Wall Street Bonus Withdrawal Means Trading Aspen for Cheap Chex

Andrew Schiff was sitting in a traffic jam in California this month after giving a speech at an investment conference about gold. He turned off the satellite radio, got out of the car and screamed a profanity.

"I'm not Zen at all, and when I'm freaking out about the situation, where I'm stuck like a rat in a trap on a highway with no way to get out, it's very hard," Schiff, director of marketing for broker-dealer Euro Pacific Capital Inc., said in an interview.

Schiff, 46, is facing another kind of jam this year: Paid a lower bonus, he said the $350,000 he earns, enough to put him in the country's top 1 percent by income, doesn't cover his family's private-school tuition, a Kent, Connecticut, summer rental and the upgrade they would like from their 1,200-square- foot Brooklyn duplex.

"I feel stuck," Schiff said. "The New York that I wanted to have is still just beyond my reach."

The smaller bonus checks that hit accounts across the financial-services industry this month are making it difficult to maintain the lifestyles that Wall Street workers expect, according to interviews with bankers and their accountants, therapists, advisers and headhunters.

"People who don't have money don't understand the stress," said Alan Dlugash, a partner at accounting firm Marks Paneth & Shron LLP in New York who specializes in financial planning for the wealthy. "Could you imagine what it's like to say I got three kids in private school, I have to think about pulling them out? How do you do that?"

Bonus Caps

Facing a slump in revenue from investment banking and trading, Wall Street firms have trimmed 2011 discretionary pay. At Goldman Sachs Group Inc. and Barclays Capital, the cuts were at least 25 percent. Morgan Stanley capped cash bonuses at $125,000, and Deutsche Bank AG increased the percentage of deferred pay.

"It's a disaster," said Ilana Weinstein, chief executive officer of New York-based search firm IDW Group LLC. "The entire construct of compensation has changed."

Most people can only dream of Wall Street's shrinking paychecks. Median household income in 2010 was $49,445, according to the U.S. Census Bureau, lower than the previous year and less than 1 percent of Goldman Sachs CEO Lloyd Blankfein's $7 million restricted-stock bonus for 2011. The percentage of Americans living in poverty climbed to 15.1 percent, the highest in almost two decades.

House of Mirth

Comfortable New Yorkers assessing their discomforts is at least as old as Edith Wharton's 1905 novel "The House of Mirth," whose heroine Lily Bart said "the only way not to think about money is to have a great deal of it."

Wall Street headhunter Daniel Arbeeny said his "income has gone down tremendously." On a recent Sunday, he drove to Fairway Market in the Red Hook section of Brooklyn to buy discounted salmon for $5.99 a pound.

"They have a circular that they leave in front of the buildings in our neighborhood," said Arbeeny, 49, who lives in nearby Cobble Hill, namesake for a line of pebbled-leather Kate Spade handbags. "We sit there, and I look through all of them to find out where it's worth going."

Executive-search veterans who work with hedge funds and banks make about $500,000 in good years, said Arbeeny, managing principal at New York-based CMF Partners LLC, declining to discuss specifics about his own income. He said he no longer goes on annual ski trips to Whistler, Tahoe or Aspen.

He reads other supermarket circulars to find good prices for his favorite cereal, Wheat Chex.

"Wow, did I waste a lot of money," Arbeeny said.
$17,000 on Dogs

Richard Scheiner, 58, a real-estate investor and hedge-fund manager, said most people on Wall Street don’t save.

“When their means are cut, they’re stuck,” said Scheiner, whose New York-based hedge fund, Lane Gate Partners LLC, was down about 15 percent last year. “Not so much an issue for me and my wife because we’ve always saved.”

Scheiner said he spends about $500 a month to park one of his two Audis in a garage and at least $7,500 a year each for memberships at the Trump National Golf Club in Westchester and a gun club in upstate New York. A labradoodle named Zelda and a rescued bichon frise, Duke, cost $17,000 a year, including food, health care, boarding and a daily dog-walker who charges $17 each per outing, he said.

Still, he sold two motorcycles he didn’t use and called his Porsche 911 Carrera 4S Cabriolet “the Volkswagen of supercars.” He and his wife have given more than $100,000 to a nonprofit she founded that promotes employment for people with Asperger syndrome, he said.

‘Crushing Setback’

Scheiner pays $30,000 a year to be part of a New York-based peer-learning group for investors called TIGER 21. Founder Michael Sonnenfeldt said members, most with a net worth of at least $10 million, have been forced to “reexamine lots of assumptions about how grand their life would be.”

While they aren’t asking for sympathy, “at their level, in a different way but in the same way, the rug got pulled out,” said Sonnenfeldt, 56. “For many people of wealth, they’ve had a crushing setback as well.”

He described a feeling of “malaise” and a “paralysis that does not allow one to believe that generally things are going to get better,” listing geopolitical hot spots such as Iran and low interest rates that have been “artificially manipulated” by the Federal Reserve.

Poly Prep

The malaise is shared by Schiff, the New York-based marketing director for Euro Pacific Capital, where his brother is CEO. His family rents the lower duplex of a brownstone in Cobble Hill, where his two children share a room. His 10-year-old daughter is a student at $32,000-a-year Poly Prep Country Day School in Brooklyn. His son, 7, will apply in a few years.

“I can’t imagine what I’m going to do,” Schiff said. “I’m crammed into 1,200 square feet. I don’t have a dishwasher. We do all our dishes by hand.”

He wants 1,800 square feet -- “a room for each kid, three bedrooms, maybe four,” he said. “Imagine four bedrooms. You have the luxury of a guest room, how crazy is that?”

The family rents a three-bedroom summer house in Connecticut and will go there again this year for one month instead of four. Schiff said he brings home less than $200,000 after taxes, health-insurance and 401(k) contributions. The closing costs, renovation and down payment on one of the $1.5 million 17-foot-wide row houses nearby, what he called “the low rung on the brownstone ladder,” would consume “every dime” of the family’s savings, he said.

“I wouldn’t want to whine,” Schiff said. “All I want is the stuff that I always thought, growing up, that successful parents had.”

Vegas, Ibiza

Hans Kullberg, 27, a trader at Wyckoff, New Jersey-based hedge fund Falcon Management Corp. who said he earns about $150,000 a year, is adjusting his sights, too.

After graduating from the Wharton School of the University of Pennsylvania in 2006, he spent a $10,000 signing bonus from Citigroup Inc. on a six-week trip to South America. He worked on an emerging-markets team at the bank that traded and marketed synthetic collateralized debt obligations.

His tastes for travel got “a little bit more lavish,” he said. Kullberg, a triathlete, went to a bachelor party in Las Vegas in January after renting a four-bedroom ski cabin at Bear Mountain in California as a Christmas gift to his parents. He went to Ibiza for another bachelor party in August, spending $3,000 on a three-day trip, including a 15-minute ride from the airport that cost $100. In May he spent 10 days in India.

Wet T-Shirt

Earlier this month, a friend invited him on a trip to Mardi Gras in New Orleans. The friend was going to be a judge in a wet T-shirt contest, Kullberg said. He turned down the offer.

It wouldn’t have been “the most financially prudent thing to do,” he said. “I’m not totally sure about what I’m going to get paid this year, how I’m going to be doing.”

He thinks more about the long term, he said, and plans to buy a foreclosed two-bedroom house in Charlotte, North Carolina, for $50,000 next month.
M. Todd Henderson, a University of Chicago law professor who's teaching a seminar on executive compensation, said the suffering is relative and real. He wrote two years ago that his family was “just getting by” on more than $250,000 a year, setting off what he called a firestorm of criticism.

“Yes, terminal diseases are worse than getting the flu,” he said. “But you suffer when you get the flu.”

‘Have to Cut’

Dlugash, the accountant, said he’s spending more time talking with Wall Street clients about their expenses.

“You don’t necessarily have to cut that -- but if you don’t cut that, then you’ve got to cut this,” he said. “They say, ‘But I can’t.’ And I say, ‘But you must.’”

One banker who owes Dlugash $20,000 gained the accountant’s sympathy despite his six-figure pay.

“If you’re making $50,000 and your salary gets down to $40,000 and you have to cut, it’s very severe to you,” Dlugash said. “But it’s no less severe to these other people with these big numbers.”

A Wall Street executive who made 10 times that amount and now has declining income along with a divorce, private school tuitions and elderly parents also suffers, he said.

“These people never dreamed they’d be making $500,000 a year,” he said, “and dreamed even less that they’d be broke.”

--With reporting by Patrick Clark and Michael J. Moore and in New York. Editors: Robert Friedman, Peter Eichenbaum