1. Introduction

Regardless of the particular area of finance, the financial manager needs to understand decision making in all areas of finance. The banker needs to understand the financing decision of the small business. The security analyst needs to understand the effect of interest rates on corporations' investment decisions. The corporate treasurer needs to understand the role of the Federal Reserve in determining the money supply and interest rates. In addition, while the foundations are the same, the three areas of finance offer different career paths. We will discuss each of the three primary career paths in finance, followed by a discussion of professional designations and salaries associated with financial careers.

2. Careers in financial management

Financial management is the investment and financing decision-making that goes on within all types of firms. The firm may be a business enterprise, such as a manufacturing company, an accounting firm, an oil producer, a credit union, or a charitable organization. The small retail firm requires decisions such as the source of funds for its seasonal cash needs, selecting the appropriate level of inventory and cash on-hand, and deciding when best to expand. The large corporation needs to set its credit terms, decide where to get funds needed for expansion, and determine how much to pay in dividends to owners.

The day-to-day purpose of a firm's financial management is to meet current and future operating needs. The financial managers' tasks include the development, application, and monitoring of policies and decisions regarding such business activities as:

- Creating and evaluating credit policies for customers.
- Investing excess cash balances.
- Acquiring another company.
- Issuing additional equity securities.
• Spinning-off a subsidiary.

Higher-level positions that focus primarily on financial management typically include controller, treasurer, vice president of finance, and chief financial officer. The controller has responsibilities for accounting and auditing functions and financial planning. The treasurer has responsibilities for obtaining capital for investments and investing cash in other assets of the business. The vice-president of finance has policy-making duties and acts as a liaison between financial managers and other management personnel. Often the vice-president for finance oversees the activities of the controller and the treasurer. The chief financial officer (CFO) is generally part of the top layer of management that reports to the board of directors. The CFO has authority over all of the company's financial decisions, authorizing appropriations and expenditures.

Careers in financial management include cash management, credit analysis, capital budgeting (decisions relating to investments), budget analysis, and corporate treasury management. Take a look at a sampling of career descriptions:

• Chief Financial Officer of a Public Manufacturing Company: Shape the future strategy of the company by capitalizing on future growth opportunities. Compensation is performance-oriented incentive.
• Vice President of Finance: Plan the company's long-term financing, considering the company's target capital structure, market conditions, and the costs of capital.
• Project Finance Manager: Obtain financing for investment projects that is consistent with the firm's target capital structure and considers market conditions and the costs of capital.
• Capital Budgeting Analyst: Analyze project appropriation requests, examining project information for compliance with company capital budgeting procedures and providing a recommendation report for capital projects. Analyze projects placed in service for deviations from budget.
• Revenue Analyst: Analyze past periods' revenues and forecast future revenues for budgeting and planning purposes.
• Credit Manager: Establish and manage credit and collections policies of the company.
• Income Tax Compliance Manager: Manage tax compliance activities so that the company complies with all domestic and foreign tax jurisdictions. Participate in the financial planning of the company to control tax costs.
• Financial Analyst: Financial analysis of competitors' financial statements, with periodic reporting to senior management on competitors' financial condition and performance.

3. Careers in investments

Careers in the investments fields comprise two types: the "buy side" and the "sell side". On the "buy side," the careers include managing pension funds, insurance companies, and mutual funds, as well as providing advice and management of individuals' retirement funds and other savings. A manager of a pension fund, for example, may participate in determining how much of the fund is invested in stocks and bonds, which stocks and bonds to purchase, and when specific stocks and bonds are sold.

On the "sell side," the careers include security analysis, which requires analyzing economic, market, and financial information, and brokerage-related careers, which involve selling securities and executing trades for customers. A security analyst, for example, may specialize in a particular industry, with particular focus on the major firms in that industry. Using economic, market, and company-specific information, the analyst may evaluate the
performance of a particular company's stock and make forecasts with respect to the company's future earnings.

Examples of careers in the investments field include:

- **Securities Analyst**: Analyze and report on companies and industries, considering economic and market conditions, making recommendations that assist investors with their investment decisions.
- **Portfolio Review Associate**: Review the performance of mutual fund portfolios and present the reviews to clients.
- **Municipal Analyst**: Analyze and prepare commentaries of municipal debt securities.
- **Financial Planner**: Analyze and advise clients on asset allocation and investment selections to help them achieve their investment goals.
- **Hedging and Arbitrage Manager for Fixed Income Securities**: Create a profit center through arbitrage trading and hedging in fixed income securities and derivatives.
- **Options Specialist**: Identify and analyze option hedging strategies that include listed options, commodities options, commodities and stock options.
- **Pension Fund Portfolio Manager**: Manage assets held by the pension fund for the future benefit if employees, determining the asset allocation and selection of securities appropriate for the investment objectives and policies of the pension fund.
- **Stockbroker**: Advise clients regarding potential investments and execute clients' trade orders to buy or sell investments.

4. **Careers in financial institutions**

Financial institutions include banks, savings and loans, credit unions, mutual funds, and investment banks. In recent years, the functions of traditional banking institutions include the services of financial planning, brokerage, and insurance, what are discussed under investment careers.

In the field of banking, we see employment opportunities such as the following:

- **Senior Vice President -- Consumer Lending**: Develop credit and lending policies. Devise a method of evaluating the effectiveness of these policies.
- **Senior Vice President, Manager of Corporate Banking**: Develop new banking relationships that include commercial lending and credit management.
- **Corporate Banking Officer**: Maintain and expand banking service relationships with existing clients and develop new client relationships.
- **Vice President -- Credit Policy**: Establish credit and collection policies on loans; analyze and evaluate the credit-worthiness of unique projects submitted by customers for financing.
- **Director of Management Reporting**: Develop, plan and direct aspects of budgeting, cost accounting, and reporting for a large, multinational credit card company.

Careers in financial institutions include both the private sector (i.e., with banks and other financial service firms) and the public sector (e.g., with the Federal Reserve banks).

5. **Professional designations in finance**

You will find that when you graduate, you are not done learning. You must continue to learn about your chosen field, most likely focusing on a specialization such as security analysis or treasury management. There are a number of professional designations associated the
different finance career paths, most of which require formal or self-study course work, examinations, continuing education, and compliance with ethical standards. Table 1 is a summary of several of these professional designations.

6. Salaries for finance professionals

The amount you can earn in a career in finance depends on a number of factors, including the number of years of experience, specialized skills, professional designations, educational background, and the size of the employer. Consider the field of investment banking. The salaries range widely, depending on experience level, location, and required degrees and experience. For current salaries in finance fields, check out CareerJournal.com, published by the Wall Street Journal, and Robert Half Finance & Accounting, a placement service for finance and accounting professionals.

Incentives that tied to goals, such as meeting or beating the performance of the firm’s competitors, supplement the salaries of many finance professionals. The Chief Financial Officer (CFO) or Vice-President of Finance may be a company's highest or one of its highest paid officers. The median CFO salary at large U.S. companies is over $450 thousand, but some are over $2 million once you figure in the bonus and other forms of compensation, such as stock options.¹

Salaries change each year not only to adjust for the effects of inflation, but to reflect the supply and demand for finance professionals in different specializations, geographical area, and experience levels.

7. Career sites

- Careers in Business, a comprehensive site with links to recommended books and career sites.
- The Wall Street Journal Careers web site provides a wealth of information on finance careers.
- For listings of finance-related jobs, see the Financial Job Network.

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¹ Per CareerJournal.com, CareerJournal’s Salaries Tables for Chief Financial Officers.
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<tr>
<th>Designation</th>
<th>Examination</th>
<th>Experience requirement</th>
<th>Education requirement</th>
<th>Contact for further information</th>
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<td>Certified Treasury Professional (CTP)</td>
<td>4-hour exam</td>
<td>2 years of cash/treasury management experience (or 1 year and an advanced business degree)</td>
<td>no mention</td>
<td>Association for Financial Professionals 7315 Wisconsin Ave, Suite 600 West Bethesda, MD 20814-3211 <a href="http://www.afponline.org">www.afponline.org</a></td>
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<tr>
<td>Formerly: Certified Cash Manager (CCM)</td>
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<tr>
<td>Certified Financial Manager (CFM)</td>
<td>4 4-hour exams</td>
<td>2 years of financial management or management accounting</td>
<td>Bachelor degree, hold a CMA or CPA designation, or score above the 50th percentile on the GMAT</td>
<td>Institute of Management Accountants 10 Paragon Drive Montvale, New Jersey 07645-1759 <a href="http://www.imanet.org">www.imanet.org</a></td>
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<tr>
<td>Certified Financial Planner (CFP)</td>
<td>Comprehensive 2-day 10-hour exam</td>
<td>3 years in financial planning</td>
<td>Bachelor or master degrees and approved financial planning program</td>
<td>Certified Financial Planners Board of Standards 1670 Broadway, Suite 600 Denver Colorado 802202-4809 <a href="http://www.cfp.net">www.cfp.net</a></td>
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<tr>
<td>Certified Management Accountant (CMA)</td>
<td>4 parts, completed within 3 years</td>
<td>2 years in management accounting</td>
<td>Bachelor degree, hold a CMA or CPA designation, or score above the 50th percentile on the GMAT</td>
<td>Institute Management Accountants 10 Paragon Drive Montvale, NJ 07645-1759 <a href="http://www.imanet.org">www.imanet.org</a></td>
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| Certified Public Accountant (CPA) | Comprehensive 4-part 2 1/2 day examination (14 hours) | Varies by state                        | Bachelor degree with a major in accounting (150 total semester hours recommended) | American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, NY 10036  
www.aicpa.org  
www.cpa-exam.org |
| Chartered Financial Analyst (CFA) | 3 comprehensive 6-hour exams; must be passed sequentially | 4 years as in an investment decision-making capacity | Bachelor degree or equivalent in experience; CFA study and examination program. | CFA Institute  
560 Ray C. Hunt Drive  
Charlottesville, VA 22903-2981  
www.cfainstitute.org |
| Personal Financial Specialist (PFS) | Comprehensive 6-hour exam                        | 250 hours per year for preceding 3 years in financial planning | Bachelor degree with a major in accounting; CPA | American Institute of CPAs  
Personal Financial Planning Division  
Harborside Financial Center, 201 Plaza III  
Jersey City, NJ 07311-3881  
www.aicpa.org/pfs/ |