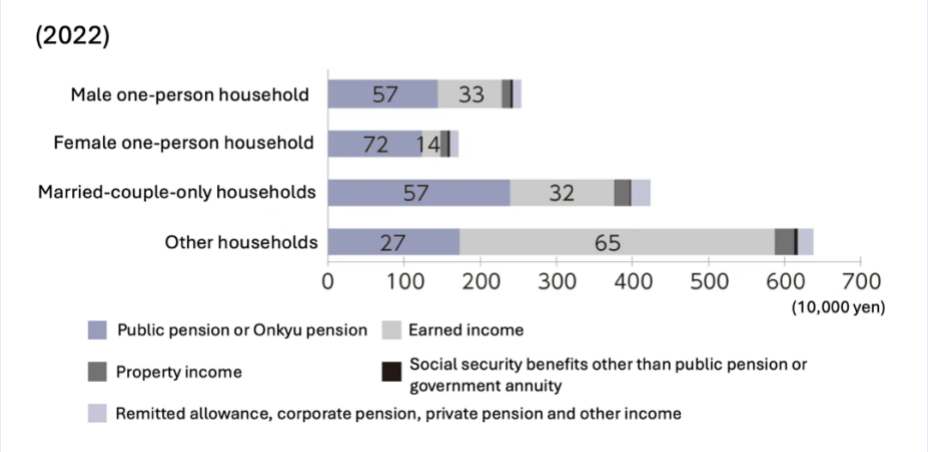
2. Trends in Income and Consumption Among Households With Elderly Members: Female One-Person Households Have Low Incomes, and Income Levels Have Remained Unchanged Over the Past 20 Years

Next, we will examine trends in income and consumption for households with elderly members. All intertemporal comparisons of income and consumption discussed in the following two sections are conducted on a real price-adjusted basis.

(1) There Is a Markedly Low Level of Income Among Female One-Person Households

Comparing the income of households with members 65 years of age and older by household type, we see a markedly low level of income for female one-person households, at around 1.7 million yen per year (Figure 4). This reflects the fact that the level of the public pension for female one-person households is lower than that for male one-person households, in addition to the fact that they receive less income from sources other than pensions, such as earned income (Note 1).

Figure 4: Average Income per Household for Households with Members 65 Years and Older (2022)



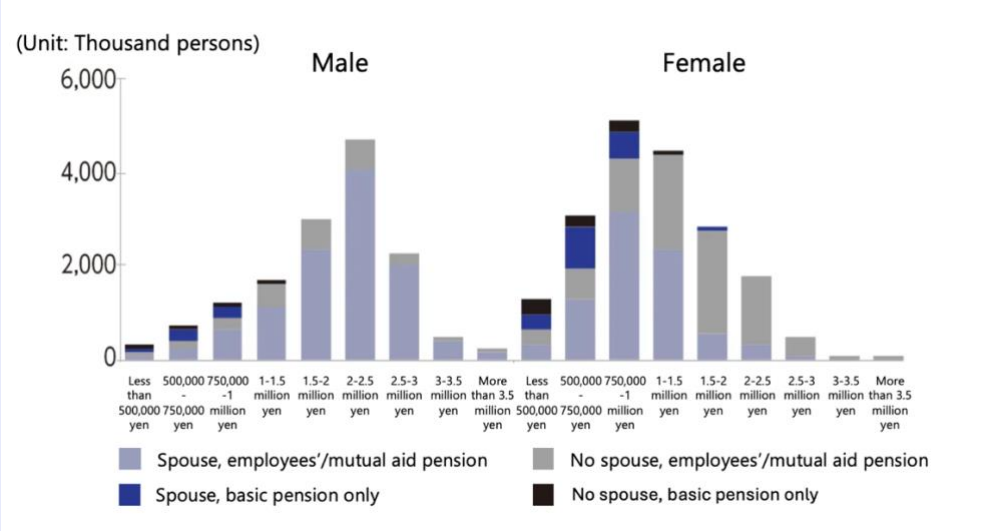
(Note) Adjusted for CPI (2020). Figures represent composition ratios. "Social security benefits other than public pension or Onkyu pension" includes public assistance.
(Source) Ministry of Health, Labour and Welfare, "Comprehensive Survey of Living Conditions" (2022)

Note that the incomes of one-person households and married-couple-only households have remained largely unchanged compared to 2005, a period of about 20 years. On the other hand, the incomes of other households (three-generation households and households with children) have declined.

(2) Pension Benefits Are Lower for Female Recipients of the Basic Pension Only

As shown in Figure 4 above, the public pension benefit for female one-person households is lower than that for male one-person households. Figure 5 compares the distribution of public pension benefits by gender based on the Comprehensive Survey of Living Conditions of Pensioners. First, women's public pension benefits are low overall, with half of the beneficiaries receiving less than 1 million yen per year. It is noteworthy that, by contrast with recipients of the basic pension who also receive an employees' pension or a mutual aid pension, recipients of the basic pension benefit alone are clustered at 1 million yen or below. Although some self-employed individuals may continue to have earned income in their old age, it is highly likely that single elderly women living only on the basic pension are generally facing a difficult income environment. Figure 5 shows that it is important both for women themselves to continue working, and to increase their period of participation in employee and mutual aid pension programs.

Figure 5: Distribution of Amount of Public Pension by Gender and Marital Status



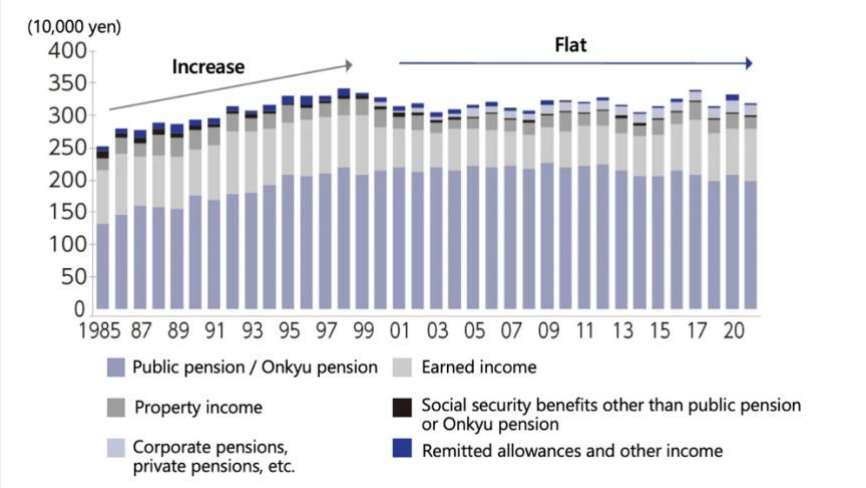
(Note) Number of recipients by the individual's public pension amount category. "No spouse" includes never-married, divorced, and widowed individuals.
(Source) Ministry of Health, Labour and Welfare, "Comprehensive Survey of Living Conditions of Pensioners" (2022)

(3) The Income of Elderly Households Has Remained Flat Since 2000, With a Slight Decrease in the Level of Public Pensions and an Increase in the Level of Corporate and Private Pensions

We will now consider the status of income among the elderly over time. Looking at the real average income of households with elderly members aged 65 or older, based on the Comprehensive Survey of Living Standards (Note 2), we see that income increased from the mid-1980s to 1997 (Figure 6, gray arrow) due to an increase in public pension payments, but has remained flat since the 2000s (blue arrow). Looking at a breakdown, the public pension, which represented the largest share in income, showed an increasing trend through 2000, but

has remained flat since then. In addition, earned income declined slightly in the 2000s, following which it increased slightly in the 2010s and thereafter. Property income has remained largely flat since the mid-1980s, while the amount paid by corporate and private pensions has increased since 2010, contributing to income growth in recent years.

Figure 6: Average Income of Elderly Households



(Source) Ministry of Health, Labour and Welfare, "Comprehensive Survey of Living Conditions" (2022)

Of these sources of income, public pension benefits have remained flat since the 2000s because real wages, which form the basis for the revision of pension benefit amounts, have not increased. Potential increases in pension benefits have been constrained in order to fix the social insurance premium rate at a level that prevents the burden of insurance premiums from becoming excessive. With regard to the revision of pension benefits, in 2004, macroeconomic indexing was introduced to the standards for revision of the pension benefit amount in order to adjust the level of pension benefits to reflect the decline in the population and the increase in average life expectancy, following revision of newly awarded pensions based on the wage fluctuation rate and of pensions already being received based on the price fluctuation rate (Note 3). However, due in part to the fact that prices did not rise sufficiently, macroeconomic indexing was postponed a number of times. The mechanism has been applied five times overall, first in 2015, and later in 2019, 2020, 2023, and 2024.

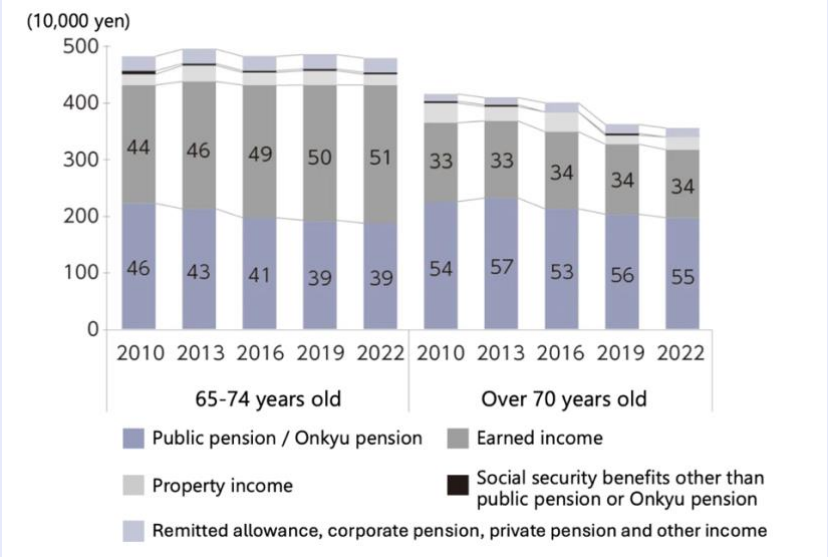
While current public pension trends indicate that benefit levels have been constrained, at the same time, they also encompass the fact that the income replacement rate for the basic pension in particular has remained high because macroeconomic indexing has not been implemented for an extended period. Macroeconomic indexing of the basic pension is expected to be implemented for an extended period in the future, because the adjustment of the level of pension

benefits, initially expected to be completed by FY2023, has not progressed. As a result, there is a strong possibility that the level of the basic pension that future elderly generations will receive as the basis of their livelihood will decline. Particular attention must be paid to the generations from the "employment ice age" onwards, because, as indicated above, the number of never-married people is increasing and the proportion of those involved in non-regular employment is also rising (Note 4), with the result that a greater number of members of these generations are expected to become dependent on the basic pension.

(4) Earned Income Among Those Aged 65 to 74 Has Increased in the Past Decade

Next, focusing on the last 10 years, we will analyze changes over time in the breakdown of income by age group for heads of households aged 65–74 and those aged 75 and over. By generation, the following characteristics emerge, as shown in Figure 7: first, average income has increased slightly since 2016 for those in their 60s. This is due to a significant increase in earned income, reflecting an increase in employment among those in their 60s (see box in the figure). As a result, the proportion of earned income in overall income for this group was about 70%, and dependence on pensions declined. By contrast, for those in their 70s, average income declined slightly as a result of declining pension income. This suggests the need to consider the two age groups separately, given that those in their 60s are still able to work, while those in their 70s and beyond have fewer opportunities to work.

Figure 7: Trends in Average Income per Household by Age Group of Head of Household

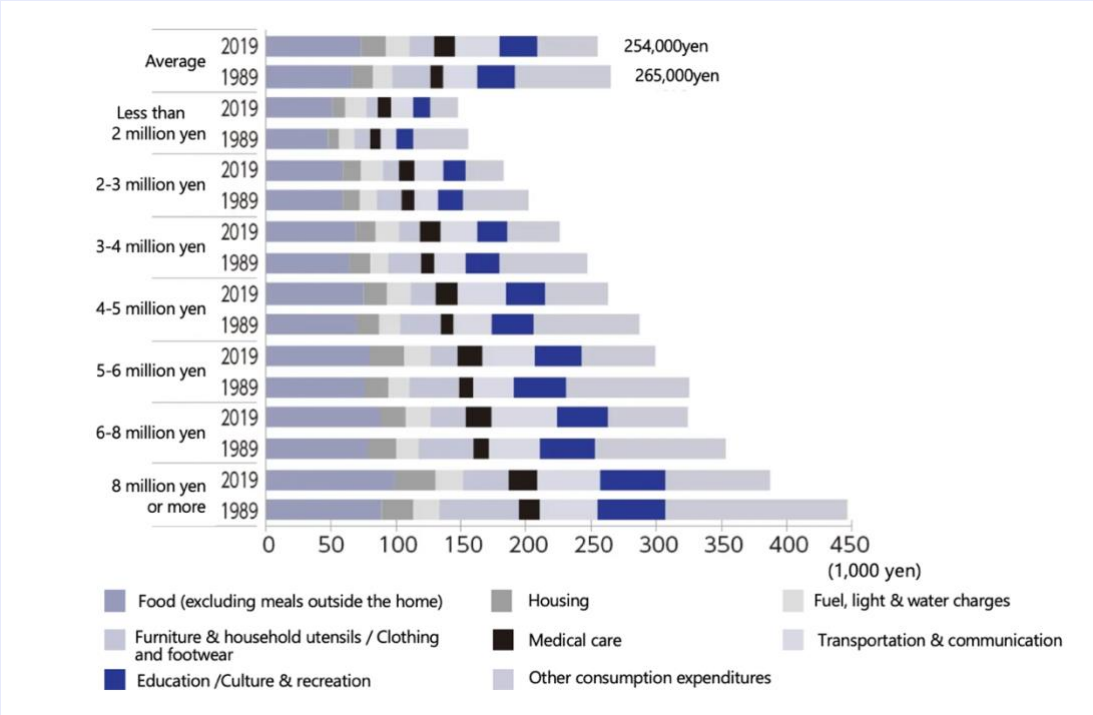


(Note) Adjusted for CPI (base year 2020). Figures represent composition ratios.
(Source) Ministry of Health, Labour and Welfare, "Comprehensive Survey of Living Conditions" (2022)

(5) Consumption Decreased Due Mainly to Reduced Expenditure on Entertainment and Other Expenses

What, then, do consumption trends among elderly households look like? In analyzing consumption trends by income bracket, we compared the available data for married-couple-only households with a husband aged 60 or older with data for 30 years previously, as shown in Figure 8.

Figure 8: Monthly Consumption Expenditure by Annual Household Income, Married-couple-only Households (Husband 60 years of Age or Older)



(Note) Adjusted for CPI (base year 2020). Figures represent composition ratios. Because data for married-couple-only households with a head of household aged 65 or older were unavailable for 2109, the comparison here is based on data for married-couple-only households in which the husband is aged 60 or older.
(Source) National Survey of Family Income, Consumption and Wealth (formerly the National Survey of Family Income and Expenditure), Statistics Bureau, Ministry of Internal Affairs and Communications (1989, 2019)

Over the course of the past 30 years (1989-2018), the average income of the elderly has increased by about 10%, but when comparing consumption expenditure in 1989 and 2019 (the latest data available before the impact of the pandemic), roughly the same period, we see a decrease. Looking at a breakdown of consumption expenditure, for all income groups, expenditure on food and transportation/communication increased, while expenditure in categories such as social expenses, clothing, and furniture decreased. At the same time, expenditure for necessities such as utilities and medical expenses did not change significantly. It can therefore be inferred that

while expenditure on communication and other necessities is increasing, less is being spent on expenditure on social expenses and clothing.

3. Intragenerational Disparities in Income and Assets Among the Elderly: Asset Disparities Are Extremely High

(1) Intragenerational Income Disparities Among the Elderly Have Not Increased Significantly

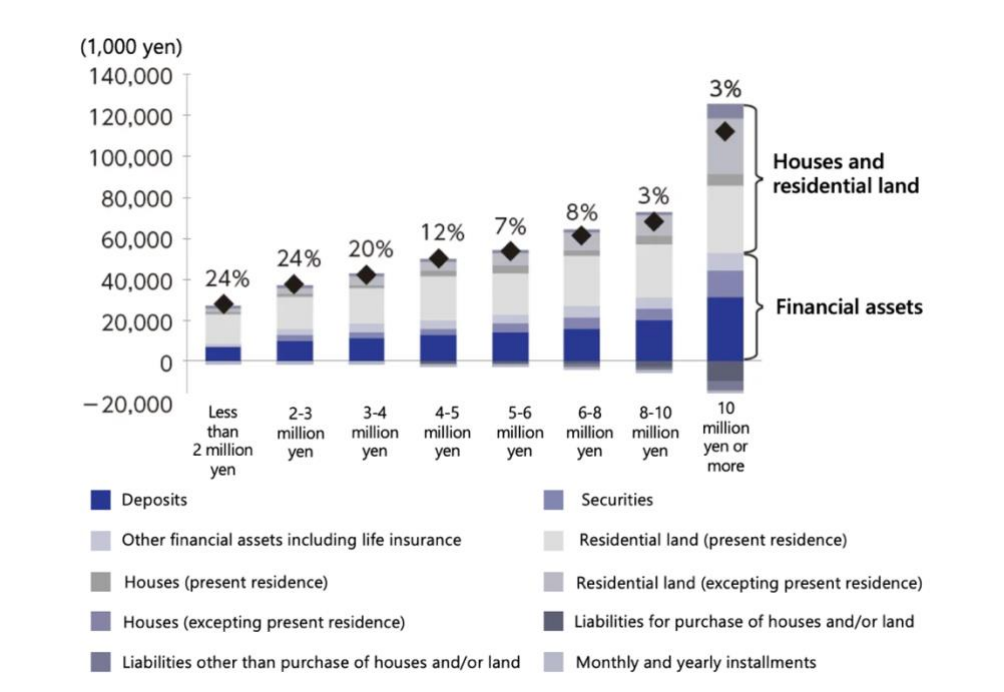
As we have seen, while total income has remained flat over the past 30 years, consumption expenditure has declined to some degree. One reason for this may be that disposable income has not increased due to the increasing burden represented by income tax and insurance premiums.

Ohno (2022) conducted an analysis of trends in disposable income for elderly households with members aged 65 or older based on the National Survey of Family Income, Consumption and Wealth. This analysis points to an overall increase of about 5.7% in the burden of income tax and insurance premiums between 1989 and 2019. Examining this by income bracket, we see that the insurance premium burden rate increased over this period for all income brackets, in part due to the establishment of the Long-term Care Insurance system in 2000, while the income tax burden rate increased less in the upper income bracket and more in the middle income bracket (Note 5). The estimated Gini coefficient of disposable income for elderly households with a head of household aged 65 or older in the same analysis shows that the Gini coefficient declined slightly from 1989 to 2019. It should be noted that the Gini coefficient increased slightly for households in which the head of household was less than 65 years old.

(2) There Is Significant Disparity in Assets Among Elderly Households, and It Is Unevenly Distributed

Next, we will look at the asset holdings of elderly households. First, the amount of housing, residential land, and financial assets held by households increases with increasing disposable income; households with disposable incomes of 2 million yen have a total net worth of 2.5 million yen, while those with disposable incomes of 10 million yen or more have a net worth of over 110 million yen, representing an extremely large disparity (Figure 9). While 80% of all households have a disposable income of less than 5 million yen, households with a disposable income of 10 million yen or more, or only 3% of all households, have an extremely high level of assets. Incidentally, the amount of assets held by the elderly declines as they reach the later stages of old age (75 years of age and above), and the distribution of their assets shifts toward the lower income brackets.

Figure 9: Breakdown of Assets and Liabilities by Annual Disposable Income Bracket (Head of Household 65 or older, 2019)



(Note) Weighted average of households with a head of household 65 to 74 years of age and households with a head of household 75 years of age or older. The numbers below the bars indicate the distribution of the number of households.
(Source) National Survey of Family Income, Consumption and Wealth, Statistics Bureau, Ministry of Internal Affairs and Communications (2019)

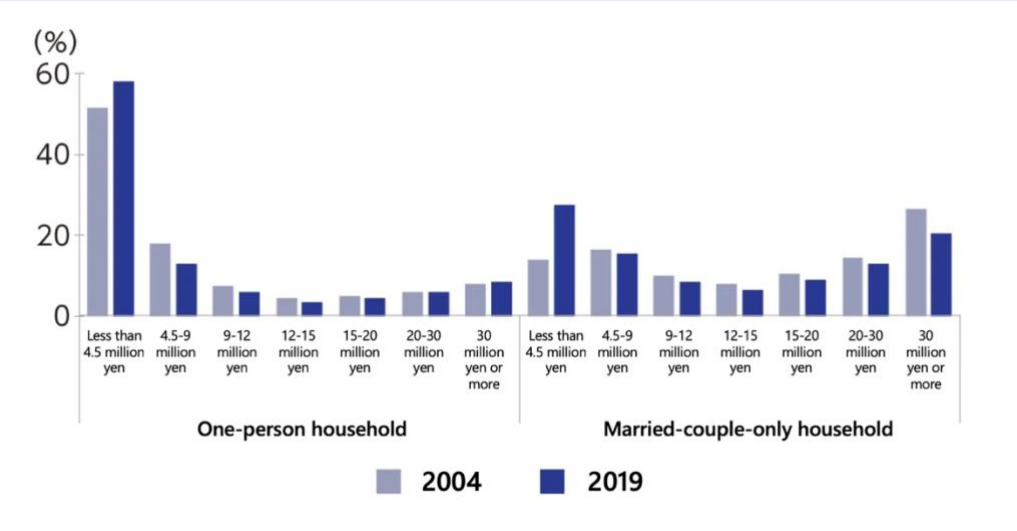
Note that the percentage of owner-occupied households (in 2020) for one-person households aged 65 and over is 58.2% for men and 76.8% for women, while the percentage of owner-occupied households for two-couple households is 88.5%. It should also be noted that 40% of male one-person households are not owner-occupied households.

(3) Intra-Generational Disparity in Financial Assets Has Not Widened

Looking at household financial assets by income bracket, the highest percentage of both one-person households and married-couple-only households have financial assets of less than 4.5 million yen (Figure 10). Moreover, the number of such households has been increasing recently, with 60% of one-person households having financial assets of less than 4.5 million yen. Only slightly more than 10% of one-person households have financial assets of 20 million yen or more. On the other hand, more than 20% of married-couple-only households have more than 30 million yen in assets, which makes them comparatively comfortable. However, the percentage is declining, suggesting that while pension benefits are not increasing, savings are being withdrawn due in part to low interest rates on deposits and a low rate of returns on investments. We must therefore bear in mind that even among the elderly, differences exist in terms of assets

between one-person and married-couple-only households.

Figure 10: Distribution of Financial Assets of Elderly Households (65 or older)



(Note) Shows the distribution of current value of financial assets. Here, elderly households are households with an unemployed member aged 65 or older. Elderly married-couple-only households, however, refers to married couples consisting of a man aged 65 or older and a woman aged 60 or older.
(Source) National Survey of Family Income, Consumption and Wealth, Statistics Bureau, Ministry of Internal Affairs and Communications (2019)

The fact that the financial asset gap within the elderly cohort has remained constant can be confirmed by the Gini coefficient for financial assets (including savings accounts). According to Fujiwara (2021) and Kitao and Yamada (2019), the Gini coefficient was relatively high for households with a household head aged 70 or older in 1984; the coefficient declined until 2004, after which it displayed a slight increase, but remained flat overall. In contrast, the Gini coefficients for the young and middle-aged have been steadily rising since 1984, showing widening disparities. This is due to the fact that many households in the young age group have no financial assets, while those in the middle-aged group have accumulated disparities in their assets due to the "employment ice age" and other factors, and that factors including inheritance have increased intra-generational disparities.

4. The Intergenerational Perspective: Life Is Tough for the Young, Making It Necessary to Consider Placing a Reasonable Burden on the Elderly

Up to this point, we have looked at the actual situation of elderly households and intragenerational disparities among the elderly, but it is not only the elderly who are bearing an increasing insurance premium burden. In particular, due to the aging of society, the premiums paid by the working-age population, especially the young and middle-aged, are increasing

relative to income. When considering future policy issues related to the elderly, it is important to consider how this burden should be apportioned, and an intergenerational comparative perspective is essential. Therefore, we will conduct our analysis by focusing on (1) a comparison of the actual disposable income and consumption of young and elderly households with an average income of 2 million yen, and (2) the intergenerational discrepancy in income and expenditure in the area of medical expenses.

(1) Even When Their Annual Income Is the Same, Economic Margins Differ Between the Young and the Elderly

Examining average income by age group based on the Comprehensive Survey of Living Conditions, we find that the average annual income of 25- 29-year-olds (the young age group) and 70- 74-year-olds (the elderly age group) is almost the same, at just over 2 million yen. A comparative analysis of the consumption and household finances of young and elderly households, using the National Survey of Family Income, Consumption and Wealth as a guide, reveals the following (Table 11) (Note 6).

Table 11: Comparative Analysis of Consumption and Assets of Households with an Annual Income of 2 Million Yen by Age Group (One-Person Households, 2019)

	Annual income of 1.5-less than 2.5 million yen			
	Head of household under 30 years of age ①	Head of household 70 years of age or older ②	①－②	①／②
Consumption expenditures (yen/month)	123,821	133,675	－9,854	0.93
Food	27,319	40,647	−13,328	0.67
Housing	34,062	11,984	22,078	2.84
Fuel, light & water charges	9,116	12,417	−3,301	0.73
Furniture & household utensils	2,722	5,437	−2,715	0.50
Clothing and footwear	4,058	4,176	−118	0.97
Medical care	4,342	8,570	−4,228	0.51
Transportation& Communication	16,280	11,643	4,636	1.40
Education / Culture & recreation	16,764	15,365	1,399	1.09
Other consumption expenditures	9,156	23,434	−14,278	0.39
Annual income (10,000 yen)	202	200		
Estimated disposable income (10,000 yen)	Approximately 160	Approximately 182		
Current value of assets (10,000 yen)	62	3,013		
Current value of savings (10,000 yen)	50	1,081		
Current liabilities (10,000 yen)	50	10		

(Notes)
1. A further analysis of estimates presented by the author to the 2020 Planning Meeting on a Social Security System Oriented to All Generations, with changes to income categories and household types.

2. Weighted average of the annual income brackets 1.5- 2 million yen and 2- 2.5 million yen. Because decimals are rounded to the nearest whole number, differences calculated from the figures shown here may not agree.
3. With regard to the distribution of the number of households, the percentage of one-person households for each head-of-household age group is 16% for those under 30 years of age (21% for those with an income of less than 2.5 million yen, including those with no income) and 46% for those of 70 years of age or older (71% for those with an income of less than 2.5 million yen, including those with no income).
4. The disposable income of households with a head of household 70 years of age or older is estimated based on the assumption of an annual income of 2 million yen from pension income alone. The disposable income of households with a head of household under 30 years old is estimated based on the assumption that the head of the household is a salaried worker.
(Source) Based on the National Survey of Family Income, Consumption and Wealth (2019), Statistics Bureau, Ministry of Internal Affairs and Communications.

First, consumption expenditure for households in which the head of the household is under the age of 30 (referred to as "the young cohort" below) is 123,000 yen per month, or about 1,490,000 yen per year. This compares to about 1,600,000 yen for households in which the head of the household is aged 70 or older (referred to as "the elderly cohort" below), indicating that the young cohort is, overall, being more economical than the elderly cohort. However, there is a low percentage of home-owners among the young cohort, and the overwhelming majority can be considered to be renters. As the table shows, housing costs are almost three times as high for the young cohort as for the elderly cohort. In addition, transportation and communication expenses are also higher for the young cohort, due to their being of working age.

Second, in addition to differences in the total amount of assets, which reflects home ownership, the amount of financial assets such as savings also differs significantly between the young and the elderly cohorts, with the elderly holding considerably more.

Third, insurance premiums and taxes, which are not included in consumption expenditure in the table, are factors that reduce annual take-home income, and therefore disposable income. Given this, the level of disposable income differs between these cohorts, even if their income is the same at 2 million yen (Note 7).

The elderly do not have to pay pension insurance premiums, and their health insurance premiums are lower than those of the young cohort. Taking into account long-term care insurance premiums, resident tax, and income tax, disposable income is estimated to be about 1.82 million yen for the elderly aged 75 and older (1.76 million yen for those between 65 and 74). By contrast, pension and health insurance premiums for the young cohort are estimated to total about 300- 340,000 yen. Taking into account the burden of resident and income taxes in addition to the above-mentioned insurance premiums, disposable income for this cohort is estimated to be about 1.6 million yen.

The above analysis reveals that even members of the young cohort with average incomes are unable to save for the future, given recent price increases, and that many households in this cohort with incomes even lower than 2 million yen may find their consumption exceeding their disposable income. Furthermore, it is estimated that the income replacement rate of pensions will decline in the future, leaving younger generations in a situation of considerable uncertainty regarding their future.

As this indicates, it is clear that it is not possible to grasp the actual situation of households in the young or the elderly cohorts based on income alone, and that it is necessary to discuss their situations based on both (1) assets and (2) disposable income.

(2) Intergenerational Health Insurance Burden and Benefit; The Majority of the Elderly Cohort Receive Greater Benefits

Next, we conducted our own analysis of amounts received per household through the Medical Care System for Elderly in the Latter Stage of Life by income bracket (Note 8). The Medical Care System for Elderly in the Latter Stage of Life is a public insurance program for people aged 75 or older, and is 50% financed by public funds, with the remainder coming from enrollees' insurance premiums, support payments from the insurance system for the working-age population, and enrollees' own payments at the counter. In other words, transfers from the working-age population to the elderly are made through government funds and support payments from the insurance system. Utilizing a variety of statistics, we therefore divided the household burden into “aged 75 and over” and “under 75,” and further broke it down by income bracket to estimate the status of intergenerational and intragenerational transfers of income (Note 9).

As shown in Table 12-1, for members of the working generations under age 75,shown on the left side of the table, burden exceeds benefit for all income brackets, resulting in excess payments (negative net benefit). This means that there is an income transfer from the working-age population to the elderly aged 75 and above. On the other hand, as shown on the right side of Table 12-1, the elderly who have incomes equivalent to those of members of the working generations and pay 30% of their total medical costs at the counter (“Income level equivalent to active worker, Category II” and “Income level equivalent to active worker, Category III”) pay in excess of benefits received. However, the ”Standard income” bracket and the “Low-income level, Category I” and “Category II” brackets, in addition to the “Income level equivalent to active worker, Category I” bracket (for a one person household, an annual income of about 3.7 million

yen to about 7.7 million yen) all receive benefits in excess of payments.

Table 12-1 Net Benefits by Age and Category of Head of Household (10,000 yen): Estimated Income Redistribution through the Medical Care System for Elderly in the Latter Stage of Life

Age of head of household	Under 75 years of age				Over 75 years of age			
	Burden	Benefit	Net receipts	Percentage (%)	Burden	Benefit	Net receipts	Percentage (%)
Low-income level, Category I	14	3	- 11	7	17	134	117	17
Low-income level, Category II	20	5	-15	15	26	140	115	24
Standard income level	33	6	-27	71	45	121	76	53
Income level equivalent to active worker, Category I	59	9	-50	4	80	84	3	4
Income level equivalent to active worker, Category II	69	10	-59	1	118	93	-25	1
Income level equivalent to active worker, Category III	72	10	-62	2	170	111	-59	1

(Note) Classifications employed by the Medical Care System for Elderly in the Latter Stage of Life based on household income (as of 2019).
(Source) NIRA calculations based on the Population Census (2020), the National Survey of Family Income, Consumption and Wealth (Statistics Bureau, Ministry of Internal Affairs and Communications, 2019), the Comprehensive Survey of Living Conditions (Ministry of Health, Labour and Welfare, 2019), and the Medical Care System for Elderly in the Latter Stage of Life (fiscal 2019).

Table 12-2 Current Value of Savings by Age and Category of Head of Household (10,000 yen)

Age of head of household	Under 44 years old	45-74 years old	75 years of age or older
Low -income level, Category I	120	833	672
Low -income level, Category II	205	1,291	1,034
Standard income level	528	1,457	1,771
Income level equivalent to active worker, Category I	1,389	2,436	3,258
Income level equivalent to active worker, Category II	2,475	3,186	4,624
Income level equivalent to active worker, Category III	3,276	4,900	8,285

(Note) Classifications employed by the Medical Care System for Elderly in the Latter Stage of Life based on household income (as of 2019).
(Source) National Survey of Family Income, Consumption and Wealth, Statistics Bureau, Ministry of Internal Affairs and Communications (2019)

If we consider this from the perspective of ability to pay, Table 12-2 shows that the "Standard income level," which corresponds to 53% of the elderly population, and the "Income level equivalent to active worker" group, (the sum of "Income level equivalent to active worker," Categories I through III), which corresponds to 6%, hold more savings than the majority of members of the working generations. At the same time, income transfers are taking place from the working generations to the elderly generations, including members of these income brackets. There is therefore room for reexamination of whether the burden on the elderly is

commensurate with their income and savings levels.

In addition, from the perspective of the principle of benefit and burden, a comparison of the counter charges at medical institutions shows that while members of the working generations pay 30% of the total charges, the "Standard income level" segment of the elderly population pays 10- 20% of the total charges. In particular, while members of the "Standard income level group aged 75 or older can be considered to hold a certain amount of savings, their burden rate is low. This situation also poses an issue from the perspective of the principle of benefit and burden. Revision of the ratio of payments at the counter in the Medical Care System for Elderly in the Latter Stage of Life was mentioned in the General Principles Concerning Measures for an Aging Society compiled in September 2024, and this matter is expected to be given further consideration.

Looking at the benefit amount for those aged 75 and over, the amount is higher for those in the income bracket paying 10-20% of fees at the counter than for those in the income bracket paying 30%. This factor also needs to be examined, taking into consideration the impact of the burden of payment at the counter on behavior in relation to medical examinations, to determine whether the low level of financial burden leads to individuals having more frequent examinations.

5. Policy Implications

The results of the above examination of the actual conditions of current households with elderly members, and their income, consumption, and assets, in addition to the status of intra- and intergenerational disparities, suggests a number of policy implications and points for discussion, as explored below.

We Need to Focus On the Diversity Among Households With Elderly Members, Their Household Types, Disposable Income, and Assets

(1) Households with elderly members differ greatly in terms of living conditions, disposable income, and assets depending on whether they are one-person households or married-couple households, whether they are single-male or single-female households, whether their members are under or over 75 years of age, and whether their members are in an age group for which employment opportunities are still abundant or are decreasing. It is necessary to focus on the diversity of elderly households in terms of factors including household types, disposable income, and assets; it is not appropriate to consider policies for the elderly in a uniform manner.

Urgent Action will be Needed to Address Decline in the Level of the Basic Pension

(2) In addition to the number of female one-person households, the number of never-married men will rise sharply in the future, and single-male households will also have to bear the burden of household expenses, given that the percentage of home ownership among this group is low at 40%. Further, the number of those who are highly dependent on the basic pension is expected to increase with the aging of the "employment ice age generation" (the generation in which the number of non-regular employees increased), resulting in an increasing risk that low-income one-person households will be unable to maintain their standard of living.

- Given the marked increase in the percentage of never-married people in their 40s, there is a strong likelihood that as the "employment ice age" generation ages, not only will they continue to become "parasite singles" living with their parents, but there will also be a greater number of single elderly people without families in the future. It will therefore be an important matter to give consideration to the prevention of poverty among the single elderly.

- The level of benefits provided by the basic pension alone is low at present, and is expected to decline further in the future, which is a cause for concern. Raising the level of the basic pension is important and should be discussed further from this point onwards. This issue must be examined from multiple perspectives, taking into consideration approaches including the establishment of a mechanism to ensure the implementation of macroeconomic indexing regardless of price conditions, including the elimination of the nominal lower limit threshold, further expansion of coverage of the employees' pension, and extension of the period for contribution to the basic pension (Note 10).

- As the number of singles who do not own their own homes increases, it will also be necessary to give adequate consideration to housing policies for the elderly.

The Importance of Issues That Should Be Promoted From a Young Age

(3) Irrespective of gender, people are expected to continue working from their youth in order to enjoy a comfortable old age. While the earned income of men in their 60s has increased in recent years and their income levels have been maintained, both pension benefits and earned income are low for single women. Taking this into consideration, ongoing employment to provide increased earned income and pension benefits will be essential to sustaining quality of life for the elderly. While respecting people's freedom to choose how they live and work, we can reaffirm the fact that systems should be in place to prevent people from, for example, refraining from

working. It will be extremely important to create an environment enabling women and the elderly to continue to work, and to make them aware of systems to increase lifetime income, including enrolment in the employees' pension system.

(4) It will be necessary to expand corporate and private pensions as a complement to the public pension. Support for asset formation from a young age, including NISA, will be an essential policy, and it will be important to continue to raise awareness of this in the future.

There Must Be More Discussion Regarding Ability to Pay for the Elderly

(5) There is a significant disparity in assets among the elderly, with, for example, some 3% of elderly households having assets exceeding 100 million yen. Taking into consideration the extremely large disparity in assets both within and between generations, we should further discuss requiring the affluent elderly to pay their fair share of essential social security payments, such as for medical care (Note 11).

- It is to be hoped that the government will consider medical expenses from the perspective of a system based on the principle of benefit and burden (i.e., in which the burden is proportional to the services received).

(6) The situation of the low-income-bracket young cohort is such that they cannot afford both assets and disposable income when compared to the same income bracket among the elderly (Note 12). It will be important to curb the increase in the premium burden on these groups; in order to reduce the current burden rate, measures such as an employment allowance for low-income workers, for example like the UK's universal credit, should be considered.

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