

Securities, Commodities, and Financial Services Sales Agents

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Significant Points

- Employment is expected to grow as fast as the average, and competition for entry-level jobs is expected to be keen because sales agents who succeed often have high earnings.
- A college degree, sales ability, good interpersonal and communication skills, and a strong desire to succeed are important qualifications for this profession.
- Beginning securities and commodities sales agents must pass a licensing exam to sell securities and commodities.

Nature of the Work

Most investors, whether they are individuals with a few hundred dollars to invest or large institutions with millions, use *securities, commodities, and financial services sales agents* when buying or selling stocks, bonds, shares in mutual funds, insurance annuities, or other financial products. In addition, many clients seek out these agents for advice on investments, estate planning, and other financial matters.

Securities and commodities sales agents, also called brokers, stockbrokers, registered representatives, account executives, or financial consultants, perform a variety of tasks, depending on their specific job duties. When an investor wishes to buy or sell a security, for example, sales agents may relay the order through their firm's computers to the floor of a securities exchange, such as the New York Stock Exchange. There, securities and commodities sales agents known as *floor brokers* negotiate the price with other floor brokers, make the sale, and forward the purchase price to the sales agents. If a security is not traded on an exchange, as in the case of bonds and over-the-counter stocks, the broker sends the order to the firm's trading department. Here, using their own funds or those of the firm, other securities sales agents, known as *dealers*, buy and sell securities directly from other dealers, with the intention of reselling the security to customers at a profit. After the transaction has been completed, the broker notifies the customer of the final price.

Securities and commodities sales agents also provide many related services for their customers. They may explain stock market terms and trading practices, offer financial counseling or advice on the purchase or sale of particular securities, and design an individual client's financial portfolio, which could include securities, life insurance, corporate and municipal bonds, mutual funds, certificates of deposit, annuities, and other investments.

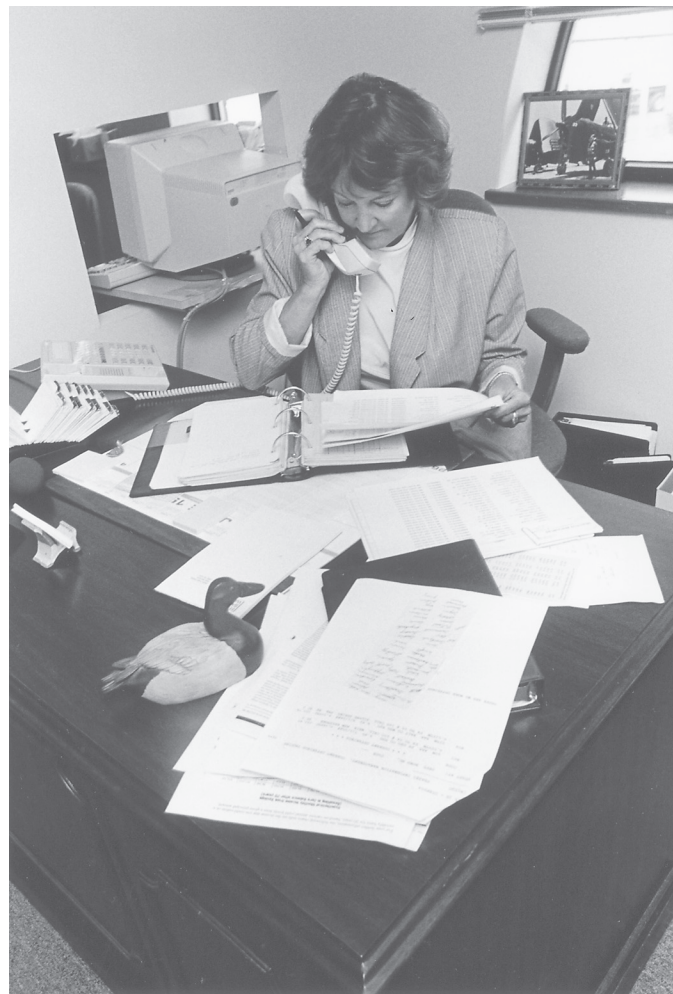
Not all customers have the same investment goals. Some individuals prefer long-term investments, for capital growth or to provide income over a number of years; others might want to invest in speculative securities, which they hope will quickly rise in price. On the basis of each customer's objectives, securities and commodities sales agents furnish information about the advantages and disadvantages of an investment. They also supply the latest price quotes on any securities, as well as information on the activities and financial positions of the corporations issuing the securities.

Most securities and commodities sales agents serve individual investors; others specialize in institutional investors, such as banks

and pension funds. In institutional investing, sales agents usually concentrate on a specific financial product, such as stocks, bonds, options, annuities, or commodity futures. At other times, they may also handle the sale of new issues, such as corporate securities issued to finance the expansion of a plant.

The most important part of a sales representative's job is finding clients and building a customer base. Thus, beginning securities and commodities sales agents spend much of their time searching for customers—relying heavily on telephone solicitation. They also may meet clients through business and social contacts. Many sales agents find it useful to contact potential clients by teaching adult education investment courses or by giving lectures at libraries or social clubs. Brokerage firms may give sales agents lists of people with whom the firm has done business in the past. Some agents inherit the clients of agents who have retired. After an agent is established, referrals from satisfied clients are an important source of new business.

Financial services sales agents sell a wide variety of banking and related services. They contact potential customers to explain their services and to ascertain customers' banking and other financial needs. In doing so, they discuss services such as loans, deposit accounts, lines of credit, sales or inventory financing, certificates of deposit, cash management, mutual funds, or investment services. They also may solicit businesses to participate in consumer credit card programs. Financial services sales agents who serve all the



Securities sales agents recommend investment products on the basis of their clients' goals.

financial needs of a single affluent individual or a business often are called private bankers or relationship managers.

With deregulation of the financial services industry, the distinctions among sales agents are becoming less clear as securities firms, banks, and insurance companies venture further and further into each other's products and services. The agents' jobs also are becoming more important as competition between the firms intensifies.

Working Conditions

Most securities and commodities sales agents work in offices under fairly stressful conditions. They have access to "quote boards" or computer terminals that continually provide information on the prices of securities. When sales activity increases, due perhaps to unanticipated changes in the economy, the pace can become very hectic.

Established securities and commodities sales agents usually work a standard 40-hour week. Beginners who are seeking customers usually work longer hours. New brokers spend a great deal of time learning the firm's products and services and studying for exams in order to qualify to sell other products, such as insurance and commodities. Most securities and commodities sales agents accommodate customers by meeting with them in the evenings or on weekends.

A growing number of securities sales agents, employed mostly by discount or online brokerage firms, work in call-center environments. In these centers, hundreds of agents spend much of the day on the telephone taking orders from clients or offering advice and information on different securities. Often, such call centers operate 24 hours a day, requiring agents to work in shifts.

Financial services sales agents normally work 40 hours a week in a comfortable, less stressful office environment. They may spend considerable time outside the office, meeting with current and prospective clients, attending civic functions, and participating in trade association meetings. Some financial services sales agents work exclusively inside banks, providing service to walk-in customers.

Employment

Securities, commodities, and financial services sales agents held about 300,000 jobs in 2002. More than half of jobs were found in securities, commodity contracts, and other financial investments and related activities. One in 5 worked in depository and nondepository credit intermediation, including commercial banks, savings institutions, and credit unions. Although securities and commodities sales agents are employed by firms in all parts of the country, many work for a small number of large securities and investment banking firms headquartered in New York City. About 1 securities, commodities, and financial services sales agent in 8 was self-employed.

Training, Other Qualifications, and Advancement

Because securities and commodities sales agents must be knowledgeable about economic conditions and trends, a college education is important, especially in larger securities firms. In fact, the overwhelming majority of workers in this occupation are college graduates. Although employers seldom require specialized academic training, courses in business administration, economics, and finance are helpful.

Many employers consider personal qualities and skills more important than academic training. Employers seek applicants who have considerable sales ability, good interpersonal and communication skills, and a strong desire to succeed. Some employers also make sure that applicants have a good credit history and a clean

record. Self-confidence and an ability to handle frequent rejections are important ingredients for success.

Because maturity and the ability to work independently are important, many employers prefer to hire those who have achieved success in other jobs. Some firms prefer candidates with sales experience, particularly those who have worked on commission in areas such as real estate or insurance. Therefore, most entrants to this occupation transfer from other jobs. Some begin working as securities and commodities sales agents following retirement from other fields.

Securities and commodities sales agents must meet State licensing requirements, which usually include passing an examination and, in some cases, furnishing a personal bond. In addition, sales agents must register as representatives of their firm with the National Association of Securities Dealers, Inc. (NASD). Before beginners can qualify as registered representatives, they must pass the General Securities Registered Representative Examination (Series 7 exam), administered by the NASD, and be an employee of a registered firm for at least 4 months.

Most States require a second examination: the Uniform Securities Agents State Law Examination. This test measures the prospective representative's knowledge of the securities business in general, of customer protection requirements, and of recordkeeping procedures. Many take correspondence courses in preparation for the securities examinations. Within 2 years, brokers are encouraged to take additional licensing exams in order to sell mutual funds, insurance, and commodities.

Most employers provide on-the-job training to help securities and commodities sales agents meet the registration requirements for certification. In most firms, the training period takes about 4 months.

Trainees in large firms may receive classroom instruction in securities analysis, effective speaking, and the finer points of selling, may take courses offered by business schools and associations, and may undergo a period of on-the-job training lasting up to 2 years. Many firms like to rotate their trainees among various departments, to give them a broad perspective of the securities business. In small firms, sales agents often receive training in outside institutions and on the job.

Securities and commodities sales agents must understand the basic characteristics of the wide variety of financial products offered by brokerage firms. Brokers periodically take training through their firms or outside institutions in order to keep abreast of new financial products and improve their sales techniques. Computer training also is important, because the securities sales business is highly automated. Since 1995, it has become mandatory for all registered securities and commodities sales agents to attend periodic continuing education classes to maintain their licenses. Courses consist of computer-based training in regulatory matters and company training on new products and services.

The principal form of advancement for securities and commodities sales agents is an increase in the number and size of the accounts they handle. Although beginners usually service the accounts of individual investors, they may eventually handle very large institutional accounts, such as those of banks and pension funds. After taking a series of tests, some brokers become portfolio managers and have greater authority to make investment decisions regarding an account. Some experienced sales agents become branch office managers and supervise other sales agents while continuing to provide services for their own customers. A few agents advance to top management positions or become partners in their firms.

Banks and other credit institutions prefer to hire college graduates for financial services sales jobs. A business administration

degree with a specialization in finance or a liberal arts degree that includes courses in accounting, economics, and marketing serves as excellent preparation for this job. Often, financial services sales agents learn their jobs through on-the-job training under the supervision of bank officers. However, those who wish to sell mutual funds and insurance products may need to undergo formal training and pass some of the same exams required of securities sales agents.

Job Outlook

Employment of securities, commodities, and financial services sales agents is expected to grow about as fast as the average for all occupations through 2012. As people's incomes continue to climb, they will increasingly seek the advice and services of securities, commodities, and financial services sales agents to realize their financial goals. Growth in the volume of trade in stocks over the Internet will reduce the need for brokers for many transactions. Nevertheless, the overall increase in investment is expected to spur employment growth among these workers, with a majority of transactions still requiring the advice and services of securities, commodities, and financial services sales agents.

Baby boomers in their peak savings years will fuel much of this increase in investment. Saving for retirement has been made much easier by the government, which continues to offer a number of tax-favorable pension plans, such as the 401(k) and the Roth IRA. The participation of more women in the workforce also means higher household incomes and more women qualifying for pensions. Many of these pensions are self-directed, meaning that the recipient has the responsibility for investing the money. With such large amounts of money to invest, sales agents, in their role as financial advisors, will be in great demand.

Other factors that will affect the demand for brokers are the increasing number and complexity of investment products, as well as the effects of globalization. As the public and businesses become more sophisticated about investing, they are venturing into the options and futures markets. Brokers are needed to buy or sell these products, which are not traded online. Also, markets for investment are expanding with the increase in global trading of stocks and bonds. Furthermore, the New York Stock Exchange has extended its trading hours to accommodate trading in foreign stocks and compete with foreign exchanges.

Employment of brokers is adversely affected by downturns in the stock market or the economy. Turnover is high for beginning brokers, who often are unable to establish a sizable clientele even in good times. Once established, securities and commodities sales agents have a very strong attachment to their occupation because of their high earnings and the considerable investment in training. Competition usually is intense, especially in larger companies with more applicants than jobs. Opportunities for beginning brokers should be better in smaller firms.

The number of financial services sales agents in banks will increase faster than average as banks expand their product offerings in order to compete directly with other investment firms.

Earnings

Median annual earnings of securities, commodities, and financial services sales agents were \$60,990 in 2002. The middle half earned between \$36,180 and \$117,050.

Median annual earnings in the industries employing the largest numbers of securities and financial services sales agents in 2002 were as follows:

Securities and commodity contracts intermediation and brokerage	\$78,140
Other financial investment activities	75,110
Management of companies and enterprises	54,730
Nondepository credit intermediation	43,220
Depository credit intermediation	39,870

Stockbrokers, who provide personalized service and more guidance with respect to a client's investments, usually are paid a commission based on the amount of stocks, bonds, mutual funds, insurance, and other products they sell. Earnings from commissions are likely to be high when there is much buying and selling, low when there is a slump in market activity. Most firms provide sales agents with a steady income by paying a "draw against commission"—a minimum salary based on commissions they can be expected to earn. Securities and commodities sales agents who can provide their clients with the most thorough financial services should enjoy the greatest income stability. Trainee brokers usually are paid a salary until they develop a client base. The salary gradually decreases in favor of commissions as the broker gains clients. A small, but increasing, number of full-service brokers are paid a percentage of the assets they oversee. This fee often covers a certain number of trades done for free.

Brokers who work for discount brokerage firms that promote the use of telephone and online trading services usually are paid a salary, sometimes boosted by bonuses that reflect the profitability of the office. Financial services sales agents usually are paid a salary also; however, bonuses or commissions from sales are starting to account for a larger share of their income.

Related Occupations

Other jobs requiring knowledge of finance and an ability to sell include insurance sales agents, real estate brokers and sales agents, and financial analysts and personal financial advisors.

Sources of Additional Information

For general information on the securities industry, contact:

► Securities Industry Association, 120 Broadway, New York, NY 10271.

For information about job opportunities for financial services sales agents in various States, contact State bankers' associations or write directly to a particular bank.