

*What Makes Retirees Happier:
A Gradual or
“Cold Turkey” Retirement?*

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People say that they want to retire gradually.

- Most older workers say that they would stay in the labor force longer if they could cut back their hours.
- Two out of three older workers say they plan to work in retirement.



Sources: Brown, Kathi. 2003. *Staying Ahead of the Curve 2003: The AARP Working in Retirement Study*. Washington DC: AARP.
Hutchens, Robert. 2007. "Phased Retirement: Problems and Prospects." *Issue in Brief 8*. Chestnut Hill, MA: Center for Retirement Research.

Why might gradual be good?

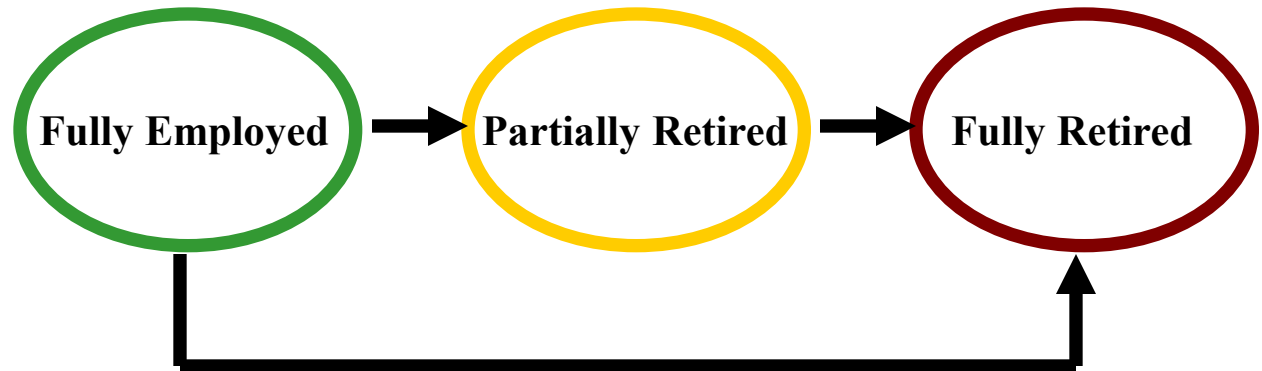
- Maintain continuity in daily activities
- Adapt to aging
- Remain active and socially engaged

Which makes people happier?

Gradual retirement OR cold turkey?



The Transitions



Happiness = realized quality of life

How do we define happy?



Lo



Unpleasant feelings

W

- Sad
- Lonely
- Depressed



High 

Pleasant feelings

- Happy
- Enjoy Life

Factors that influence happiness.



Control over retirement



Social relationships



Health

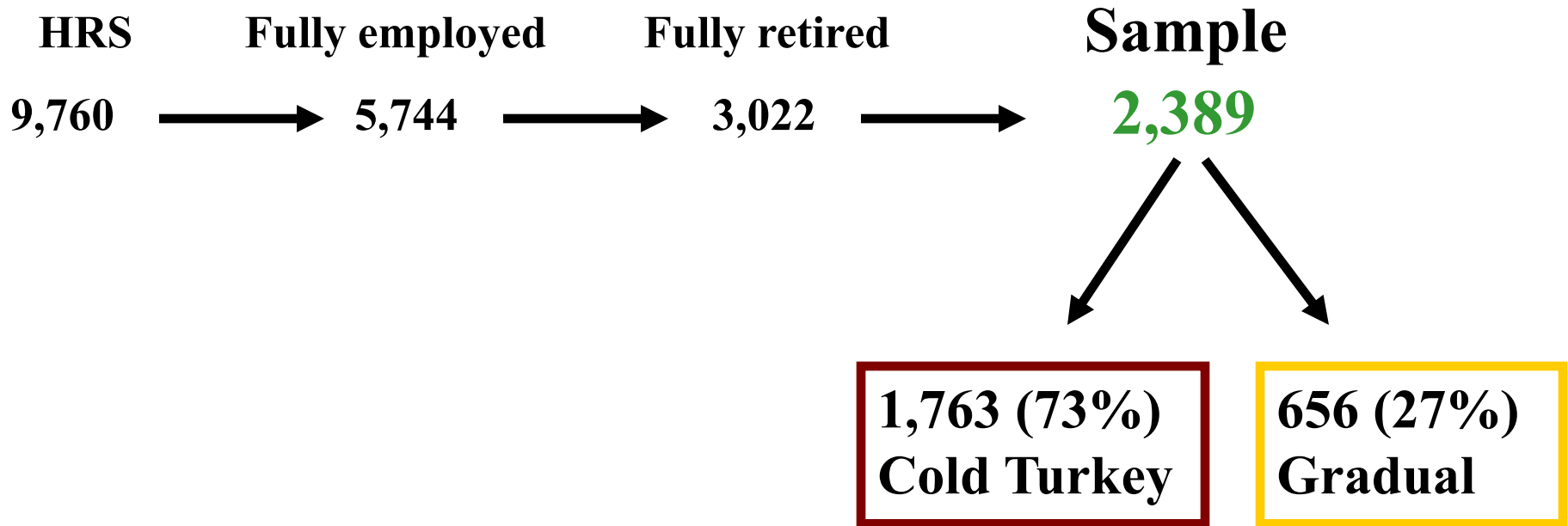


DB plan
















Demographic and socioeconomic controls

How do we construct our sample?



Source: Authors' illustration.

Type of transition has no effect on happiness in retirement.

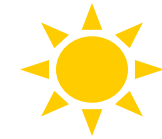
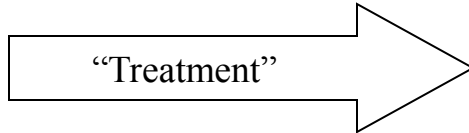
	Happy	Enjoy Life	Sad	Lonely	Depressed
Cold Turkey					
Retirement Wanted					
Retirement Partly Wanted					
Spouse Death					
Health Decline					
Defined Benefit					

Source: Authors' calculations.

Limitations in the HRS data.

Baseline Full Employment

Outcome Full Retirement



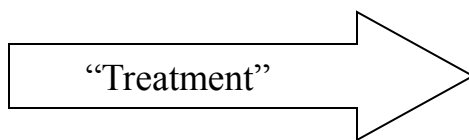
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+1 or 0 ?



=

-1



=

+1

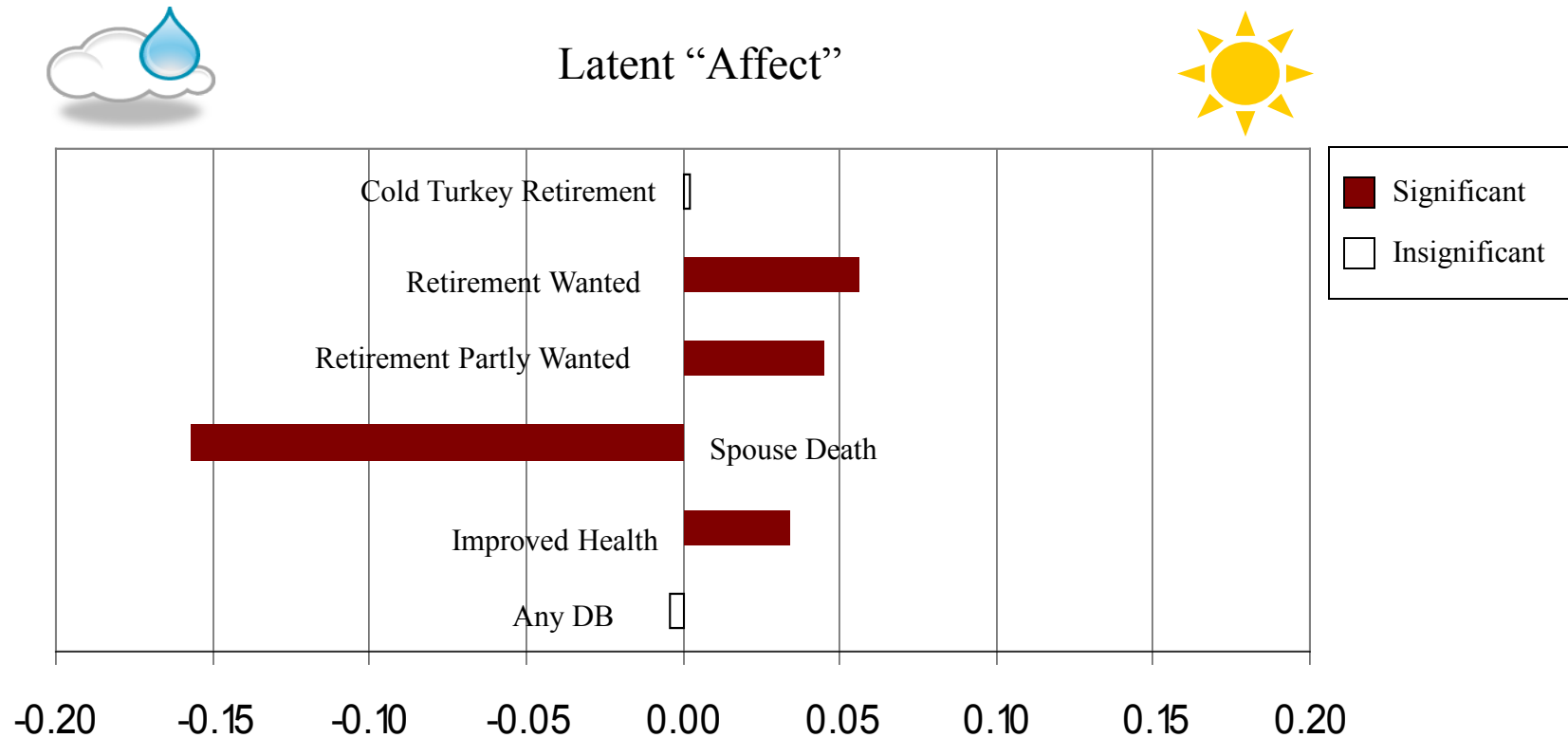


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0 or -1 ?

Source: Authors' illustration.

Results are confirmed with latent affect variable.

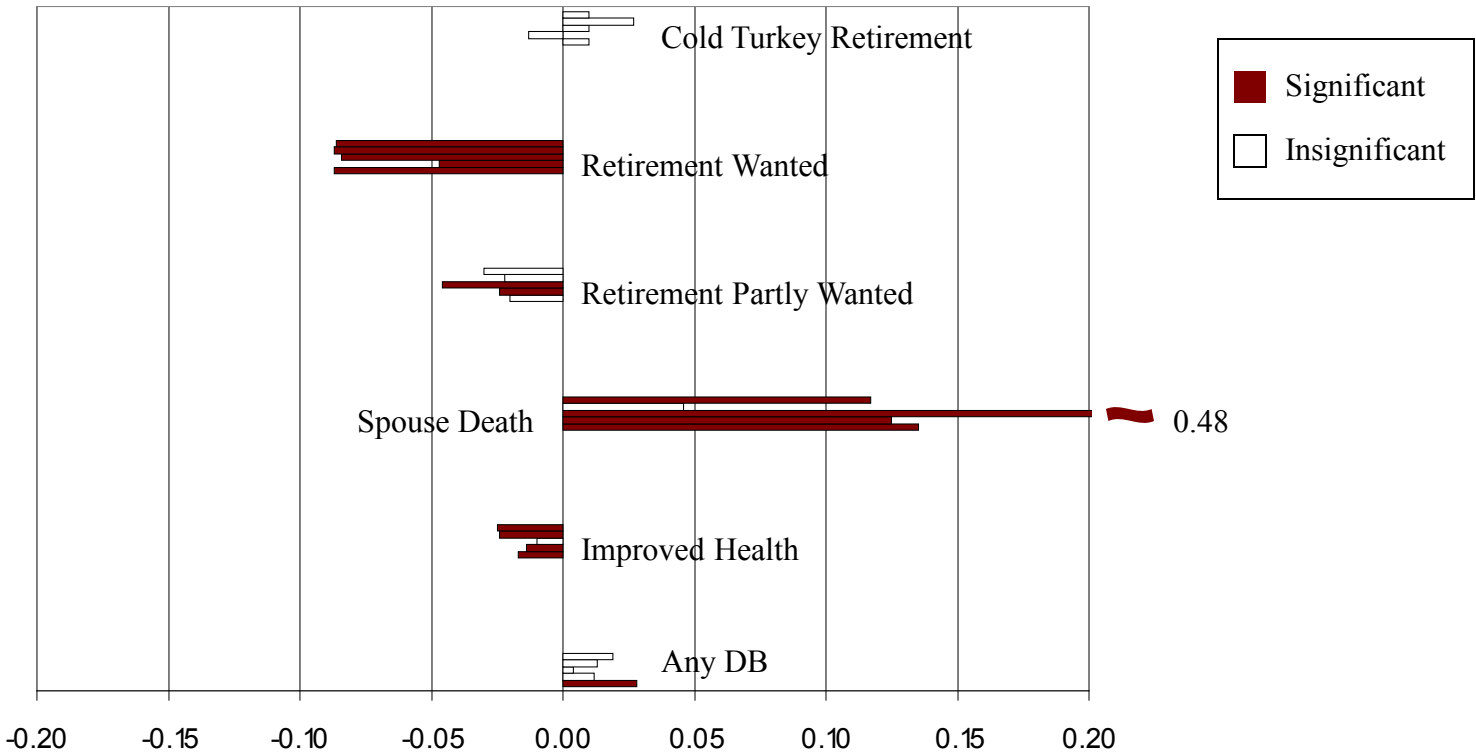


Source: Authors' calculations.

Type of transition has small and insignificant effect.



Change in Probability (Happy to Not Happy)



Source: Authors' calculations.

Type of transition has insignificant effect.



Change in Probability (Not Happy to Happy)



Source: Authors' calculations.

Gradual retirement is not a prescription for a happier retirement.

- No evidence of a relationship between happiness and gradual retirement.
- Gradual retirement not likely to result in more overall employment or earnings.

Source: Gustman, Alan L. and Thomas Steinmeier. 2007. *Projecting Behavioral Responses to the Next Generation of Retirement Policies*. NBER Working Paper 12958. Cambridge, MA: National Bureau of Economic Research.

What matters is a sense of control.

