

**HEADLINE:** The **Millionaires Who Don't Feel Rich**

**BYLINE:** By GARY RIVLIN

**DATELINE:** MENLO PARK, Calif.

By almost any definition -- except his own and perhaps those of his neighbors here in Silicon Valley -- Hal Steger has made it.

Mr. Steger, 51, a self-described geek, has banked more than \$2 million. The \$1.3 million house he and his wife own on a bluff overlooking the Pacific Ocean is paid off. The couple's net worth of roughly \$3.5 million places them in the top 2 percent of families in the United States.

Yet each day Mr. Steger continues to toil in what a colleague calls "the Silicon Valley salt mines," working as a marketing executive for a technology start-up company, still striving for his big strike. Most mornings, he can be found at his desk by 7. He typically works 12 hours a day and logs an extra 10 hours over the weekend.

"I know people looking in from the outside will ask why someone like me keeps working so hard," Mr. Steger says. "But a few million doesn't go as far as it used to. Maybe in the '70s, a few million bucks meant 'Lifestyles of the Rich and Famous,' or Richie Rich living in a big house with a butler. But not anymore."

Silicon Valley is thick with those who might be called working-class millionaires -- nose-to-the-grindstone people like Mr. Steger who, much to their surprise, are still working as hard as ever even as they find themselves among the fortunate few. Their lives are rich with opportunity; they generally enjoy their jobs. They are amply cushioned against the anxieties and jolts that worry most people living paycheck to paycheck.

But many such accomplished and ambitious members of the digital elite still do not think of themselves as particularly fortunate, in part because they are surrounded by people with more wealth -- often a lot more.

When chief executives are routinely paid tens of millions of dollars a year and a hedge fund manager can collect \$1 billion annually, those with a few million dollars often see their accumulated wealth as puny, a reflection of their modest status in the new Gilded Age, when hundreds of thousands of people have accumulated much vaster fortunes.

"Everyone around here looks at the people above them," said Gary Kremen, the 43-year-old founder of Match.com, a popular online dating service. "It's just like Wall Street, where there are all these financial guys worth \$7 million wondering what's so special about them when there are all these guys worth in the hundreds of millions of dollars."

Mr. Kremen estimated his net worth at \$10 million. That puts him firmly in the top half of 1 percent among Americans, according to wealth data from the Federal Reserve, but barely in the top echelons in affluent towns like Palo Alto, Menlo Park and Atherton. So he logs 60- to 80-hour workweeks because, he said, he does not think he has nearly enough money to ease up.

"You're nobody here at \$10 million," Mr. Kremen said earnestly over a glass of pinot noir at an upscale wine bar here.

Not every Silicon Valley millionaire, of course, shares that perspective.

Celeste Baranski, a 49-year-old engineer with a net worth of around \$5 million who lives with her husband in Menlo Park, no longer frets about tucking enough money away for college for their two children. Long ago she stopped bothering to balance her checkbook. When too many 18-hour days

running an engineering department of 1,200 left her feeling burned out and empty, she left and gave herself 12 months off.

Yet like other working-class millionaires of Silicon Valley, she harbors anxieties about her financial future. Ms. Baranski -- who was briefly worth as much as \$200 million in 2000 but cashed out only \$1 million before the collapse of the tech bubble -- returned to work in March.

Along with two partners, she founded a software company, Vitamin D, and already she is resigned to the sleepless nights and other stresses that await her. "I ask myself all the time," Ms. Baranski confessed, "why I do this."

Working inside a start-up has always been invigorating, she says. But she and her husband, 62, who also works, have concluded that she must stick with it if they are to continue to live the life they enjoy here.

Recently the couple hammered out an agreement: Ms. Baranski will work at least five more years for the sake of their bottom line.

"People around here, if they have 2 or 3 million dollars, they don't feel secure," said David W. Hettig, an estate planner based in Menlo Park who has advised Silicon Valley's wealthy for two decades.

#### The Luck Factor

Many of the more modest millionaires here feel sheepish, even guilty at times, about their piles of cash. Talent played in a role in their financial success, but so did being at the right place at the right time.

"They recognize that if they happened to walk into a different office," said Marilyn Holland, a Menlo Park psychologist who has been counseling the Valley's elite for 25 years, "things would have turned out very differently."

That is one big difference between these working-class millionaires and the country's wealthiest tycoons, who tend to see themselves as pillars of the community worthy of the hundreds of millions of dollars, perhaps billions, they now possess.

"A lot of the money here is accidental money," said Bruce Karsh, 51, an engineer who puts his net worth at \$2 million to \$4 million. "People weren't setting out to become gazillionaires."

Ms. Baranski is one of them. The daughter of a college professor who died when she was 12 and left her mother to raise three children, she began college intending to become a musician. But worries about the debt she was racking up prompted her to transfer to the engineering school, where she eventually earned a master's in electrical engineering.

That today she is worth around \$5 million, said Ms. Baranski, who helped to put herself through school cleaning houses, "was unimaginable in my 20s."

"I always ask myself, 'Do I deserve it?' " she said. "It never feels like you do, because that's a lot of money."

Ms. Baranski is hardly the only working-class millionaire asking herself this question. Ms. Holland said she regularly works with multimillionaires who wonder why they are so well compensated when others, like teachers, who contribute so much to the world, are not.

The lucky moment in Ms. Baranski's career came when she took a job as the head engineer at Handspring, the hand-held device maker, in September 1999. By the end of 2000, Ms. Baranski's stock holdings briefly made her one of the wealthier women in Silicon Valley.

At quick glance, Ms. Baranski and her husband, Paul, live modestly. She drives a 2006 Subaru, her husband a six-year-old Saab. Their children attend public school, and vacations tend to be modest

affairs centered on visiting family.

Ms. Baranski cares little for clothes or jewelry. They have a swimming pool, but only because Ms. Baranski pressed hard for one, a dream of hers growing up in Southern California.

Like most of her neighbors, Ms. Baranski splurged most on a house in a community studded with some of the most expensive real estate in the country. Early in 2001, when Ms. Baranski seemed richer than she was, they paid \$1.95 million for a dilapidated house in Menlo Park, knowing they would tear it down. They spent \$1 million over the next few years building their dream house.

Ms. Baranski recognizes, of course, that she is far better off than many of her neighbors. Even well-paid college administrators, professors and other white-collar professionals struggle to pay their bills in this expensive redoubt 30 miles south of San Francisco.

"I don't know how people live here on just a normal salary," said Ms. Baranski.

Her nanny rents an apartment in Palo Alto, Ms. Baranski said. She pays her what she described as a generous salary and gave her the keys to her old Saab when she bought the newer one. But "basically I have no idea how she survives here."

Mr. Hettig, the estate planning lawyer, sums it up for many: "We're in such a rarefied environment," he said, "people here lose perspective on what the rest of the world looks like."

'A Dime a Dozen'

David Koblas, a computer programmer with a net worth of \$5 million to \$10 million, imagines what his life would be like if he left Silicon Valley. He could move to a small town like Elko, Nev., he says, and be a ski bum. Or he could move his family to the middle of the country and live like a prince in a spacious McMansion in the nicest neighborhood in town.

But Mr. Koblas, 39, lives with his wife, Michelle, and their two children in Los Altos, south of Palo Alto, where the schools are highly regarded and the housing prices are inflated accordingly. So instead of a luxury home, the family lives in a relatively modest 2,000-square-foot house -- not much bigger than the average American home -- and he puts in long hours at Wink, a search engine start-up founded in 2005.

"I'd be rich in Kansas City," he said. "People would seek me out for boards. But here I'm a dime a dozen."

No one knows for certain how many single-digit millionaires live in Silicon Valley. Certainly their numbers reach into the tens of thousands, say those who work with the area's engineers and entrepreneurs. Yet nearly all of them still have all-consuming jobs, not only because the work gives them a sense of achievement and satisfaction but also because they think they must work so much to afford their gilded neighborhoods.

That certainly describes Tony Barbagallo, 44, who over the last two decades has collected around \$3.6 million in stock and options from companies he has worked for. Despite his good fortune, though, he is surprised to find that he worries like most other Americans about matters as varied as the soaring cost of health care, the high price of college and the pressure to sock away more money for retirement.

Taxes have devoured about 40 percent of his stash, Mr. Barbagallo said, knocking that figure down to \$2.2 million. Over the years, he has tried to live off his salary, but not always successfully. To limit their monthly expenses, he and his wife Catherine bought a ranch house far from Silicon Valley, in the town of Moraga, for \$750,000 -- by Valley standards a modest sum.

But they spent \$350,000 on extensive remodeling -- causing them, not for the first time, to dip deeply into their nest egg.

Today, he has roughly \$1.2 million left in savings and another several hundred thousand dollars' worth of home equity, Mr. Barbagallo said, with one child in college and a second on her way.

So he works as hard as ever, logging more than 70 hours a week at a San Francisco start-up.

"Poor Tony, he'll never be able to retire," Catherine Barbagallo said.

### Chasing the Top 0.1 Percent

Many of these millionaires have options, of course, beyond working hard to earn another \$5 million to \$10 million. A few even choose to jump off the golden treadmill.

That is what Mark Gage, 51, an engineer, and his wife, Meredith, did when they left the Bay Area in 2005 with \$3 million or so in assets. They bought a house in Bend, Ore. -- "a bigger, much nicer home with dramatic views" -- and now Mr. Gage works only when the perfect consulting job presents itself.

Yet the same drive that earned so many of the engineers and entrepreneurs who live here their fortunes keeps them tied to the Valley, which resembles nothing so much as a sprawling post-war suburb, though one whose roadways are thick with cars costing in the six figures.

Umberto Milletti has fantasized about downsizing his life to ease the financial pressures he feels despite a net worth around \$5 million. In 2000, when his stake in DigitalThink, the online learning company he co-founded in 1996, was worth around \$50 million, he bought his family of four a five-bedroom house in Hillsborough, an upscale suburb south of San Francisco. After his net worth fell 90 percent, though, he found the house more of an albatross than a dream.

"We could move," Mr. Milletti said. "But if you do that, then you're admitting defeat. No one wants to go backwards."

So he works 60 to 70 hours a week at InsideView, an online sales intelligence company he co-founded in 2005, in part to prove that his first success was not a fluke -- but also to meet his monthly nut, which includes payments on a seven-figure mortgage.

Silicon Valley offers an unusual twist on keeping up with the Joneses. The venture capitalist two doors down might own a Cessna Citation X private jet. The father of your 8-year-old's best friend, who has not worked for two years, drives a bright yellow Ferrari. Temptations loom everywhere.

"You see how much money you have in the bank," Mr. Koblas, the computer programmer, said, "and your eyes get really big." He described it as "upsizing your life to your cash flow."

Then there are the additional burdens on this digital elite, said Ms. Holland, the psychologist -- demands they are typically not prepared to handle.

"There are all these people who come to you for money," Ms. Holland said. "Siblings, parents, other relatives. Organizations seeking charitable contributions. There's this assumption you have all this money -- so why don't you write a big check to the school or to this other charity?"

Other pressures can come from within the social circle. Mr. Barbagallo, for instance, remembers when several couples tried cajoling his wife and him -- unsuccessfully -- to fly to Las Vegas for a charity event featuring Andre Agassi.

"You look around," Mr. Barbagallo said, "and the pressures to spend more are everywhere." Children want the latest fashions their peers are wearing and the most popular high-ticket toys. Furniture does not seem up to snuff once you move into a multimillion-dollar home. Spouses talk, and now that resort in Mexico the family enjoyed so much last winter is not good enough when looking ahead to next year. Summer camp, a full-time housekeeper, vintage wines, country clubs: the cost of living bloats.

To Mr. Milletti, it all looks like a marathon with no finish line.

"Here, the top 1 percent chases the top one-tenth of 1 percent, and the top one-tenth of 1 percent chases the top one-one-hundredth of 1 percent," he said.

"You try not to get caught up in it," he added, "but it's hard not to."