

## The satisfaction of retirement

*Richard Works*

Policymakers debate over raising the retirement age to increase revenue through taxation and reduce the costs of entitlement programs. Yet retirement also has indirect fiscal impacts that should be considered in the debate. For instance, if retirement increases the use of healthcare by worsening the health of retirees, policies that promote delaying retirement could reduce public healthcare expenditures. According to “[Does retirement improve health and life satisfaction?](#)” (National Bureau of Economic Research working paper no. 21326, July 2015) by Aspen Gorry, Devon Gorry, and Sita Slavov, however, retirement tends to benefit the health of retirees and increases their life satisfaction.

Data were collected through the Health and Retirement Study, which represents Americans who were over age 50 between 1992 and 2012. People who were unemployed, disabled, or not in the labor force were dropped from the sample. The sample yielded 41,316 observations from respondents who reported work experience of at least 20 years. The normal Social Security retirement age for 42.5 percent of the sample was 65, and many people had defined benefit pension plans with full or early retirement at age 65. Retirement was defined as a transition from working, either full-time or part-time, to full or partial retirement.

Earlier studies found a drop in health after retirement, but those studies failed to account for endogeneity—that is, for a variable in a model being at least partly a function of other variables in the model. In contrast, this study’s model took into account the fact that poor health often leads to a worker’s decision to retire.

Unlike the previous studies, this study shows that retirement has a positive impact on health, although the effects may require time to become evident. Although some people worry that retirement may lead to a diminished sense of purpose and social isolation, a benefit of retirement is a reduction in stress and increase in leisure. Using regression analysis, the authors found that retirement had no significant effect on healthcare use, but retirement did improve life satisfaction and self-reported health, which has a positive correlation with mortality. The data show these immediate improvements remain 4 or more years after retirement. The study also shows that improvements in objective health measures start to show up 4 or more years after retirement.

Along with finding that health tends to improve during retirement, this study also finds that retirement does not bring added use of healthcare, and so the health improvements have no added costs. This study, therefore, extends retirement research by providing evidence of improvements in both self-reported health and objective health measures.