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Wall Street gloom tarnishes plans for Silicon Valley workers' golden years

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Back in the old days, before Wall Street's autumn implosion gnawed through Americans' hard-earned nest eggs, Edith Sasaki allowed herself a handful of humble dreams.

She wanted to take a vacation — she's never taken a "real one." She thought about fixing up the San Jose house she shares with her husband, Henry. And, most of all, Sasaki, a spry 67, hoped to retire before she turned 70.

Now?

"Forget it," Sasaki said from the cramped Willow Glen copy shop she and her husband have tended for nearly 10 years. "We're just going to have to figure out how to keep on going."

As Americans' retirement funds have dwindled — by $2 trillion in the past 15 months alone — the Sasakis find themselves among a growing legion of older workers facing a set of harsh, wearying choices about their long-awaited golden years: Retire as planned, and hope the worst is over. Or stay on the job, leaving the idyllic promise of leisure just beyond reach for at least a few more years.

For today's would-be retirees, from 50-somethings counting on robust stock portfolios to 60-somethings looking to Social Security checks and 401(k) allotments, it's a choice that would have been unthinkable even five years ago. Home values were approaching their zenith and stocks were riding steady gains to new heights, pushing aside dark memories of the high-tech bust.

But, oh, how times have changed. Home sales have slowed, interest rates on CDs and money-market accounts have atrophied, food and energy prices have jumped — and the stock markets, buffeted by bailouts and bank takeovers, have dropped about 40 percent this year.

"What we're worried about his how long this is going to last," said Henry Sasaki, 68, who kept most of his family's money in CDs and other safe investments, away from the market's worst ravages. "We're trying to save as much as we can right now, hoping we have enough."

For financial advisers, the fright and uncertainty in clients' voices is undeniable. Their job, they say, is to help older workers stay calm and, when possible, stay on course. That's easier, they acknowledge, for those with a retirement horizon closer to five years — and those who insulated themselves from the stock market by diversifying their investments.

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Bruce Barton of Prialta Advisors in San Jose said "most people are in much better shape than they expect. People read the headlines and they expect it's going to be worse than it is."

Before he endorses a client's retirement plan, he runs it through what he calls a "Monte Carlo" process, meaning it is subjected to hundreds of scenarios predicting all kinds of market conditions.

If, after enduring 500 such scenarios, from booms to busts, the plan shows an 80 percent chance of working, that's a success. And because of that vetting, said Barton, who mostly works with more-affluent customers, most plans remain viable.

Still, even he has had to tell a handful of folks to rein in their spending and, in extreme cases, think about waiting a bit before stepping back from work.

"This is not the year to blow your saving target," Barton said. "And if you can save a little extra this year, this is the year to do it."

But for workers with less wiggle room, anxiety over retirement savings is growing. In an AARP study last month of 1,628 workers 45 and older, two-thirds said they will have to delay retirement and work longer. And 28 percent said their retirement savings were not on track even before the economy slowed.

Julie Astia, an Albany financial planner who works with "middle-market" clients, those whose households bring in six figures, said she'd have some hard news for someone, say, 62 and hoping to retire in a year or two, and with about $320,000 in investable assets and no pension.

"You'd need to keep working or you'll have to retire into another career that pays you something," she said. Of course, "if you've got $1.3 million in assets and your house is paid off, that's somebody I can tell, 'This is one of the market dips we planned for, and you're probably going to be OK.' "

In between those two scenarios is someone like Chuck, a retired semiconductor executive from Los Gatos who didn't want his last name used. He's lost $500,000, split evenly between his 401(k) and other investments, but still had the wherewithal to retire, um, this week. (Yikes!)

Just in case, the 68-year-old says he's keeping his résumé polished.

"I'm freaked out by this whole thing," said Chuck, who spent his 50s moving his finances out of the red and into the black and then saving — and investing — hundreds of thousands of dollars a year. "If you drop another 40 percent from where we are now, I've got a problem."

And, for now, he's also lowered his hopes for the life he'd expected all that shrewd saving would provide.

"I had put aside money for a Maserati GTS, but I decided I best not. I was expecting to perhaps take some nice expensive trips, and I decided not to do that," Chuck explained, conceding his was a dilemma others would love to have. "Still, it's a downsizing."

Astia said there's a lesson in this volatility, and an opportunity that might have come too late for some: Get educated about your finances, and never bet all your savings on stocks. In good times, she said, the glow of growth too easily masks a portfolio's lurking mistakes.

"Now that the chips are really starting to fall, it's like turning the light on in a dark room," she said. "You can see everything, and it doesn't look so good."

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For the Sasakis, it's not the stock market applying the squeeze right now. It's everything else. Henry Sasaki said his investments haven't grown as quickly as expected because of interest-rate cuts. And, he fretted, inflation may erode what little gains those accounts make.

So he toils at the copy shop 60 or 70 hours a week, and so does his wife, who also works part-time as a teacher to augment their health benefits. And together, they'll wait a little longer.

"What else can you do?" Edith Sasaki said.

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