

Business and Financial Operations

Financial Analysts

Financial Analysts provide guidance to businesses and individuals making investment decisions. Their job involves assessing the performance of stocks, bonds, commodities, and other types of investments in order to make recommendations on where people or companies should put their money. They are sometimes referred to as securities analysts and investment analysts. Financial analysts are frequently employed by banks, insurance companies, mutual and pension funds, securities firms and the business media. Responsibilities include analyzing commodity prices, sales, costs, budgets, expenses, and tax rates, as well as studying company financial statements in order to determine a company's value by projecting its future earnings. Financial analysts can be divided into several categories:

- *Buy side analysts*- Work at devising investment strategies for companies with a great deal of money to invest. These companies, called institutional investors, include mutual funds, hedge funds, insurance companies, independent money managers, and nonprofit organizations with large endowments.
- *Sell side analysts* - Help securities dealers, such as banks and other firms, sell stocks, bonds, and other investments.
- *Risk analysts*- evaluate the risk in portfolio decisions, project potential losses, and determine how to limit potential losses and volatility using diversification, currency futures, derivatives, short selling, and other investment decisions.
- *Portfolio managers*- are experienced analysts who supervise a team of analysts and select the mix of products, industries, and regions for their company's investment portfolio. If they manage hedge funds or mutual funds they are called Fund Managers. They are responsible for the overall portfolio and must frequently make split-second buy or sell decisions in reaction to quickly changing market conditions. They are accountable to investors and are expected to explain investment decisions and strategies in meetings.
- *Ratings analysts*- evaluate the ability of companies or governments to pay their debts, including bonds. On the basis of their evaluation, a management team rates the risk of a company or government defaulting on its bonds.

Financial analysts generally focus on trends impacting a specific industry, region, or type of product. They must understand how new regulations, policies, and political and economic trends may impact the investments they are watching. Financial analysts use spreadsheet and statistical software packages to analyze financial data, spot trends, create portfolios, and develop forecasts. On the basis of their results, they recommend whether to buy, hold, or sell particular investments.

The working environment for a financial analyst is usually an office. They often work long hours, sometimes coming in around seven, eating at their desk and leaving close

to eight. They travel frequently to visit companies or potential investors, and face the pressure of deadlines. Much of their research must be done after office hours because their days are filled with telephone calls and meetings.

Education/Training

How to Obtain:

The minimum requirement is a bachelor's degree in accounting, finance, business, statistics, or economics, through a four year college or university. Strong math, analytical and problem-solving skills are essential qualifications for financial analysts. Familiarity with the workings of the economy, tax laws and money markets is necessary. Most analysts have completed a master's degree as this is an additional requirement in many companies. In addition, some financial analysts may opt to get a Chartered Financial Analyst (CFA) designation through the CFA Institute.

The Financial Industry Regulatory Authority (FINRA) is the main licensing organization of the securities industry. Depending on an individual's work different licenses may be required. The majority of these licenses require sponsorship by an employer, so companies do not expect individuals to have these before starting a job.

Requirements for a CFA designation include:

- A bachelor's degree
- Four years of related work experience
- Passing three exams- Level I, II, and III.

Information on requirements to obtain licenses is available from the North American Securities Administrator Association (NASAA). Most states, including New York, require that applicants pass the Uniform Investment Advisor Law Exam, in order to become licensed.

More Information on Licensing:

- CFA: Chartered Financial Analyst Institute <http://www.cfainstitute.org/>
- The Financial Industry Regulatory Authority (FINRA) <http://www.finra.org/Industry/index.htm>
- North American Securities Administrator Association: http://www.nasaa.org/Industry_Regulatory_Resources/Exams/

Average Costs:

Tuition and fees for a master's degree earned at an accredited public university in an area like business administration, including financial analysis, costs an average of \$16,000* per year. Completion time is generally 2 years.

The CFA examination fees range from \$1,110 - \$1,435.

* Note: This figure does not include federal, state, or university financial aid resources such as grants, fellowships, scholarships or work study. It also does not include vocational rehabilitation or other state resources available specifically to people with disabilities. The out-of-pocket expense may be significantly less.