

CAREER OPPORTUNITIES IN INVESTMENT BANKING

Description of the Field

Investment bankers serve as advisors and intermediaries for 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 and skills 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 emerging markets undergo changes reflecting current international economic realities.

The financial industry is traditionally broken into the following 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, to expand manufacturing capacities, to pay down debt, to buy-back their own stock, or possibly to divest themselves of a division.

Sales and Trading - This group serves institutions, like 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 through the issuance of federal tax-exempt securities. These bonds finance hospitals, airports, schools, mass transit and power plants to name a few.

Corporate banking also includes the Research Departments where equity (stocks), fixed income (bonds), and other negotiable instruments are analyzed. Also, portfolio and money management is often under 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 required 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. Ivy league graduates have an advantage; however, 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.

Salaries at investment banks, even for nonprofessional staff, almost always consist of a base salary plus a fiscal year-end bonus. Bonuses are determined at the end of each year and are based on the performance of Wall Street, as well as the performances of your firm and department and your contribution to them. Base salaries tend to be relatively moderate at the entry level, and bonuses are discretionary. Your take-home pay from year to year can go through swings of more than 100 percent, especially when you move up in seniority.

Because of the decline in investment banking revenues over the past few years, bonuses have plummeted. Indeed, investment banks have cut bonuses by as much as 60 percent over the last several years. Undergraduates can expect starting salaries of approximately \$45,000 to \$55,000 a year, plus an annual bonus. MBAs will start at approximately \$85,000 with a \$20,000-\$25,000 signing bonus and an annual bonus depending on market success. (<http://wetfeet.com>)

Demand

Opportunities in investment banking are not the same as they were a few years ago, and competition is fierce. Income of these firms rises and falls 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.

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 macroeconomics 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 Securities - <http://www.bofasecurities.com/>
- Bear Stearns - <http://www.bearstearns.com/>
- Citigroup - <http://www.citigroup.com/citigroup/homepage/>
- Credit Suisse First Boston - http://www.credit-suisse.com/country_selection/en/
- Goldman Sachs - <http://www.gs.com/>
- Houlihan Lokey Howard & Zukin - <http://www.hlhz.com/>
- J.P Morgan Chase - <http://www.jpmorgan.com/>

- Lazard - <http://www.lazard.com/>
- Lehman Brothers - <http://www.lehman.com/>
- Merrill Lynch - <http://www.ml.com/>
- Morgan Stanley - <http://www.morganstanley.com/>

Resources for Additional Information

Internet Resources

- Careers in Finance - <http://www.careers-in-finance.com/ib.htm>
- Vault - <http://www.vault.com>
- Wall Street Journal Online Careers <http://www.careerjournal.com/>
- WetFeet - www.wetfeet.com

Publications

- Careers in Investment Banking, 2006 Edition. WetFeet, 2006.
- The Business of Investment Banking: A Comprehensive Overview. K. Thomas Liaw, Wiley, 2005.
- Vault Career Guide to Investment Banking, 5th Edition. Tom Lott. Vault, 2005.

Keep abreast of financial trends and look for potential job opportunities in the following:

- Bank Letter
- Business Week
- Corporate Financial
- Forbes
- Fortune
- Institutional Investor
- The Economist
- The Wall Street Journal