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### Articles

Winter 1999-2000  
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**OOQ Home** ●

**A SPECIAL ISSUE**  
~  
Charting the Projections  
1998-2008

● ● ●

**About OOQ Online** ○

**Index** ○

**Subscriptions** ○

**Feedback** ○

● ● ●

**BLS Homepage** ○

**BLS Publications** ○

**Occupational Outlook Handbook** ○

**Employment Projections** ○

**Monthly Labor Review: The Editor's Desk** ○

**Student Resources** ○

● ● ●

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**Introduction: Employment projections**  
 ● [Nutshell](#) ● [Snippet](#) ● [PDF \(64K\)](#)

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 ● [Nutshell](#) ● [Snippet](#) ● [PDF \(202K\)](#)
- **Industry employment**  
 ● [Nutshell](#) ● [Snippet](#) ● [PDF \(73K\)](#)

**Economic growth**  
 ● [Nutshell](#) ● [Snippet](#) ● [PDF \(79K\)](#)

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**Last Updated:** April 13, 2000  
**Page URL:** <http://stats.bls.gov/opub/ooq/ooqhome.htm>

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# Financial analysts and personal financial advisors

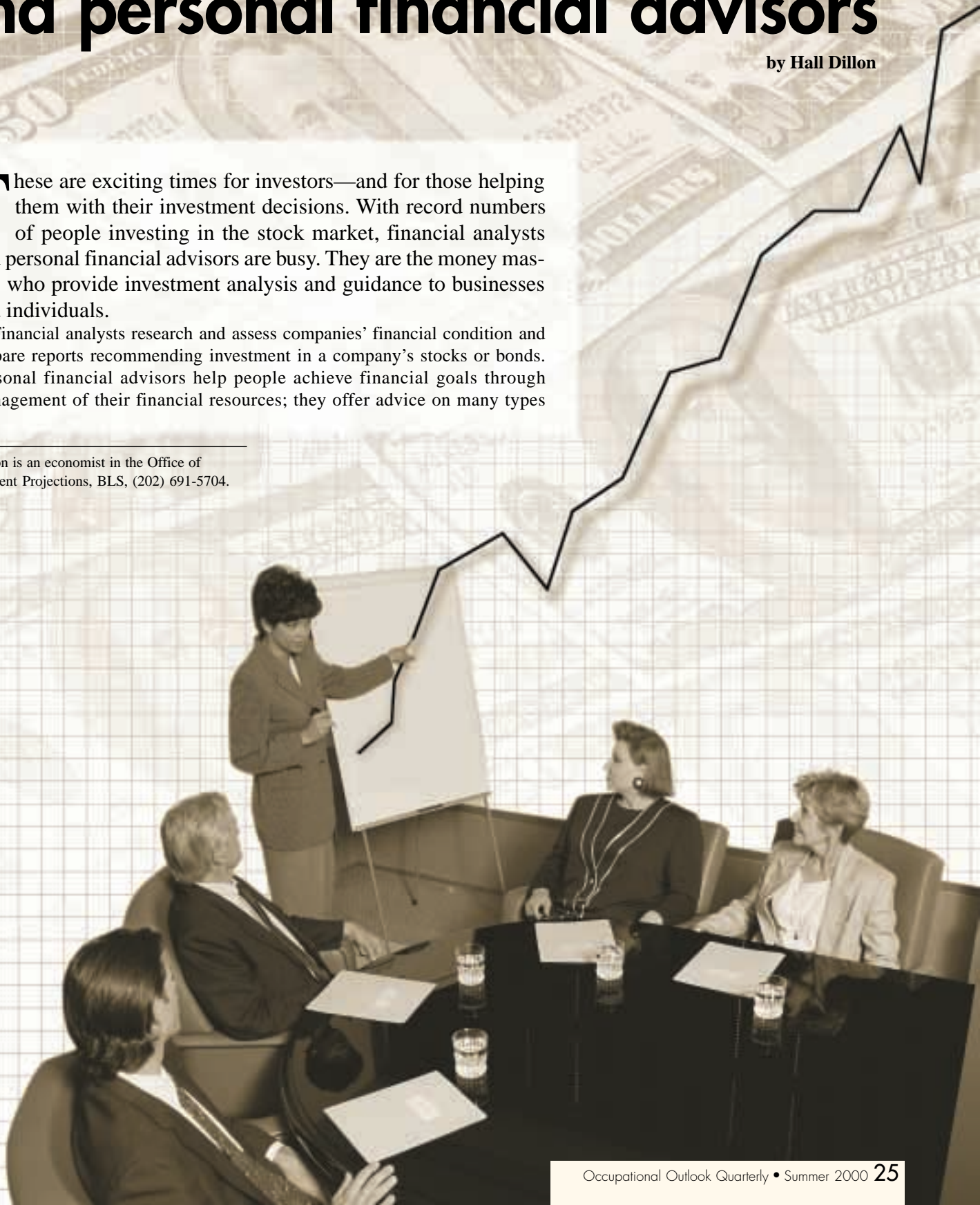
by Hall Dillon

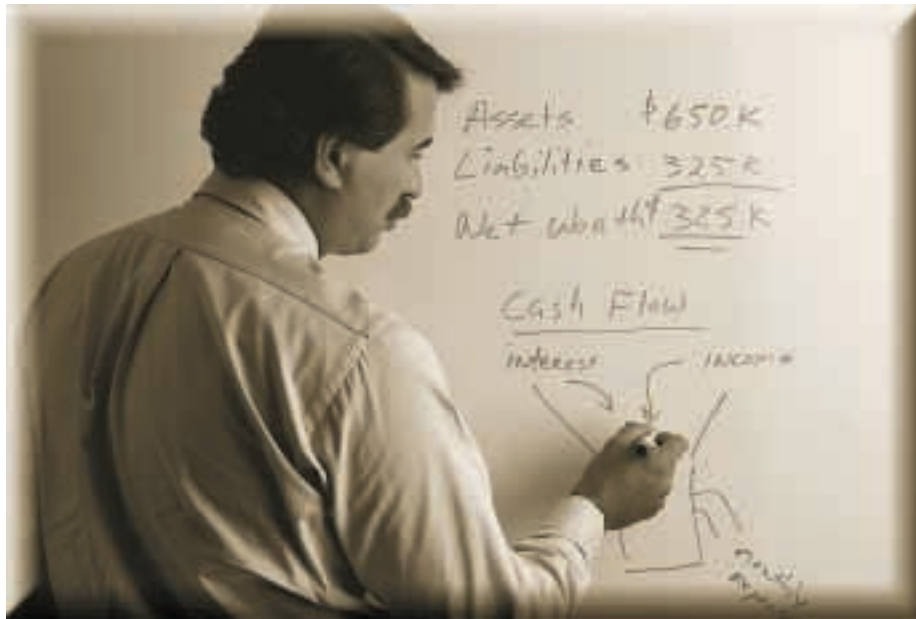
**T**hese are exciting times for investors—and for those helping them with their investment decisions. With record numbers of people investing in the stock market, financial analysts and personal financial advisors are busy. They are the money masters who provide investment analysis and guidance to businesses and individuals.

Financial analysts research and assess companies' financial condition and prepare reports recommending investment in a company's stocks or bonds. Personal financial advisors help people achieve financial goals through management of their financial resources; they offer advice on many types

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*One part of financial analysts' job is to evaluate a company's financial stability.*

of finance, including investment selection, portfolio management, and retirement planning.

Both financial analysts and advisors gather information, analyze investments, and make investment recommendations. However, their job duties differ because of the types of services they provide. This article describes the occupations of financial analyst and personal financial advisor, including what these workers do, what their employment outlook is, how much they earn, and how they train to enter these careers.

### **Nature of the work**

Although both financial analysts and personal financial advisors make recommendations, they work with investment information in different ways. For financial analysts working in firms, the focus is on gathering and analyzing information about companies or stock; for personal financial advisors helping individuals, it is on presenting information about investment options.

**Financial analysts.** Financial analysts perform a variety of duties, including studying and reporting on businesses and

**Financial analysts and advisors gather information, analyze investments, and make investment recommendations. But their job duties differ because of the types of services they provide.**

stock offerings, arranging mergers and acquisitions, evaluating a company's financial soundness, and making presentations.

In conducting research about companies, financial analysts gather annual and other financial reports. They must learn about each company's history, management, products, markets, financing, past earnings, and future earnings potential. Analysts also may make site visits to

talk with management about company prospects.

The analysts then organize the information they've gathered and write reports for their firm. A report presents their analysis of companies' prospects and their recommendation for the firm's brokers or customers, whether it be to buy, hold, or sell stocks. More experienced financial analysts contact companies to make investment deals.

Financial analysts also analyze stock offerings—both new, called initial public offerings (IPO's), and existing ones—for companies trying to raise funds for business expansion or to pay off debt. Analysts usually work as part of a team to help prepare registration statements, detailed reports about a company's financial operations. These statements must be filed with and approved by the Securities and Exchange Commission before a company can sell stock to the public.

Other analysts work on mergers and acquisitions, helping to set up deals in which one company buys another. These deals, too, require financial analysts to write a report about the current and projected value of the company to be purchased.

Some financial analysts, called ratings analysts, evaluate companies' financial soundness. Based on this evaluation, a management team assigns a rating to companies' financial and corporate bonds. As a result, ratings analysts must be experts on particular stocks—and their information and advice must be timely, because other investment professionals depend on the analyses in making investment decisions.

Financial analysts spend a lot of time processing numbers, often using a computer. They may use a computer to help forecast a company's future earnings, for example, or to analyze balance sheets that compare companies' earnings with expenses. Computer programs also identify undervalued securities—stocks that



may be worth more than their current market value.

Many persons designated as financial analysts have additional responsibilities, including budget, cost, and credit analysis. Financial analysts also may give presentations touting the merits of new companies whose shares are being sold to managers of mutual funds.

Some analysts are industry specialists for one or a few industries; those who study a large number of industries are known as generalists. Analysts also may specialize in a type of investment, such as bonds, foreign currency trading, or portfolio management. The size or character of the firm at which they work usually determines whether analysts are specialists or generalists.

**Personal financial advisors.** Personal financial advisors provide investment guidance, using their knowledge of tax and investment strategies involving securities, insurance, pension plans, and real estate. Their advice depends on each client's financial needs and resources.

An advisor's work with clients begins with a consultation. At this meeting, the advisor helps clients to analyze their finances and financial goals. After gathering this and other financial information, the advisor helps clients select investments based on their goals, including expectations or needs for a return on the investment. For example, individuals investing for retirement would consider tax-sheltered, long-term investments, while those with short-term goals—such as having money available for a wedding or for a downpayment on a home—would be interested in a more conservative approach to provide returns for several years.

Dennis Gurtz, a financial advisor in Bethesda, Maryland, says there is no such thing as a typical client in a typical situation. And, he says, demand for financial planning services—including life insurance, college savings plans, or estate

*Personal financial advisors provide individualized investment guidance based on clients' financial needs and resources.*

planning—is often triggered by life changes such as marriage, disability, or retirement.

Finding clients and building a customer base is one of the most important parts of a financial advisor's job. Many advisors contact potential clients by giving seminars or lectures or meeting clients through business and social contacts. Periodically, financial advisors must meet with established clients to evaluate their investment strategy and performance, taking into account changing economic conditions, family income, and financial needs.

Sometimes, financial advisors develop a comprehensive financial plan for individuals. Most of these plans involve several steps. First, the advisor interviews a client and obtains a statement of the client's assets and liabilities (property and debts). The advisor then reviews the client's financial information, identifying problems and developing recommendations for improvement. After discussing options with the client, the advisor sug-

gests a plan suited to the client's resources, financial objectives, and attitudes toward investment risk. Finally, the advisor presents the plan to the client, collaborates with him or her to ensure that it meets his or her goals, and makes revisions, if necessary.

In addition to developing comprehensive plans, financial planners offer advice on financial questions or concerns. Among these are the financial consequences of changing careers or receiving an employee benefits package, an early retirement package, or a lump-sum payment from a pension plan. Advisors also may buy and sell financial products, such as mutual funds and insurance, or refer clients to other companies for products and services such as preparation of taxes or wills.

Personal financial advisors often have other titles, such as financial planner and financial consultant. Some choose to specialize in one area, such as asset management, retirement, or risk management. In most small or self-owned firms, advisors

are usually generalists who offer advice on a wide range of financial products and services.

### **Employment and outlook**

Financial analysts held nearly 45,000 jobs in 1998. The Bureau of Labor Statistics (BLS) currently has no data on employment of personal financial advisors; however, according to the College of Financial Planning, there were 32,000 licensed certified financial planners in 1998.

Most financial analysts work for brokerage firms, investment banks, and investment advisory firms that publish investment recommendations. A small number of large firms have offices in New York, which has the highest concentration of brokerage firms in the Nation. Insurance companies also hire analysts for advice about investing the money they collect as premiums from policyholders. Some analysts work for large commercial banks and make investment recommendations to institutional clients and individuals.

A large number of personal financial advisors are self-employed. Many work for financial planning firms across the country. These firms are often small, em-

### **Employment of financial analysts and personal financial advisors is expected to grow rapidly.**

ploying 2 to 15 people, and most are located in urban areas. Some large firms prefer candidates with specialized training in law or accounting; other employers prefer to hire people with experience selling financial products and services for a commission. A smaller but growing number of advisors work for corporations, banks, mutual fund companies, colleges and universities, credit counseling organizations, and brokerage firms.

Employment of financial analysts and

personal financial advisors is expected to grow rapidly. Investment funds should grow along with the economy, personal incomes, savings for retirement plans, and inherited wealth. Large numbers of “baby boomers,” people born from 1946 to 1964, will fuel investment during their peak savings years and with retirement-related investments. In addition, people are living longer and must plan to finance more years of retirement. As these factors increase demand for investments, demand for the services of financial analysts and personal financial advisors will grow as well.

### **Benefits and drawbacks**

Financial analysts earned an average of \$54,000 a year in 1998, according to BLS. Based on limited information from other sources, starting salaries for financial analysts with a bachelor’s degree ranged from \$25,000 to \$35,000 in 1999. Starting salaries for people with a master’s degree in business administration range from \$30,000 to \$70,000. Financial analysts who work for investment banks may start at \$30,000 a year, with bonuses raising that to \$50,000 by the end of the second year.

BLS has no earnings data for personal financial advisors, but other sources show their earnings vary widely. Income ranges from about \$20,000 for beginners to over \$100,000 for advisors with experience. Most financial advisors receive commissions on the sale of insurance products or securities, in addition to assessing a fee charged by the hour or by the complexity of the plan. Earnings for some financial advisors are completely fee-based.

Good earnings and opportunity for advancement are not the only things that attract people to these occupations. Financial analysts and personal financial advisors usually work indoors in safe and comfortable environments. People are also drawn to become financial analysts

and advisors because they enjoy the challenges of the work and the satisfaction of helping firms or people make financial decisions. They also like interacting with other people.

### **People are drawn to these occupations because they enjoy helping firms or people make financial decisions.**

However, there are some disadvantages to working in these occupations. The investment field is competitive and high-pressured. No fees or commissions earned often means no money earned for personal living expenses, and errors of judgment about investment options can result in huge losses—in investment, earnings, or even a job. Long, irregular hours, sometimes including weekends, are common. For example, financial advisors work irregular hours visiting clients; teaching classes, traveling away from home, or giving seminars in the evenings; and socializing on weekends to meet clients.

### **Qualifications, training, and certification**

Financial analysts and personal financial advisors have some skills in common but have different educational requirements. Both may have professional certification, although it is not required.

**Qualifications.** The job duties involved in both financial analysis and advising require mathematical, problemsolving, computer, and analytical skills. Financial analysts and advisors must also have excellent communication skills to present complex financial concepts and strategies in easy-to-understand language, both orally and in writing. Self-confidence, maturity, and the ability to work

*Good communication and interpersonal skills are essential for financial analysts and advisors.*

independently are important as well.

Financial analysts need in-depth knowledge of accounting principles and financial analysis because their work is highly technical. They also must have a broad perspective of financial and business markets and knowledge of investment analysis, financial modeling, and company and industry trends, along with market judgment and a sense of market timing. Analysts should be detail- and customer-oriented.

For financial advisors, many employers consider interpersonal skills and sales ability more important than academic training. Employers seek applicants who

have good interpersonal and communications skills and a strong desire to succeed; considerable sales experience often is

**The job duties involved in financial analysis and advising require mathematical, problemsolving, computer, and analytical skills.**

preferred. One of an advisor's most valuable skills is the ability to ask good questions and listen to the answers. Self-confi-

dence and an ability to handle client rejection are also important.

**Training.** College-level knowledge is important to both financial analysts and personal financial advisors, but financial analysts have stricter educational requirements.

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 financial analysis methods is recommended. A master of business

administration degree is desirable. Advanced courses in options pricing or bond valuation and knowledge of risk management are also suggested.

Personal financial advisors have no formal educational requirements. But because financial advisors must understand economic theory, conditions, and trends, college is recommended. Suggested majors include business administration with a concentration in financial planning or liberal arts, with courses such as accounting, economics, marketing, and human behavior.

Financial analysts and advisors can find these courses and programs in colleges and universities nationwide. Students may also receive training in financial planning through independent study programs, including those administered by the College for Financial Planning near Denver and the American College in Bryn Mawr, Pennsylvania. (See the additional sources of information at the end of this article for contact details.)

**Certification and licensure.** There are no certification or licensure requirements for either financial analysts or personal financial advisors. However, professional designation is encouraged.

Financial analysts who successfully complete a series of three examinations receive the title of Chartered Financial Analyst. The essay exams, administered by the Association for Investment Management and Research, cover subjects such as accounting, economics, and securities. Applicants may take only one exam each year, in sequence, so the program takes a minimum of 3 years to complete.

Personal financial advisors may pursue a Certified Financial Planner or Chartered Financial Consultant designation. The certified planner designation requires

relevant experience, completion of education requirements, passage of an examination, and adherence to a code of ethics. The chartered consultant designation requires experience and completion of a 10-course study program. Both require continuing education. And although use of

**There are no certification or licensure requirements for either financial analysts or personal financial advisors.**

**However, professional designation is encouraged.**

the occupational title is not regulated, financial advisors may need licenses for some services—such as providing legal advice or selling stocks and bonds, insurance, or real estate.

### **Related occupations**

Financial analysts must thoroughly analyze one or more areas of finance. Other occupations requiring that skill include budget analyst, credit analyst, financial manager, loan officer, portfolio manager, and pension consultant.

In addition to personal financial advisor, occupations that provide financial advice to individuals include accountant, insurance sales agent, lawyer, loan counselor, and securities, commodities, and financial services sales representative.

### **Additional sources of information**

For general information about financial analysts and the Chartered Financial Analyst designation, contact:

Association for Investment Management and Research

P.O. Box 3668  
560 Ray C. Hunt Drive  
Charlottesville, VA 22903-0668  
1 (800) 247-8132  
(804) 951-5499

<http://www.aimr.org>

For general information about personal financial advisors, contact:  
The Financial Planning Association  
Attention: Career Development Coordinator

3801 E. Florida Ave., #708  
Denver, CO 80210  
1 (800) 322-4237

<http://www.fpanet.org>

For information about the Certified Financial Planner designation or to request a financial planning resource kit, contact:  
The Certified Financial Planner Board of Standards

1700 Broadway, Suite 2100  
Denver, CO 80290-2101  
1 (888) CFP-MARK (237-6275)  
(303) 830-7500

<http://www.cfp-board.org>

For information about financial planning study programs, contact:

The College for Financial Planning  
6161 South Syracuse Way  
Greenwood Village, CO 80111-4707  
1 (800) 237-1990  
(303) 220-1200

<http://www.fp.edu>

For information about a financial planning study program and the Chartered Financial Consultant designation, contact:

The American College  
270 South Bryn Mawr Ave.  
Bryn Mawr, PA 19010-2196  
1 (888) AMERCOL (263-7265)  
(610) 526-1490

<http://www.amercoll.edu>

