

Scads of Wall Streeters are scrambling to brush up on their personal finance skills after finding out their bosses are capping their cash bonuses at a paltry \$125,000 to \$150,000.

Instead of splurging on a new Porsche, a Patek Philippe watch or a penthouse apartment on Central Park, bankers are fretting about whether the money will be enough to cover their monthly dry cleaning bills.

“It’s a real culture shock,” says James Reda, a New York–based compensation consultant. “After tax, \$150,000 is not much. It probably won’t even pay for the private-school education tabs for their kids. It’s going to be a tough time of readjustment.” The smaller cash payouts are the result of penny-pinching Wall Street banks opting to pay a much bigger chunk of bonuses in stock, most of which bankers can’t cash out of for three years or more.

And in the short term this will impact city and state tax revenues. The New York State Comptroller’s office said this about the deferred compensation: “The greater emphasis on deferred compensation will hold down tax collections, but the state and city will get a nice tax-revenue boost down the road when taxes are paid on the deferred compensation.”

The pay shift is a double whammy for bankers, many of whom already have been hit by a 30 percent drop in the overall value of their bonuses.

“From a standpoint of ‘woe is me,’ it could be worse,” says Reda. “These people are lucky they have jobs. A lot of bankers are out of work and aren’t eligible for any bonus.” In the aftermath of the financial crisis in 2008, lawmakers came out swinging against Wall Street and promised to crack down on bankers’ outsize pay.

But with little in the way of tighter pay rules yet written into law, the push to restrict and shrink bonuses is coming from banks themselves as they struggle with a drop in business and tough market conditions.

“Bankers are saying, ‘Wait, I have to feed my family,’” says Gustavo Dolfino, a former Wall Street banker turned executive headhunter with White Rock Group. “Their bosses are saying, ‘If you don’t like it, leave.’ It’s pretty tough talk, but banks are doing it because they can. It’s a tough job market.”