The Long Reach of Education: Early Retirement

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Key Findings and Policy Implications

This paper explores the long lasting effect of education on economic outcomes. It analyzes the relationship between education and two routes to early retirement – Social Security Disability Insurance (DI) and early claiming of Social Security retirement benefits. It uses data from the 1994 to 2010 waves of the Health and Retirement Study. The paper finds that:

- The median DI participation rate over a two-year interval for men with less than a high school degree is 6.6 times greater than the participation rate for men with a college degree or more. The difference for women is 6.5 times greater.

- Men with a college degree or more are over 25 percentage points less likely to claim Social Security benefits early than men with less than a high school degree. The difference for women is almost 27 percentage points.

- There are four critical “pathways” through which education may indirectly influence DI and early retirement decisions—health, employment, earnings, and the accumulation of assets. Those with more education are more likely to be in better health, and have higher employment, earnings and savings – all of which are themselves related to both DI participation and early claiming of Social Security benefits.

- The direct effect of education (not operating through these pathways) is much greater for early claiming of Social Security benefits than it is for DI participation.

The study has far-reaching policy implications, demonstrating just how important and long-lasting the influence of education can be. The results demonstrate not only the enormous influence of education but also that change in the breadth and depth of education may play an important role in improving preparation for retirement in the future.

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