



## **INDUSTRY OVERVIEW: FINANCE**

### **What is Finance?**

Finance addresses the ways in which individuals, businesses, governments, and organizations raise, allocate, and use monetary resources. It describes the system of moving money in order to provide capital where it is most needed. This movement can occur across different sectors, such as the public markets, personal finance, and private investment in corporations. There are numerous distinct career opportunities within the financial industry, and these roles exist across many venues and environments. Below are descriptions of many of these options.

It is not necessary to major in finance, accounting, math, or economics to work in finance, but it is important to have strong quantitative and analytical skills and a demonstrated interest in financial principles. Gaining related experience through internships and part-time positions is critical for breaking into the field.

It is important to think about what areas of finance will be the best fit for you. Think about what skills you have and how you would like to use them in a job. Use this overview to begin learning about the field and then conduct further research on specific areas of finance that are of interest to you. Speak to a career counselor to assess which areas would best match your skills, interests, and personality traits.

Some questions to consider include:

- Do you enjoy working with numbers?
- Do you like to analyze data?
- Do you like selling things and / or ideas?
- Are you interested in working with individuals or companies?
- Are you interested in the financial markets?
- Are you interested in the overall management of companies or a company?
- Do you want to work in a fast-paced environment?
- Do you like working under pressure?
- Are you interested in working with clients or customers?
- Are you willing to work long hours (how would you define long hours)?

### **Career Tracks**

**Internal Finance:** Almost every company, government agency, and other type of organization has an internal finance department. This department oversees the preparation of financial reports, directs investment activities, and implements cash management strategies. People working in internal finance also develop strategies and implement the long-term goals of their organization. These roles exist in nearly all institutions, including investment banks, commercial banks, corporations, nonprofits, and government agencies. People working in internal finance can often rise to be senior members of an organization's management team. When thinking about internal finance you might consider whether you are more interested in the task of the job you will be doing (the occupation) or in the type of organization for which you will be working (the industry). For example, would you rather work for the finance department for an organization in the fashion industry, a nonprofit children's organization, or at a bank?

The day-to-day responsibilities of the job may be quite similar, but the work environment may be quite different.

The duties of financial managers vary with their specific titles, which include controller, treasurer or finance officer, credit manager, cash manager, and risk and insurance manager.

**Controllers** direct the preparation of financial reports, such as income statements, balance sheets, and analyses of future earnings or expenses, that summarize and forecast the organization's financial position. Controllers also are in charge of preparing special reports required by regulatory authorities. Often, controllers oversee the accounting, audit, and budget departments.

**Treasurers and Finance Officers** direct the organization's budgets to meet its financial goals. They oversee the investment of funds, manage associated risks, supervise cash management activities, execute capital-raising strategies to support a firm's expansion, and deal with mergers and acquisitions.

**Credit Managers** oversee the firm's issuance of credit, establishing credit-rating criteria, determining credit ceilings, and monitoring the collections of past-due accounts.

**Cash Managers** monitor and control the flow of cash receipts and disbursements to meet the business and investment needs of the firm. For example, cash flow projections are needed to determine whether loans must be obtained to meet cash requirements or whether surplus cash should be invested in interest-bearing instruments.

**Risk and Insurance Managers** oversee programs to minimize risks and losses that might arise from financial transactions and business operations. They also manage the organization's insurance budget.

Operations: Careers in operations involve making sure the firm's business operations run smoothly and effectively. Positions in operations exist in several different industries and types of organizations. In investment banks, operations positions involve making sure securities transactions entered into by the sales and trading team are completed in a timely and accurate manner. In manufacturing settings, operations personnel ensure the product is properly made and distributed, and that it reaches the consumer in the most efficient and cost-effective way possible without compromising quality. Across all settings, those in operations perform a vital risk management and control function that ensures that the firm's business is successful. It is helpful to think of those working in operations as internal consultants whose job is to make sure that the company is successful in its endeavors through managing risk and developing, implementing, and monitoring systems that help business occur. Strong problem-solving skills are key to success in this field.

Commercial Banks: Commercial banks, also called retail banks, provide banking services to individuals and businesses. They lend money rather than raise it. Services provided include account management of checking, savings, and money market accounts, mortgage and credit card services, and financial planning. In addition to the positions listed below, all commercial banks have internal finance departments with opportunities for the roles described in the previous section. Retail banks can provide an excellent training ground in customer service and management and help you develop an understanding of different financial products. Traditionally those working in retail banking have much better life-work balance than those working in other areas finance, particularly compared to investment banks.

**Customer Service Representatives** assist clients as they enter the bank and provide an overview of the services that the bank provides.

**Personal Banking Representatives** assist individuals and small businesses in opening and managing accounts. They also assist small businesses in managing their accounts and in establishing payroll and sound business practices.

**Branch Managers** are responsible for the overall operations of the bank. They are responsible for managing and supervising staff and ensuring that the bank functions well and customers are satisfied.

**Credit Analysts** perform much of the background research for loans. They complete applications and perform preliminary credit analysis to determine if an individual or business is a good candidate for a loan by looking at their current financial situation and future projected earnings.

**Loan Officers** determine which individuals and businesses get loans and determine the terms and type of loans that would be appropriate. There is a significant amount of sales and customer service involved in these positions.

**Tellers** are the front line in a commercial bank. Their primary role is customer service. Tellers need to have an aptitude for numbers and an ability to handle a variety of transactions. Attention to detail is also very important for tellers.

Retail Broker: The most common type of securities sales agent is called a broker. These are the people who sell securities (commonly called stocks and bonds) to everyday people, also known as retail investors. The broker charges a fee for this service, and may also make money by finding a lower price for the security than was arranged with the investor. To get into the business, retail brokers must have an undergraduate degree and demonstrated sales skills. The Series 7 and Series 63 examinations are also required before selling commences. Retail brokers have to “pound the pavement” to develop a client base. Much if not all of a broker’s salary is based on commission, so to be successful you need to be skilled at attracting and retaining clients.

Investment Banks: Investment banks work with corporations, governments, institutional investors and extraordinarily wealthy individuals to raise capital and provide investment advice. Informally called “I-banks”, these firms handle a range of activities, including: underwriting, selling, and trading securities (stocks and bonds); providing financial advisory services, such as mergers and acquisitions; and managing assets. Investment banks also have internal finance opportunities that are critical to the overall functioning of the organization. See above for descriptions of internal finance career paths. It is extremely competitive to break into investment banking. To be considered for positions within investment banks, candidates need to have strong academic credentials, relevant experience, leadership abilities, and demonstrated interest and dedication to the industry.

### **Sales and Trading**

Investment banking sales agents and traders sell stocks and bonds to investors (including institutional investors, wealthy individuals, mutual funds and pension plans) for commissions. These sales agents generally work by telephone, calling customers and their agents to discuss new market activity. They also spend time in the evenings entertaining clients and potential clients. When an investor decides to make a purchase, the order goes to the trading floor. Traders execute buy and sell orders from clients and make trades on behalf of the bank. Because markets fluctuate so much, trading is a split-second decision making process. If a trader cannot secure the promised price on an exchange, millions of dollars could potentially be lost. On the other hand, if a trader finds a better deal, the bank could make millions more. The sales and trading department is therefore a high-pressure, fast-paced, loud environment. Working on a trading floor means working in close proximity to your coworkers and having no privacy. People working in sales and trading usually get in very early in the morning (before 7:00 am), but can leave around

5:00pm when the markets close, unless they have an evening event entertaining clients. There is little time for running errands, going to doctor's appointments, or eating lunch out.

### **Private Client Services**

A firm's Private Client Services (PCS), also called Wealth Management Department, provides brokerage and money management services for extremely wealthy individuals. PCS is a highly entrepreneurial environment and building and maintaining a roster of clients is key. There is a significant amount of client entertaining in PCS including dinners, outings to sporting events, parties, and trips. As a PCS professional one needs to have excellent customer service abilities while being extremely knowledgeable about managing clients' money. A significant amount of time is spent making sure the client feels important to the firm and that his/her money is being well invested.

### **Investment Banking – “I-Banking” (Corporate Finance)**

Investment Bankers are sales agents who connect businesses that need money to finance their operations or expansion plans with investors who are interested in providing that funding in exchange for debt (in the form of bonds) or equity (in the form of stock). This process is called underwriting. Investment bankers have to sell twice: first, they sell their advisory services to help companies set up issuing new stock or bonds, and second, they sell the securities they issue to investors. I-bankers help companies new to the public investment arena issue stock for the first time, a process, known as initial public offering, or IPO. They also help private companies sell stock to institutional investors or wealthy individuals, advise companies that are interested in funding their operations by taking on debt, and advise companies merging with or purchasing other companies (in the mergers and acquisitions, or “M&A” department). Due to the variety of work involved, bankers must be skilled in many areas. Strong interpersonal skills, great drive and determination, detail-orientation and quantitative skills are all crucial for success. The financial rewards for investment bankers are great, but the hours are extremely long. Hours upon hours will be spent poring over details in large Excel spreadsheets and pitch books. Entry-level Analysts and even experienced Associates have almost no control of their schedules—weekends and all-nighters are often last-minute occurrences and many hours can be spent waiting for a Vice President or Managing Director to review a document. This work is highly valued, however, and after two years spent banking there are many other opportunities within the financial sector that become available.

### **Research**

Research analysts follow either stocks or fixed income securities. Analysts that follow stocks make recommendations on whether to buy, sell, or hold those stocks. Analysts typically focus on one industry and will "cover" up to 20 stocks at any given time. Research analysts are experts in the industries they cover and write reports on that industry. Salespeople within the investment bank utilize research published by analysts to convince their clients to buy or sell securities through their firm. Corporate finance bankers rely on research analysts to be experts in the industry in which they are working. Strong research, writing, and analytical skills are critical. Research also involves long hours, though not as intense as i-banking.

Asset Management: Asset management is essentially the process of researching and analyzing potential investments and deciding where to allocate funds with the goal of making more money. Asset managers can work for mutual funds, hedge funds, private banks, and investment and commercial banks. Asset managers who work for mutual funds manage money for retail clients, while asset managers at investment banks often invest money for institutional investors such as companies or municipalities (often for pools of money like pension funds). Asset managers can also work for hedge funds, which combine outside capital with capital contributed by the partners of the fund, and invest the money using complex and sometimes risky techniques, with the goal of receiving extraordinary gains. Asset managers are on the so-called “buy-side” of the industry, since they buy their stocks, bonds, and other financial products from

salespeople at investment banks, who are on the "sell-side." Because they make commissions on every trade they facilitate, salespeople provide information (research and/or ideas) to asset managers in an effort to get the asset managers to trade through them. For this reason, salespeople often shower asset managers with perks like sports tickets and expensive dinners at fancy restaurants. Asset managers need excellent quantitative and analytical skills and a lot of nerve. It is very hard to break into asset management from the undergraduate level. Most people start out conducting research and it takes many years to become a fund manager. Asset management is largely protected against the volatility of the market. Asset managers are generally paid a percentage of the entire amount they handle, plus a percent of the profits. For this reason and others, it is a highly coveted and fiercely competitive area of finance.

Financial Advisors: Personal financial advisors assess the financial needs of individuals. Advisors use their knowledge of investments, tax laws, and insurance to recommend financial options to everyday people. They help them to identify and plan to meet short- and long-term goals. Planners help clients with retirement and estate planning, funding college education, and general investment choices. Many also provide tax advice or sell life insurance. Although most planners offer advice on a wide range of topics, some specialize in areas such as retirement and estate planning or risk management. Many personal financial advisors spend a great deal of their time making sales calls, marketing their services, and building and maintaining client relationships. Fees and commissions from the purchase and sale of securities and life insurance plans are one of the major sources of income for most personal financial advisors. Almost all personal financial advisors need the Series 7 and Series 63 or 66 licenses. Financial advisors like working with people and giving advice, and because building and maintaining a client base is essential for success, strong sales skills are required.

Private Equity: Private equity ("PE") investments can take many shapes; the most well-known is the buyout. A buyout refers to the purchase of a controlling interest company unit. PE firms raise money from entities such as pension funds, endowments, corporations, and wealthy individuals. A PE firm will first spend time raising money for a fund. Once it hits a certain amount, it will then announce a first "closing" and begin looking for deals. It could take several years to invest all of the money in a fund, and a private equity firm might raise more money in a fund after the first closing. Firms make money two ways: either selling their stakes in portfolio companies to corporate buyers at higher prices, or floating their stakes on the public market through IPOs. Most people working in PE have previous experience in investment banking or have an MBA degree.

Venture Capital: Venture capital firms are dedicated to investing capital in new companies in return for a hefty share of stock and future profits. Venture capitalists provide guidance, services, and support to the fledgling business, and expect to be treated as partners. The majority of the industry concentrates on bringing new ideas to market. Venture capitalists listen to business plans and determine if the potential business is of interest and fits within their scope and industry specialization. They work with companies on strategic planning, assisting in locating additions to the company's management team, and raising equity. To break into the field, it's important to have both operating and investing experience, either working at a start-up, an investment bank, and/or in consulting. Because VCs want their pick of the best entrepreneurs and the strongest business plans, those working in VC must have vision, strong interpersonal skills, and the ability to develop a large network.

## **Requirements / Skills**

While the skill set and requirements differ slightly depending on the area of finance in which one works, there are common skill sets which are useful across all areas. Strong analytical skills are critical, and these skills should be demonstrated through both coursework and internships. An understanding of and an ability to work well with numbers and Excel spreadsheets is also important. It is crucial to be able to work both independently and as part of a team. It is not necessary to major in math, finance, or accounting, but it is important to demonstrate analytical and quantitative skills through experiences if majoring in a different subject. A passion for the industry, an ability to withstand long hours, and an ability to thrive in a competitive environment are all helpful.

## **Salary**

There is a huge range in salary in the finance field. In general, the so-called “front-office” or revenue generating positions often have higher salaries, but usually come with the expense of longer hours. In investment banks the average starting salary for analysts is typically between \$60,000 and \$75,000, with bonuses averaging at \$30,000. In commercial banks, salaries range from \$20,000 to \$60,000, depending on the type of position. For jobs that involve sales, such as financial advisors, earnings are based on commission and salary depends on type of client, sales skills, and years in the business.

## **Directories and Publications**

*Hoovers Online*

*Dun & Bradstreet Reports*

*Standard & Poor Directories*

*National Job Bank Book*

*Barron's: National Business and Financial Weekly*

*Crain's Business Weekly*

*Financial Weekly, NY Times*

*Wall St Journal*

*Financial Yellow Book*

*Financial Institutions Directory*

## **Associations**

American Association of Finance & Accounting

American Bankers Association

American Insurance Association

National Bankers Association

Business Professionals of America

NY Credit & Financial Management Association

NY Society of Security Analysts

NYS Bankers Association

Financial Women's Association of NY

Mortgage Bankers Association of America

## **Websites**

[www.wallstjobs.com](http://www.wallstjobs.com)

[www.wallstreetoasis.com](http://www.wallstreetoasis.com)

[www.indeed.com/q-Grow-in-Finance-Com-jobs.html](http://www.indeed.com/q-Grow-in-Finance-Com-jobs.html)

[www.eFinancialCareers.com](http://www.eFinancialCareers.com)

[www.OneWire.com](http://www.OneWire.com)

[www.StreetID.com](http://www.StreetID.com)

[www.careers-in-finance.com](http://www.careers-in-finance.com)

[www.finweb.com](http://www.finweb.com)

[www.careerbank.com](http://www.careerbank.com)

Vault's Career Insider Guide to Finance: [www.yu.edu/career-center](http://www.yu.edu/career-center) (under “Quick Links”)

[www.boogar.com/resources/financialservices](http://www.boogar.com/resources/financialservices)

[www.jobsearchdigest.com/](http://www.jobsearchdigest.com/)

[www.nysscpa.org](http://www.nysscpa.org)

*Information gathered from Vault.com, The Occupational Outlook Handbook, and Wetfeet.com*