

# Financial Analysts and Personal Financial Advisors

(0\*NET 13-2051.00, 13-2052.00)

## Significant Points

- A college degree and good interpersonal skills are among the most important qualifications for these workers.
- Although both occupations will benefit from an increase in investing by individuals, personal financial advisors will benefit more.
- Financial analysts will face keen competition for jobs, especially at top securities firms, where pay can be lucrative.

## Nature of the Work

Financial analysts and personal financial advisors provide analysis and guidance to businesses and individuals to help them with their investment decisions. Both types of specialist gather financial information, analyze it, and make recommendations to their clients. However, their job duties differ because of the type of investment information they provide and the clients they work for. *Financial analysts* assess the economic performance of companies and industries for firms and institutions with money to invest. *Personal financial advisors* generally assess the financial needs of individuals, providing them a wide range of options.

Financial analysts, also called *securities analysts* and *investment analysts*, work for banks, insurance companies, mutual and pension funds, securities firms, and other businesses, helping these companies or their clients make investment decisions. Financial analysts read company financial statements and analyze commodity prices, sales, costs, expenses, and tax rates in order to determine a company's value and project future earnings. They often meet with company officials to gain a better insight into a company's prospects and to determine the company's managerial effectiveness. Usually, financial analysts study an entire industry, assessing current trends in business practices, products, and industry competition. They must keep abreast of new regulations or policies that may affect the industry, as well as monitor the economy to determine its effect on earnings.

Financial analysts use spreadsheet and statistical software packages to analyze financial data, spot trends, and develop forecasts. On the basis of their results, they write reports and make presentations, usually making recommendations to buy or sell a particular investment or security. Senior analysts may actually make the decision to buy or sell for the company or client if they are the ones responsible for managing the assets. Other analysts use the data to measure the financial risks associated with making a particular investment decision.

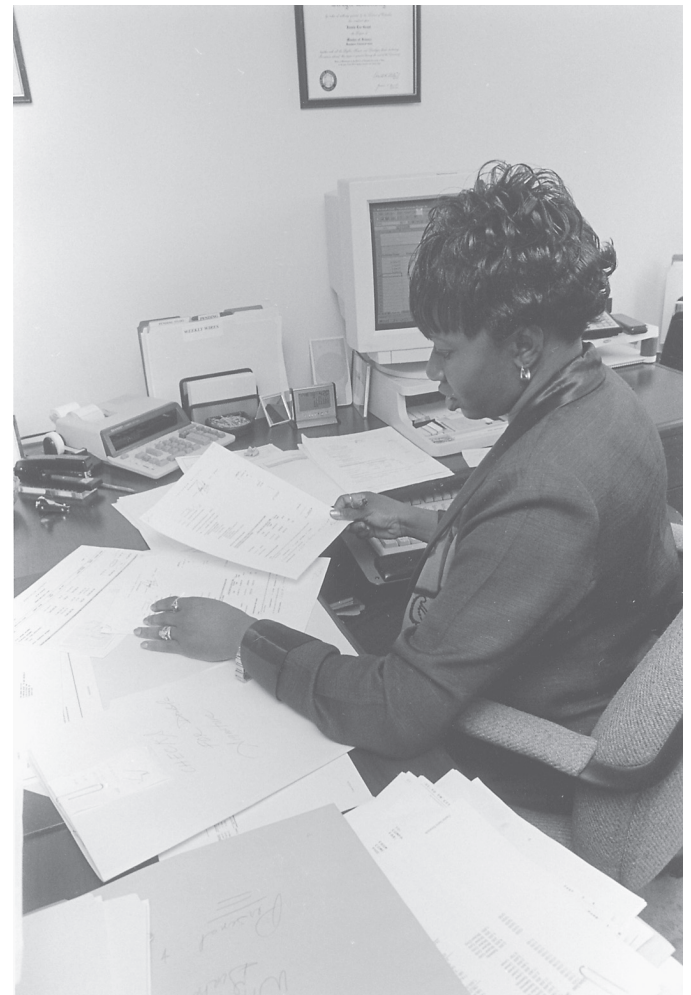
Financial analysts in investment banking departments of securities or banking firms often work in teams, analyzing the future prospects of companies that want to sell shares to the public for the first time. They also ensure that the forms and written materials necessary for compliance with Securities and Exchange Commission regulations are accurate and complete. They may make presentations to prospective investors about the merits of investing in the new company. Financial analysts also work in mergers and acquisitions de-

partments, preparing analyses on the costs and benefits of a proposed merger or takeover.

Some financial analysts, called *ratings analysts*, evaluate the ability of companies or governments that issue bonds to repay their debt. On the basis of their evaluation, a management team assigns a rating to a company's or government's bonds. Other financial analysts perform budget, cost, and credit analysis as part of their responsibilities.

Personal financial advisors, also called *financial planners* or *financial consultants*, use their knowledge of investments, tax laws, and insurance to recommend financial options to individuals in accordance with their short-term and long-term goals. Some of the issues that planners address are retirement and estate planning, funding for college, and general investment options. While most planners offer advice on a wide range of topics, some specialize in areas such as retirement and estate planning or risk management.

An advisor's work begins with a consultation with the client, from whom the advisor obtains information on the client's finances and financial goals. The advisor then develops a comprehensive financial plan that identifies problem areas, makes recommendations for improvement, and selects appropriate investments compatible with the client's goals, attitude toward risk, and expectation or need for a return on the investment. Sometimes this plan is writ-



*Financial analysts and personal financial advisors gather and analyze information, and then make recommendations to businesses or individuals with money to invest.*

ten, but, more often, it is in the form of verbal advice. Financial advisors usually meet with established clients at least once a year to update them on potential investments and to determine whether the clients have been through any life changes—such as marriage, disability, or retirement—that might affect their financial goals. Financial advisors also answer questions from clients regarding changes in benefit plans or the consequences of a change in their job or career.

Some advisors buy and sell financial products, such as mutual funds or insurance, or refer clients to other companies for products and services—for example, the preparation of taxes or wills. A number of advisors take on the responsibility of managing the clients' investments for them.

Finding clients and building a customer base is one of the most important parts of a financial advisor's job. Referrals from satisfied clients are an important source of new business. Many advisors also contact potential clients by giving seminars or lectures or meet clients through business and social contacts.

### **Working Conditions**

Financial analysts and personal financial advisors usually work indoors in safe, comfortable offices or their own homes. Many of these workers enjoy the challenge of helping firms or people make financial decisions. However, financial analysts may face long hours, frequent travel to visit companies and talk to potential investors, and the pressure of deadlines. Much of their research must be done after office hours, because their day is filled with telephone calls and meetings. Personal financial advisors usually work standard business hours, but they also schedule meetings with clients in the evenings or on weekends. Many teach evening classes or hold seminars in order to bring in more clients.

### **Employment**

Financial analysts and personal financial advisors held 298,000 jobs in 2002; financial analysts accounted for almost 6 in 10 of the total. Many financial analysts work at the headquarters of large financial companies, several of which are based in New York City. Nineteen percent of financial analysts work for securities and commodity brokers, exchanges, and investment services firms; and 17 percent work for depository and nondepository institutions, including banks, savings institutions, and mortgage bankers and brokers. The remainder work primarily for insurance carriers; accounting, tax preparation, bookkeeping, and payroll services; management, scientific, and technical consulting services; and State and local government agencies.

Approximately 38 percent of personal financial advisors are self-employed, operating small investment advisory firms, usually in urban areas. About 31 percent of personal financial advisors are employed by securities and commodity brokers, exchanges, and investment services firms. Another 14 percent are employed by depository and nondepository institutions, including banks, savings institutions, and credit unions. A small number work for insurance carriers and insurance agents, brokers, and services.

### **Training, Other Qualifications, and Advancement**

A college education is required for financial analysts and is strongly preferred for personal financial advisors. Most companies require financial analysts to have at least a bachelor's degree in business administration, accounting, statistics, or finance. Coursework in statistics, economics, and business is required, and knowledge of accounting policies and procedures, corporate budgeting, and fi-

ancial analysis methods is recommended. A master of business administration is desirable. Advanced courses in options pricing or bond valuation and knowledge of risk management also are suggested.

Employers usually do not require a specific field of study for personal financial advisors, but a bachelor's degree in accounting, finance, economics, business, mathematics, or law provides good preparation for the occupation. Courses in investments, taxes, estate planning, and risk management also are helpful. Programs in financial planning are becoming more widely available in colleges and universities. However, many financial planners enter the field after working in a related occupation, such as accountant, auditor, insurance sales agent, lawyer, or securities, commodities, and financial services sales agent.

Mathematical, computer, analytical, and problem-solving skills are essential qualifications for financial analysts and personal financial advisors. Good communication skills also are necessary, because these workers must present complex financial concepts and strategies in easy-to-understand language to clients and other professionals. Self-confidence, maturity, and the ability to work independently are important as well.

Financial analysts must be detail oriented, motivated to seek out obscure information, and familiar with the workings of the economy, tax laws, and money markets. Strong interpersonal skills and sales ability are crucial to the success of both financial analysts and personal financial advisors.

Although not required for financial analysts or personal financial advisors to practice, certification can enhance one's professional standing and is strongly recommended by many financial companies. Financial analysts may receive the title Chartered Financial Analyst (CFA), sponsored by the Association of Investment Management and Research. To qualify for CFA designation, applicants must hold a bachelor's degree, must have 3 years of work experience in a related field, and must pass a series of three examinations. The essay exams, administered once a year for 3 years, cover subjects such as accounting, economics, securities analysis, asset valuation, and portfolio management.

Personal financial advisors may obtain the Certified Financial Planner credential, often referred to as CFP (R), demonstrating to potential customers that a planner has extensive training and competency in the area of financial planning. The CFP (R) certification, issued by the Certified Financial Planner Board of Standards, Inc., requires relevant experience, the completion of education requirements, the passage of a comprehensive examination, and adherence to an enforceable code of ethics. Personal financial advisors may also obtain the Chartered Financial Consultant (ChFC) designation, issued by the American College in Bryn Mawr, Pennsylvania, which requires experience and the completion of an eight-course program of study. Both designations have a continuing education requirement.

A license is not required to work as a personal financial advisor, but advisors who sell stocks, bonds, mutual funds, insurance, or real estate may need licenses to perform these additional services. Also, if legal advice is provided, a license to practice law may be required. Financial advisors who do not provide these additional services often refer clients to those qualified to provide them.

Financial analysts may advance by becoming portfolio managers or financial managers, directing the investment portfolios of their companies or of clients. Personal financial advisors who work in firms also may move into managerial positions, but most advisors advance by accumulating clients and managing more assets.

