

# Retirement and Cognitive Decline: Evidence from Global Aging Data

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## Abstract

This paper analyses the effect of retirement on cognitive function in two ways. First, we analyse the effect of retirement on cognitive function using cross-country variation of pension eligibility age. This method is used in some literatures. The results suggest that the country heterogeneity largely influences the estimated result. The estimated results can lead to precisely the opposite interpretation depending on the analysed countries. We show that the cross-country estimation is not appropriate when we analyse the effect of retirement on cognitive function. Second, we analyse the effect of retirement on cognitive function in the U.S. by controlling individual heterogeneity and endogeneity of the retirement behavior. Our estimates indicate that the retirement has a weak effect on cognitive function just after retirement. However, the negative effect of retirement on cognitive function becomes strong as the retirement duration are getting longer.

JEL Classification Numbers: I10, I12, J24, J26

Keywords: Mental retirement, Cognitive function, Social security, Pension eligibility age, Cross-country instruments, Global aging data

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