

**Work Longer to Stay Lucid?**  
**The Effect of Retirement on Cognitive Performance**

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**Abstract**

In this paper, I investigate whether retirement has a negative causal effect on cognitive performance. So far, the corresponding literature has only delivered controversial results. I show that the main part of the confusion could be explained by the difficulty of the identification and the resulting variety of different identification strategies. I identify the effect in a novel way on the longitudinal and cross-country data of the Survey of Health, Ageing and Retirement in Europe (SHARE): I simultaneously control for time-invariant individual heterogeneity by applying a difference-in-differences approach and handle possible endogeneity by using public policy rules as instrumental variables. My results confirm previous findings that retirement has a negative effect on cognitive abilities, particularly on memory.