

Career Opportunities in Public Finance

In short, investment bankers serve as advisors to, and intermediaries between, the issuer of securities (corporations and governments) and the public and private investor markets. Whether you are interested in investment banking, commercial banking, or financial services, you will find that many of the same job functions, as well as skill base, are found in all the major sectors of the "financial" industry. As banks have grown, through mergers and internal expansion, their client base has expanded globally. Cross-border deals are commonplace and many of the existing barriers to entry and investment into markets undergo change reflecting current international economic realities.

The financial industry is traditionally broken into the following main areas:

Corporate Finance. The areas considered as Corporate Finance cover a wide range of financial services including Corporate Structure Finance, Mergers and Acquisitions, Initial Public Offerings (IPOs), Private Placements, and Real Estate Finance. The mission of a Corporate Finance department is to help its clients form and develop sound financial strategies to meet their goal by serving as an advisor and by raising or deploying funds. Businesses may need to raise cash to buy another firm, expand manufacturing capacities, pay down debt, buy-back its own stock, or possibly to divest themselves of a division.

Sales and Trading. This group serves institutions such as pension plans, mutual funds, and insurance companies. In addition, many traders are dedicated to the firm's own "house account." The Sales department's main responsibility is to maintain positive client relationships. Other key functions include the sale of existing securities in the firm's inventory and the distribution of the firm's initial public offerings. Traders execute trades in equities, corporate and municipal bonds, derivatives, currencies, and commodities.

Public Finance. This department raises funds for the development of public projects. Investment banks help states and their agencies and authorities, municipalities, and counties to raise large capital requirements through the issuance of federal tax-exempt securities. These bonds finance hospitals, airports, schools, mass transit and power plants to name a few.

Other areas in corporate banking include the Research Department where researching equity (stocks), fixed income (bonds), and other negotiable instruments is analyzed. Also, portfolio and money management is often the purview of the Research Department. The High Yield Group manages high-risk bond issues with high interest rates (normally above 10%). This group usually has its own set of specialized sales representatives and traders. Private Client Services caters to high net worth individuals.

Career Paths and Entry Salaries

Internships are one of the most efficient ways to gain the experience needed to enter the field. Any demonstrated experience, which requires economic analysis, understanding of economic markets, or reaction to financial news or trends is of interest to potential employers. Networking, especially in more difficult financial periods, is essential for anyone interested in entering this competitive field. Contact alumni from your school who are working with firms you are interested in to build your networking infrastructure.

Undergraduates can expect starting salaries of approximately \$45,000 to \$55,000 a year, plus an annual bonus of \$10,000 to \$20,000, where MBAs will start at approximately

\$80,000 with a \$25,000-\$35,000 signing bonus and \$25,000 annual bonus depending on market success.

Qualifications Necessary to Enter the Field

A bachelor's degree in finance, accounting, economics, or business administration is the minimum academic preparation for financial managers. However, many employers increasingly seek graduates with a master's degree, preferably in business administration, economics, finance, international business or risk management.

A solid background in business-related courses such as accounting, business finance, money and financial markets, statistics, micro- and macro-economics is recommended. In addition, candidates should be able to analyze a corporation's growth potential, profitability, industry niche, future projections, etc. They must be able to read and understand annual reports, balance sheets, income statements and cash flows.

Any demonstrated experience that requires economic analysis, understanding of economic markets, or reaction to financial news or trends is of interest to potential employers. An internship with a bank will improve your chances and grant you the necessary experience to attract recruiters. A framework of public policy, international trade, language and cultural fluency combined with business skills is an invaluable combination for entry into the financial industries.

Sample Employers

- Bank of America Merrill Lynch, www.ml.com/
- CSFB – Credit Suisse First Boston, <https://www.credit-suisse.com/us/en/>
- Goldman Sachs, <http://www2.goldmansachs.com/>
- Houlihan Lokey, www.hlhz.com/default.asp?f=6
- J.P Morgan, www.jpmorgan.com/
- Chase, www.chase.com/
- Lazard, www.lazard.com/

Demand and Future Challenges of the Profession

Opportunities in investment banking are not the same as they were a few years ago. Much of the fortunes of these firms rise and fall with the global economic tides. This is a market driven by the economy and in downturns it becomes even more competitive to enter this lucrative field.

Resources for More Information

Websites

- Wet Feet Press, www.wetfeet.com
- FINWEB, www.finweb.com/
- Federal Reserve, www.federalreserve.gov/

Directories

Thompson Bank Directory

Publication

- Bank Letter
- Careers in International Business, Edward Joseph Halloran, McGraw-Hill (2003)
- Fortune
- Business Week
- Institutional Investor
- Corporate Financial
- The Economist
- Forbes
- The Wall Street Journal
- Harvard Business School Guide to Careers in Finance