The present article organizes prominent theories about retirement decision making around three different types of thinking about retirement: imagining the possibility of retirement, assessing when it is time to let go of long-held jobs, and putting concrete plans for retirement into action at present. It also highlights important directions for future research on retirement decision making, including perceptions of declining person–environment fit, the role of personality traits, occupational norms regarding retirement, broader criteria for assessing older workers’ job performance, couples’ joint decision making about retirement, the impact of self-funded and self-guided pension plans on retirement decisions, bridge employment before total withdrawal from the work force, and retirement decisions that are neither entirely forced nor voluntary in nature.

Keywords: retirement, retirement decisions, continuity theory, bridge employment, older workers

When psychological research on retirement decision making first became prominent in the 1970s, the financial context in which retirement decisions were made was quite straightforward. Most workers who had any type of pension plan were enrolled in “fixed benefit” plans and received monthly checks based on their age and years of service with a long-time employer or union. From an economics perspective, the research questions usually centered on how changes in taxability of pension benefits, marginal tax rates, Social Security benefits, and penalty rates for “early” retirement (before age 65 or 30 years of service) affected older workers’ decisions to retire (Burtless & Moffitt, 1985; Clark & McDermad, 1986; Doeringhaus & Feldman, 2001; Myers, 1982). In the behavioral sciences, the research on retirement decision making largely focused on comparing attitudes toward the current job (Schmitt & McCune, 1981) with attitudes toward retirement (Walker & Price, 1976).

Over the past 30 years, the financial context in which retirement decisions are made has become more complex. Although some workers (often in the public sector or in unionized companies) continue to receive retirement benefits based on age and years of service, more employees are accumulating assets for retirement through defined contribution or self-funded pension plans and are making decisions about how their pension funds are being invested. As the value of these retirement funds fluctuates with stock market returns, it is harder for employees to estimate annual income during retirement with much certainty. The level of uncertainty surrounding retirement financial planning has increased in other ways as well. Real estate, long counted on as an appreciating asset, has become a deprecating asset for many homeowners. Social Security benefits are now taxed, and it is unclear how solvent the system will remain in the years ahead. On average, people are living longer in retirement than they did two generations ago, but health care costs are accelerating far beyond the rate of inflation. For all these reasons, then, financial planning for retirement is much more challenging today, and many older workers face their retirement years with less economic security than previous generations had.

Over the past 30 years, the nature of retirement itself has also changed dramatically (Adams, 1999; Wang, Adams, Beehr, & Shultz, 2009). Retirement does not necessarily mean the end of work; indeed, increasing numbers of older workers choose to work part time for former employers, to work part time or full time for other employers, or to become self-employed (Doeringer, 1990; Feldman, 1994; Ruhm, 1990; Tilly, 1991). As a result, workers can retire when they feel that they have “enough” (Feldman, 2007). What does “enough” mean, though, in a world in which pension plan equity can fluctuate substantially from day to day, home equity prices no longer increase steadily, and health care costs are accelerating rapidly? Moreover, although initial research on this topic focused on individual decision making, today retirement decision making is often a venture undertaken jointly by employees with their spouses or partners and takes the preferences of adult children and elderly parents into account as well (Henkens, 1999; Szinovacz, Deviney, & Davey, 2001; Zappalà, De-polo, Fraccaroli, Guglielmi, & Sarchielli, 2008).

Theoretical Approaches to Understanding Retirement

Most theories about retirement decision making acknowledge that the process bears similarities to approach–avoidance decisions (Shultz, Morton, & Weckerle, 1998). For example, the relative attachment to the work role versus the retirement role can affect the decision to retire (Barnes-Farrell, 2003; Gobeski & Beehr, 2009). Other researchers have viewed retirement from an “investment choice” perspective and have examined how individuals shift their emotional focus away from work into other activities (Ste-
Whether the decision to retire is made primarily cognitively (Herrbach, Mignonac, Vandenberghe, & Negrini, 2009) or affectively (Beach & Frederickson, 1989)—and whether those assessments are made globally (Dunegan, 1993) or by aggregating assessments of specific components of their life situations (Taylor & Shore, 1995)—individuals making retirement decisions weigh the pros and cons of their current life situations versus their imagined “futures” in retirement (Schlossberg, 2003, 2009).

The decision to retire also depends on the individual’s ability to put the retirement question into a personal historical framework (Goudy, Powers, & Keith, 1975; Hall & Mirvis, 1996). Potential retirees assess their past experiences in the work force, envision what life in the future would be like without those jobs, and think about the amount of effort (emotional and physical) and resources (time and money) that would be needed to make the transition into retirement successfully at present (Goodman, Schlossberg, & Anderson, 2006; Schlossberg, 1981; Schlossberg, Waters, & Goodman, 1995). Here we propose that the amount of past-oriented, future-oriented, and present-oriented thinking about retirement varies across the retirement decision-making process (Feldman, 1994; Schmitt & McCune, 1981).

At the beginning of the retirement decision-making process, individuals are primarily future oriented (Appold, 2004; Dunegan, 1993) and imagine which activities and relationships might replace those currently provided by their jobs. In the next phase, individuals are primarily past oriented and assess their willingness (or reluctance) to leave long-time jobs or occupations behind (Bailey & Hansson, 1995; Moon, 2001; Shultz, 2003). In the last phase of the retirement decision-making process, individuals are primarily present oriented. In this third phase, individuals consider the specific actions they must take and the resources they must have on hand to make the transition into retirement successfully in the very near future (Allen, Shore, & Griffeth, 2003; Fronstin, 1999; Herrbach et al., 2009). Figure 1 indicates the common theoretical approaches to understanding the retirement decision process at each of these phases.

Certainly, we do not suggest that these three phases of retirement decision making are completely separate and distinct. Individuals may consider some components of their past experiences, future aspirations, and current work challenges simultaneously (Feldman, 1994). However, we do suggest that the salience of various retirement-related issues varies across the time period during which the retirement decision is made (Beehr, Glazer, Nielson, &
Farmer, 2000; Shultz et al., 1998). Furthermore, how long the entire process—and various phases of the process—takes can vary across different workers.

It is important to note that in discussing various theories in the context of our three-phase model we are not implying that any particular theory has utility in only one phase of retirement decision making. Indeed, some theoretical approaches—such as continuity theory (Atchley, 1989) and social identity theory (Desmette & Gaillard, 2008)—have been used to look at more than one phase of the retirement decision-making process. Rather, we cover each theoretical perspective on retirement in the phase in which its contribution is most visible, salient, and relevant. Where appropriate, a theoretical perspective’s contributions to our understanding of other phases of retirement decision making are also highlighted.

**Imagining the Possibility of Retirement**

In the initial phase of the retirement process, employees do not concretely plan to retire but rather think about the general possibility of retirement in the abstract (Beehr, 1986; Nuttman-Shwartz, 2008). While we often think of young adults when we talk about “imagining futures” (Super, 1990), much the same process occurs when older workers imagine their futures as they leave long-held jobs and/or exit the workforce altogether (Brougham & Walsh, 2005; Hira, Rock, & Loibl, 2009). Research on individual differences, image theory, continuity theory, and social identity theory are particularly helpful in understanding workers’ initial considerations of retirement.

**Individual differences.** Employees who start thinking about retirement are very likely to have one or more of three characteristics. Employees who have poor health, who have greater wealth, and who are older are more likely to think about retiring in the near future (Barnes-Farrell, 2003; S. Kim & Feldman, 1998, 2000). Poor health can make it difficult to continue to work, greater wealth can make it more feasible to retire, and older age can make it seem more socially appropriate to do so (Beehr, 1986; D. Levinson, 1986).

Some other individual differences—such as self-esteem, positive affectivity, and uncertainty avoidance—have also been proposed to influence avoidance of retirement decisions (Moon, 2001). These stable individual differences can introduce various biases into the decision-making process, influence workers to perceive retirement decisions as more or less risky, and lead individuals to be more or less optimistic about life without work (Bailey & Hansson, 1995; Hogan, 1982). At this time, however, the findings on the effects of personality on retirement decision making are few in number and mixed in nature (Tokar & Subich, 1997).

**Image theory and continuity theory.** Image theory and continuity theory both argue that retirees are motivated to maintain consistent positive self-images across time (Barnes-Farrell, 2003; Feldman, 1994; Schlossberg, 2003, 2009; Wang & Shultz, 2010). That is, individuals envision themselves as being the same kind of people after they retire as they were before retirement (Atchley, 1989; Brougham & Walsh, 2007). For example, if older workers see themselves as socially adept and active before retirement, they are likely to envision themselves having an active social life after retirement too (Beehr & Nielson, 1995).

Image theory has not been studied directly in the retirement literature very frequently, but some studies on retirement decision making have been loosely based on this perspective. For example, Brougham and Walsh (2007) found that if older workers viewed retirement as incompatible with 29 future goals (e.g., regarding health, religion, and social life), they were less likely to retire. Griffin and Hesketh (2006) found that expecting to be satisfied after retirement is related to early retirement expectations for all age groups. Interestingly, though, feeling that one could deal well with retirement (efficacy) was negatively related to the expected retirement age of “younger” older workers (ages 40–49).

Some continuity theory studies examine how older workers maintain routines before and after retirement—either through “bridge employment,” part-time employment, self-employment, or other structured activities (Atchley, 1989; Wang, Zhan, Liu, & Shultz, 2008). Numerous empirical studies on retirement decision making have supported continuity theory as well (Goodman, Schlossberg, & Anderson, 2006). For example, Beehr and Nielson (1995) asked employees who were deciding whether to retire what they expected to do after retirement. The most common responses were tinkering, social activities, passive activities (e.g., going to movies), growth experiences (e.g., taking classes), and paid employment. Furthermore, these expectations of future retired life turned out to be moderately accurate, as individuals’ ex ante predictions correlated well with their actual reported activities six months later.

**Social identity theory.** Social identity theory argues that an important aspect of the self-image is social. Older workers identify to various degrees with other groups of people in their environments and with other social roles they hold (Desmette & Gaillard, 2008). Furthermore, over time, the centrality of the work role to the self-concept may be supplanted by other roles individuals may hold, such as family member, church member, or community leader (Greller & Simpson, 1999).

According to social identity theory, people are motivated to identify with groups that they see as having positive images (Ashforth, 2001). Thus, some retirement research has suggested that if an individual has a positive image of retirees as a group, she or he will be more motivated to retire and join that group (Desmette & Gaillard, 2008). Group permeability (the ease of making a transition into or out of a group) is another important element in social identity theory. Here, too, some research suggests that the more easily an individual can envision making connections with other retirees, the more likely the individual will be to retire (Desmette & Gaillard, 2008).

Unfortunately, as intuitively attractive as social identity theory may be, empirical research using this perspective on retirement has not yielded consistently supportive
results. For instance, Gaillard and Desmette (2008) found that employees’ identification with older workers was either unrelated to or was positively related to early retirement intentions. Moreover, perceived retiree group permeability was not related to expected retirement age.

Assessing When It Is Time to Let Go

This second phase of the retirement decision-making process has been studied extensively from a career transition perspective (Hall & Mirvis, 1996). Rather than thinking about retirement as a discrete event that creates major discontinuities in people’s lives, researchers who take this approach view retirement as a “normal” phase of an individual’s life and career. Moreover, consistent with continuity theory, scholars who take a career transition perspective do not view the transition into retirement as necessarily disruptive (Schlossberg, 2003, 2009). In fact, retirement can still offer individuals new opportunities for growth and development in valued activities (Freund & Baltes, 1998; Hedge, Borman, & Lammlen, 2006). Researchers taking this approach use career stage, life stage, and family stage theories to explain how individuals determine when it is time for them to retire, when they can move into retirement with a sense of accomplishment for past achievements, and why individuals start disengaging before they actually retire.

Stage theories. Retirement can be viewed as a normal developmental stage (e.g., Barnes-Farrell, 2003; Erikson, 1963; H. Levinson & Wofford, 2009). In employment stage theory, for example, Super (1953, 1957, 1990) posited that retirement is the final stage of a career. As such, it is characterized by disengagement from and decline in work activities.

Three observations are important in understanding stage theories about retirement. First, these theories do not typically assert that the retirement stage begins at a specific age; rather, they assert that career stages unfold in a specified order and that retirement is the final stage of a career. Second, these theories are more descriptive than predictive about when individuals will be ready to disengage from work. Third, stage theories are heavily informed by image theory and social identity theory, as movement across stages is driven, at least in part, by individuals’ perceptions of their own futures and others’ perceptions of their career and life stages.

Social-normative theories. Social-normative theories suggest that when older employees make decisions about retirement, their perceptions of norms about the appropriate retirement age influence their decisions. Social influences affect retirement decisions just as they affect many other decisions in life (Schlossberg, 1981; Schlossberg et al., 1995).

In the case of retirement, social norms regarding retirement signal older employees when they should move out of the workforce. For example, van Dam, van der Vorst, and Heijden (2009) found that norms or expectations other people held about whether a specific individual should retire were strongly related to that individual’s intentions to retire in the near future. Another set of studies in this research stream, largely driven by relational demography theory, explored how individuals perceive themselves relative to their colleagues in terms of age (Cleveland & Shore, 1992; Lawrence, 1988). When workers view themselves as old relative to others in their work group, they are more likely to conclude it is time to retire.

In other cases, unfortunately, social-normative beliefs about the appropriate retirement age can result in age discrimination against older workers (Desmette & Gaillard, 2008). Being a potential target of age discrimination on the job might also encourage older workers to leave work behind and retire in the near future. Similarly, if individuals’ self-images as competent workers start eroding and workers begin thinking of themselves as poorer performers, they are also more likely to change roles from employee to retiree (Barnes-Farrell, 2003).

It is important to note that norms about “the right time” to retire might be very local in nature. Norms about when to retire vary across countries, regions, industries, and jobs. Steel workers are expected to retire at an earlier age than judges, for instance. Consistent with social identity theory, though, social normative theorists argue that normative beliefs held by others who interact frequently with a worker influence individuals’ perceptions of when they should leave work behind. Moreover, these subjective norms held by others are moderately strong predictors of individuals’ own decisions to retire (van Dam et al., 2009).

Disengagement theory. A very different theory of retirement, disengagement theory, argues that people’s lives change enormously when they retire. Retirees withdraw not only from work but from their long-held places in society as well. Indeed, by marginalizing older people, some cultures actually encourage and reinforce this withdrawal behavior (Atchley, 1977; Beehr, 1986). At the extreme, disengagement theory takes a very negative view of retirement and asserts that the retiree has no meaningful place in society because there is no clear and positive “script” for the retiree life role (Moen, Huang, Plassmann, & Dentinger, 2006).

Perhaps because of a tendency for disengagement theory to view retirement negatively, some gerontologists find it an overly bleak picture of aging (Nimrod & Kleiber, 2007). Compared with continuity theory, disengagement theory has been relatively unpopular among scholars and has not been strongly supported by empirical research.

Approach-avoidance motivation theory. Implicit in much of the prior discussion is the idea that many older workers are ambivalent about the prospect of retirement. Theories that address approach–avoidance motivation (such as self-regulatory focus theory and investment choice theory) may be particularly useful for understanding both the causes of this ambivalence and how the ambivalence is resolved.

Higgins (1998) defined self-regulatory focus as the way in which individuals choose goals and motivate themselves to achieve those goals. Two distinct regulatory systems are generally discussed in self-regulatory focus theory: approach motivation and avoidance motivation (Gray, 1990). Individuals with approach motivation exhibit high
vigilance for positive stimuli and strong behavioral tendencies to pursue positive stimuli (Hamamura, Meijer, Heine, Kamaya, & Hori, 2009). In contrast, avoidance motivation is a general sensitivity to negative stimuli in the environment and a strong behavioral tendency to avoid aversive stimuli (Elliot & Harackiewicz, 1996). Previous research suggests that individuals with approach motivation are more likely to become highly involved in their jobs because they engage in more “activating behaviors” that help them achieve their goals at work (Elliot & Thrash, 2002). On the other hand, individuals with avoidance motivation are more likely to seek out retirement both because they are more sensitive to negative cues in the work environment and because they strive more fully to avoid situations in which there might be conflict (Elliot & Harackiewicz, 1996).

Along with continuity theory, investment choice theory (Stephens & Feldman, 1997) also helps explain why so many older workers choose to engage in bridge employment (or partial retirement) after they cease working full-time on long-held jobs but before leaving the workforce altogether (Beéhr, 1986; Doeringer, 1990; Feldman, 1994; Ruhm, 1990). Bridge employment allows older workers to keep one foot in work and one foot in retirement until approach motivation or avoidance motivation clearly dominates their thinking.

All bridge jobs are not alike. The main distinction that has caught the attention of researchers thus far is that between career and noncareer bridge employment (Feldman & Kim, 1998, 2000; Gobeski & Beéhr, 2009; von Bonsdorff, Shultz, Leskinen, & Tansky, 2009; Wang et al., 2008). Career bridge jobs are those that are similar to the positions held before retirement, whereas noncareer bridge jobs entail working in areas that are not directly related to preretirement employment. Thus, an electrician who retires from a major utility company and now works as a self-employed electrician is engaging in career bridge employment, while a retired electrician who becomes a greeter at a department store is engaging in noncareer bridge employment.

Whether individuals seek out bridge employment at all—and which bridge jobs they accept—is determined by employees’ approach and avoidance motivations (Wang & Shultz, 2010). For example, job satisfaction with the current occupation tends to predict taking a career bridge job (approach motivation), whereas dissatisfaction with the current job tends to predict taking a noncareer bridge job (avoidance motivation). As continuity theory suggests, if older employees’ basic preferences and needs remain much the same after retirement, individuals will seek out the same kind of jobs in retirement that they found fulfilling before retirement. Recent empirical research generally supports this prediction (Gobeski & Beéhr, 2009; Wang et al., 2008) and also shows that the type of bridge employment retirees engage in has implications for postretirement physical and mental health (Zhan, Wang, Liu, & Shultz, 2009).

**Person-environment fit theory.** Person–environment fit theory also helps us understand when workers are more receptive to letting go of their jobs (Feldman & Vogel, 2009; Vogel & Feldman, 2009). This research suggests that older workers examine whether the degree of fit between their current positions and their skills and interests has decreased over time. Because occupations and organizations often change dramatically over a 30-year period, older workers sometimes find themselves in jobs they no longer find rewarding. Another factor driving perceptions of poorer fit may be declines in cognitive processing or physical abilities that occur with aging (Kanfer & Ackerman, 2004). That is, while the work environment itself may not change much over time, individuals’ capacity for dealing with their environments may do so. To the extent that older workers perceive declining fit, the more likely it is they will decide to retire.

**Making the Transition Into Retirement Effectively**

Ultimately, older workers have to make a firm commitment to retire and make concrete plans to bring that vision into reality (Schlossberg, 2003, 2009). The approaches that have proved most helpful in understanding this phase of the retirement process are rational-economic (Becker, 1965; Gordon & Blinder, 1980) and motivational-instrumental (J. Kim & Moen, 2001; Schiambert & McKinney, 2003; Vroom, 1964) theories about individual behavior.

According to these theoretical perspectives, the retirement decision-making process is largely cognitive in nature (Cron, Jackofsky, & Slocum, 1993). Individuals make assumptions about the availability, desirability, instrumentality, and probability of achieving a range of outcomes (be they financial or psychological in nature; Goodman, Schlossberg, & Anderson, 2006). Then, based on summed and/or multiplicative estimates of the “expected value” of retirement relative to work, individuals make decisions about whether or not to retire (Herrbach et al., 2009; S. Kim & Feldman, 1998, 2000).

**Economic theories.** Put simply, older workers cannot retire until they can afford to do so financially, independently of how they feel about retirement or what they perceive life in retirement would be like. In making final decisions to put retirement plans into effect, older workers make some economic calculations about the affordability of retirement (Clark & McDermid, 1986; Daniels & Daniels, 1991; Gordon & Blinder, 1980; Rust & Phelan, 1997). There is a rich history of research on the economic aspects of the retirement decision-making process, and several common themes emerge.

First, individuals are heavily swayed by projections of streams of earnings in retirement (Becker, 1965). The decision to “pull the trigger” is very much predicted by individuals’ estimates of how much monthly income they can derive from pensions and savings. In contrast, lump-sum payments for early retirement have some, but less, impact on the decision to retire (Appold, 2004; Burkhauser, 1979). Rather than thinking about lump-sum payments as spendable income, individuals appear to incorporate their projections of how much interest these payments might yield into their calculations of monthly spendable income (Daniels & Daniels, 1991; S. Kim & Feldman, 1998, 2000). It is for this reason that older workers in defined benefit...
plans typically wait for “full eligibility” (e.g., 30 years of service) before they retire, because penalties for “early retirement” can be as high as 2% for each year short of full retirement.

Second, macroeconomic conditions at the proposed time of retirement also play a role in committing to retiring. Three factors in particular enter potential retirees’ financial calculations. The first is inflation rate; older workers are less likely to retire if they perceive that inflation will eat away at their fixed monthly income at an accelerating rate (Gordon & Blinder, 1980). The second is interest rates. Although younger workers might view high interest rates as a barrier to accumulating physical possessions (such as cars), potential retirees often view high interest rates from certificates of deposit, treasury bills, and other conservative investments as enabling a comfortable retirement (Rust & Phelan, 1997). The third factor is real estate values. Drops in local real estate prices create disincentives for older workers to retire, especially if they hoped to downsize or move geographically to enjoy their retirement (Schiamberg & McKinney, 2003).

Third, as noted earlier, bridge employment plays a significant role in older workers’ calculations about the economic feasibility of retirement. In the organizational psychology literature, bridge employment has been largely examined in terms of continuity theory and the role bridge employment plays in softening the transition from work to retirement (Atchley, 1989; Feldman, 1994; Feldman & Kim, 1998, 2000; Gobeski & Beehr, 2009; Wang et al., 2008). In the economics literature, however, bridge employment has been largely examined in terms of the financial benefits it yields for older workers who might be on the fence about the affordability of retirement (Burtless & Moffitt, 1985; Doeringer, 1990; Ruhm, 1990). From a purely economic perspective, then, older workers with lower projected income streams are more likely to need the money from some form of bridge employment in order to leave long-held jobs or long-term employers.

Last, healthcare costs play a major role in the decision to retire in the near future (Bellaby, 2006). As health insurance and medical care costs have escalated, greater numbers of older workers in the United States are delaying retirement until they become eligible for full Medicare and Social Security benefits. In addition, the level of health insurance benefits that the employer is committed to providing to retirees is another important economic factor that enters into the retirement decision-making equation (Doplinghaus & Feldman, 2001; Fromstin, 1999).

**Motivation theories.** Motivation theorists studying retirement decisions rely heavily on the concept of instrumentality in examining the decision to retire. Research based on cognitive motivation theories examines whether work or retirement will prove more instrumental in meeting individuals’ most important needs (Brougham & Walsh, 2005; J. Kim & Moen, 2001; Stephens & Feldman, 1997; Wong & Earl, 2009).

Aside from economic rewards, individuals have numerous other benefits they derive from work. These include status, a way to structure time, a sense of accomplishment, affirmation and social support from colleagues, and satisfaction derived from doing a job well (e.g., Brougham & Walsh, 2005; Jahoda, 1981; Paul & Batinic, 2009; Schlossberg, Waters, & Goodman, 1995). Individuals weigh these factors differently in assessing their overall satisfaction with their jobs; individuals also vary in their assessments of how instrumental work is in achieving those goals (Mitchell, 1983; Vroom, 1964). At the same time, individuals have numerous rewards they can derive from retirement. These might include satisfying social relationships with friends, more time to spend with spouses, children, and grandchildren, greater involvement in hobbies and leisure pursuits, and lower stress (Schlossberg, 2003, 2009).

At the simplest level, the decision to retire is based on the relative motivational force of work versus retirement (calculated as some function of instrumentality of rewards and value of rewards). If working is more instrumental in meeting important needs, older workers will ultimately choose to continue working; if retirement appears to be more instrumental in meeting important needs, older workers will ultimately choose to retire. In some sense, this perspective is consistent with the research on approach–avoidance motivation (Gobeski & Beehr, 2009; Stephens & Feldman, 1997). As the net benefit of working versus retiring becomes clearer, the individual’s concrete decision to stay or leave becomes clearer as well.

This motivational approach has achieved some currency in the retirement literature and has frequently been used as a framework for specifying variables that incline or disincline older workers to retire. In addition, this motivational approach can be used to understand older workers’ decisions to retire when the two alternatives (work and retirement) both have positive valences (Arnold, 1981; Arnold & Evans, 1979).

**Directions for Future Research**

In this final section, we consider future directions for theoretical and empirical research on retirement decision making. These avenues for future research are presented in the same order in which our treatment of theoretical perspectives unfolded.

**Imagining the Possibility of Retirement**

The personality literature suggests that personality traits can influence how positively or negatively individuals perceive their environments. For example, the research on neuroticism and negative affectivity suggests that older workers with these traits would be more likely to perceive their environments negatively (Costa, McCrae, & Kay, 1995). However, in the case of retirement decision making, it is not clear whether those negative perceptions would make older workers more or less likely to avoid retirement. That is, a person who views the current job situation negatively might view retirement more pessimistically, too.

A second way the personality literature could contribute to the retirement literature is by helping us better understand how and why older workers’ perceptions of fit decline (Bradley, Brief, & George, 2002). Perceptions of fit...
may, in fact, vary across personality types. Thus, individuals who are highly conscientious may view any drop in performance as a signal of poor fit, whereas individuals who are highly agreeable in nature may be more attuned to the positive social feedback they receive than to the negative task feedback they receive.

One demographic difference that clearly warrants more research attention here is gender (Feldman, 1994; George, Fillingbaum, & Palmore, 1984). Because women have historically made less money than men and have had more “career disorderliness,” many women have greater financial incentives to remain in the workforce longer. At the same time, women have historically played a greater role in raising children and grandchildren, providing eldercare for parents, and caring for spouses in ill health (Bradley et al., 2002). As such, women may have greater (or at least different) incentives to retire than do men (Talaga & Beehr, 1995). Thus, we need more research on gender differences in retirement decisions and, more important, on whether the process of retirement decision making is different for women than for men.

There has recently been some research on retirement decision making that used self-categorization theory. That perspective, too, might prove useful in future research on how older workers imagine retirement. Instead of relying on social identity theory, Gaillard and Desmette (2008) argued that self-categorization theory may be more useful in understanding retirement decision making. According to this approach, it could be argued that self-categorizing oneself as an older worker can lead to more serious thinking about retirement and to more extensive planning for early retirement.

Assessing When It Is Time to Let Go of a Career

The social-normative approach to understanding when older workers decide it is time to retire provides some interesting avenues for future research as well. For example, although the retirement literature has focused on how individuals perceive their age relative to the age of the people they work with (Cleveland & Shore, 1992), it may also be interesting to think about how older workers perceive themselves in terms of occupational norms. That is, individuals’ decisions about when to retire might be influenced by distal norms as well as by local norms. In addition, there may be differences in norms regarding the appropriate retirement age for the two genders.

With recent advances in the cognitive psychology of aging, more research is warranted on whether, in what ways, and at what speed older workers’ performance declines (Beehr & Bowling, 2002; Kanfer & Ackerman, 2004). Much of the previous research on older workers’ performance (a key driver in the assessment of when to let go of the current job) has examined group-level differences across 30-, 40-, 50-, and 60-year-olds. Cognitive psychology, however, suggests that we should focus more directly on intra-individual changes in job performance, match specific changes in cognitive functioning to specific changes in job performance, and then link those changes in performance to perceptions about the appropriate retirement age.

Making the Transition Into Retirement Effectively

The span of years between the time of retirement and average life expectancy has been increasing rapidly, particularly among those older workers who have been healthier throughout their lives. At the time Social Security was established, the age for full retirement benefits was 65 and average life expectancy was only a few years higher. Consequently, the typical retiree did not have to worry about stretching retirement savings over decades. However, with the life expectancy for men and women currently hovering around age 80—and with more people living into their 90s—determining how much money is “enough” to retire on is becoming increasingly complicated (Dosman, Fast, Chapman, & Keating, 2006).

In addition, we need more research on the joint retirement decision-making process between husbands and wives. It is getting increasingly difficult to understand individual retirement decisions, either in economic or psychological terms, without understanding the family context in which those decisions are made. Most of the economics studies on retirement decision making rely on archival data on individual workers’ salaries, but fewer studies link older workers’ retirement income with the retirement income of their spouses, household savings, or inheritances. Given that the majority of couples in the United States are now both working outside the home, using individual salary data still leaves much unexplained variance in predicting retirement decisions (Hurd, 1989; Pienta, 2003; Rust & Phelan, 1997). If, as the evidence shows, projected streams of earnings drive retirement decisions, then having a fuller picture of individuals’ total assets is necessary to predict those retirement decisions more accurately.

While the motivational perspective on retirement decision making has yielded some promising findings, this approach, too, has several drawbacks. First, it assumes that individuals can identify all the relevant factors they need in making retirement decisions, can judge their importance, and can engage in complex calculations. Numerous critiques of this approach have appeared in the literature on decision making in general, and these criticisms apply specifically to retirement decision making as well (Kahneman & Tversky, 1973; Simon, 1987; Tan & Yates, 1995). Second, this approach assumes that individuals make decisions based on their own greatest needs and whether retirement will meet those needs. However, in many cases, individuals make retirement decisions based on the needs of others, such as when caring for a sick spouse or providing daycare for grandchildren (Blau, 1998; Burke & Weir, 1976; Feldman, 1994; Goodman, Schlossberg, & Anderson, 2006; Talaga & Beehr, 1995).

Perhaps most important, the motivation approach to retirement decision making generally assumes that all decisions to retire are voluntary. That is, the motivational approach assumes that individuals are freely choosing between staying at work and retiring. However, in many
cases, the decision to retire is, in effect, involuntary. Although workers in the United States must be given the legal right to refuse early retirement, in many cases the offers of early retirement incentives signal that negative performance reviews, possible demotions, or layoffs lie ahead if employees do not retire (Allen et al., 2003). Although the decision to retire may technically and legally be voluntary, it is hard to think about these decisions as psychologically voluntary when the perceived alternatives to it are draconian in nature.

In still other cases, although retirement is not forced, it is not really voluntary either (Dosman et al., 2006). For example, older workers might have health problems that make them feel like they must retire. In motivation theory terms, retirement may not be instrumental to improving health—but continuing to work may not be a viable long-term option either (Bellaby, 2006; Dwyer & Mitchell, 1999). Thus, rather than thinking about retirement decisions as being either voluntary or involuntary, it might be more helpful to think about the voluntariness of these decisions along a continuum (Beehr, 1986). Clearly, more research on retirement decision making under conditions that are neither forced nor completely voluntary is needed—and thinking about “voluntariness” along a continuum may prove instrumental to that end.

**Conclusion**

In this article, we have emphasized that although the overall decision to retire is dichotomous in nature (retire or not), the decision to retire is driven by three interconnected assessments of the work situation over time: imagining the possibility of retirement in the future, assessing when it is time to let go of long-held jobs, and putting concrete plans for retirement into action in the present. Here we suggest that various theories are differentially useful in explaining these three phases of the retirement decision-making process and highlight the strengths and weaknesses of each theoretical approach.

Three major issues emerge as most critical to address in future research on retirement decision making. First, as noted earlier, previous research on individual differences has focused more on wealth, health, and age than it has on personality traits. However, in the context of retirement decision making, personality theory has the potential to substantially enhance our understanding of this process. A beginning step in this regard might be a deeper examination of core self-evaluations and “the Big 5” and how they influence both the willingness to retire and adjustment to retirement (Bradley et al., 2002).

Second, in assessing the perceived “push” from others to retire, we encourage researchers in this area to take a broader view of job performance. In much of the research on retirement, most of the focus has been on core task performance, and in general, older workers were found to become slightly less effective in that area as they aged (Czaja & Sharit, 1993; Greller & Simpson, 1999). However, taking a broader perspective on the performance domain might help us understand why older workers might be more reluctant to let go of their jobs (Borman & Motowidlo, 1993). For example, older workers tend to be more effective in citizenship behavior and to exhibit less counterproductive work behavior than their younger counterparts (Ng & Feldman, 2008). Thus, even though others may see older workers’ core performance as declining with age and therefore encourage them to retire, older workers themselves may not necessarily view their overall job performance as declining.

Third, there are still several unresolved issues surrounding the economics of retirement decision making. Most important, and as noted earlier, more employees are now participating in self-guided or self-funded contribution plans (Papke, 1999, 2004). We know much less about how older workers in these plans are making financial decisions about retirement because their projected income streams after retirement are not as precise (Burkhauser, 1979; DeVaney & Zhang, 2001). Moreover, the vast majority of economic research on retirement decision making has focused on the wages and pensions of employees themselves. However, since the majority of employees in many countries have working spouses, much more attention needs to be given to the financial well-being of the couple as a unit.

In closing, we hope that the present article sparks new directions for research on retirement decision making that takes into account the new realities in that process. In addition to the three main issues identified above, other changes in the retirement context—including joint decision making within family units, social normative expectations of colleagues and friends, and greater opportunities for growth and development for older workers even after they leave long-held jobs—warrant further attention as well.

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