

Securities, Commodities, and Other Investments

(NAICS 523)

SIGNIFICANT POINTS

- Half of all jobs in the industry are held by securities sales agents and management and financial operations workers, who generally have a college degree; the rest are mainly office and administrative support jobs.
- Employment is expected to grow as a result of increasing investment in securities and commodities, along with a growing need for investment advice.
- The Securities and Exchange Commission (SEC) and major stock exchanges are instituting accounting and corporate reforms to increase public confidence in the investment markets.
- The high earnings of successful securities sales agents will cause keen competition for these positions—particularly in larger firms.

Nature of the Industry

The securities, commodities, and other investments industry is made up of a variety of firms and organizations that bring together buyers and sellers of securities and commodities, manage investments, and offer financial advice. The industry is undergoing substantial change because of improvements in technology, deregulation of financial services, regulatory changes, the globalization of the marketplace, and demographics. The Internet, along with high-speed computer systems, has dramatically altered the way in which securities and commodities are bought and sold, almost completely automating the transaction process. At the same time, the number of financial services being offered is rising as firms look for new ways to attract the business of an increasingly wealthy and investment-savvy public.

The Securities and Exchange Commission (SEC) and major stock exchanges are instituting accounting and corporate reforms to increase public confidence in investment markets. For example, the SEC now requires corporate chief executive officers (CEOs) to certify the reliability of their companies' financial reports. The SEC is also considering measures that would help ensure that research reports are written independently by financial analysts. In addition, the New York Stock Exchange (NYSE) is considering new rules to separate investment banking more formally from company research.

One of the most important functions of the industry is to facilitate the trading of securities and commodities by bringing together buyers and sellers. Brokerage firms typically provide this function. In these firms, investors place their buy and sell orders for a particular security or commodity by telephone, online by computer, or through a broker. The firm fills the order in one of three ways. If the stock or commodity is sold on an exchange, such as the NYSE or the Chicago Mercantile Exchange (CME), the firm will send the order electronically to the company's floor broker at the exchange. The floor broker will then post the order and execute the trade by finding a seller or buyer who offers the best price for the client. Alternatively, if a security is sold through

a dealer network, such as Nasdaq, the broker can access a computer network that lists the prices for which dealers in that particular security are willing to buy or sell it. If a price that the client agrees with is found, then a purchase or sale is made. Large investors and brokerage firms also can buy and sell securities and commodities on "electronic communications networks," or ECNs—powerful computers that automatically list, match, and execute trades, eliminating the middleman. ECNs commonly are used for stocks that trade frequently and in large numbers.

Brokerage firms generally are classified as full-service, discount, or online organizations. Investors who do not have time to research investments on their own will likely rely on a full-service broker to help them construct an investment portfolio, manage their investments, or make recommendations regarding which investments to buy. Full-service brokers have access to a wide range of reports and analyses from the company's large staff of financial analysts. These analysts research companies and recommend investments to people with different financial needs. Persons who prefer to select their own investments generally use a discount or online broker and pay lower commission charges. Discount firms usually do not offer advice about specific securities. Online brokerage firms make their trades over the Internet in order to keep costs down and fees low. Discount brokerage firms usually have branch offices, while online firms do not. Most brokerage firms now have call centers staffed with both licensed sales agents and customer service representatives who take orders and answer questions at all hours of the day.

Brokerage firms also provide investment banking services; that is, they act as intermediaries between those companies or governments which would like to raise money and those with money or capital to invest. Investment banking usually involves the firm buying initial stock or bond offerings from private companies or from Federal, State, and local governments, and in turn selling them to investors for a potential profit. This service can be risky, especially when it involves a new company selling stock to the public for the first time. Investment bankers must try to

determine the value of the company on the basis of a number of factors, including projected growth and sales, and decide what price investors are willing to pay for the new stock. Investment bankers also advise businesses on merger and acquisition strategies and may arrange for the transfer of ownership.

Companies that specialize in providing investment advice, portfolio management, and trust, fiduciary, and custody activities also are included in this industry. These companies range from very large mutual-fund management companies to self-employed personal financial advisors, or financial planners. Also included are managers of pension funds, commodity pools, trust funds, and other investment accounts. Portfolio or asset management companies direct the investment decisions for investors who have chosen to pool their assets in order to have them professionally managed. Many brokerage firms also provide these services. Personal financial advisors can manage investments for individuals as well, but their main objective is to provide a comprehensive financial plan that meets a wide range of financial needs.

A relatively small number of professionals in the industry work in the exchanges, where the actual trading of securities and commodities takes place. Computers and their applications have made brokers in the exchanges much more productive and capable of handling ever-increasing volumes of trades.

Firms in this industry offer a number of other services. Many offer cash-management accounts that allow account holders to deposit money into a money market fund against which they can write checks, take out margin loans, or use a debit card. Some brokerage firms offer mortgages and other types of loans and lines of credit. They also may offer trust services and help businesses set up benefit plans for their employees. Finally, firms in the industry may sell annuities and other life insurance products.

The securities, commodities, and other investments industry has invested heavily in technology, allowing firms to handle larger volumes of trades with fewer people. The growth of online trading in particular has produced a number of online trading firms that did not exist just a few years ago. In order to compete, many full-service brokerage firms now offer online trading to their customers. This explosion in technology is changing the nature of many of the jobs and the mix of people employed by securities firms. Some companies are more likely to resemble information technology companies than securities firms, with most of the employees working in computer-related occupations. Across the industry, computer professionals are accounting for a greater proportion of the workforce. Moreover, with so much business now being conducted online and through call centers, traditional sales agents are spending less time processing orders and more time seeking out new clients and offering detailed advice.

Employment in each of the segments of the securities, commodities, and other investments industry is directly affected by the activity of the stock market and futures market and the savings and investment goals of individuals. Because these factors are determined largely by the strength of the economy, the industry prospers during good economic times, but is much more adversely affected by downturns than are many other industries.

Working Conditions

Most people in this industry work in comfortable offices; however, long hours, including evenings and weekends, are common. Nearly one-fourth of employees worked 50 hours per week or more in 2002. Even when not working, professionals in the industry must keep abreast of events that may affect the markets in which they specialize. Opportunities for part-time work are limited—only about 8 percent worked part time, compared to 16 percent of workers in all industries. In 2002, the incidence of work-related injury and illness was only 0.5 cases per 100 full-time workers, much lower than the 5.3 cases per 100 workers for the entire private sector. Working conditions vary by occupation.

Securities sales agents who deal mostly with individual investors and small businesses often work in branch offices of regional or national brokerage firms or for a small brokerage or financial-planning firm. New sales agents work long hours, mostly soliciting customers. During the day they are on the phone continually with prospective customers, while at night they may attempt to generate new business by giving classes or seminars or by attending community functions. New sales agents also spend many hours studying to pass a variety of tests that will qualify them to sell other investment products, such as commodities or insurance. Although established agents work more regular hours, all agents meet with clients in the evenings and on weekends, as needed.

Sales agents who actually perform the buying and selling of securities and commodities may have one of the most hectic jobs of any profession. Often called traders, market makers, dealers, or floor brokers, they work on the floors of exchanges or at a computer that is linked to other traders. They not only take orders from clients and try to get the best price for them, but also must constantly keep an eye on market activity and stay in touch with other traders and brokers to know what prices are being offered.

Increasingly, sales agents for many of the brokerage and mutual fund companies work in call centers, opening accounts for individuals, entering trades, and providing advice over the phone on different investment products. Although many simply respond to inquiries and do not actively solicit customers, others may be required to contact potential clients. Call centers also employ a large number of customer service representatives, who answer questions for current clients about their accounts and make any needed changes or transfers. All workers in call centers must maintain a professional and courteous attitude, work well under pressure, and be able to speak for long periods of time. Many call centers operate 24 hours a day, 7 days a week, and employees may be required to work evenings and weekends.

Jobs in investment banking, including those of financial managers, analysts, or assistants, generally require the longest hours—often 70 to 80 hours per week—in addition to extensive travel. In this area, there is a great deal of pressure to meet deadlines and acquire new business. Researchers, financial analysts, and investment managers working for brokerage and mutual-fund firms also work long hours, researching and evaluating

companies and their markets. Frequent travel to visit companies is common.

Personal financial advisors work in offices or out of their homes. Most work regular business hours, but many accommodate clients by visiting them at their homes in the evenings or on weekends. Office and administrative support workers usually work a 40-hour week, but overtime may be necessary during times of heavy trading.

Employment

The securities, commodities, and other investments industry employed 801,000 wage and salary workers in 2002. An additional 95,000 workers were self-employed. With their extensive networks of retail sales representatives located in branch offices throughout the country, the large nationally known brokerage companies operate the majority of establishments in this industry. Over 90 percent of the establishments in the industry employ fewer than 20 workers (chart). However, about half of the industry's jobs are in the headquarters of many of these firms—where most executives and administrative support personnel are employed—many of which are located in the New York City area. Many people also work for mutual-fund management companies and smaller regional brokerage firms. As a consequence of deregulation, banks have been either acquiring securities firms or adding securities and commodities business to their list of services, hence becoming a factor in the industry. A relatively small number of employees work at securities or commodities exchanges—primarily the NYSE, the Chicago Board of Trade, the CME, and a number of regional exchanges.

Occupations in the Industry

Securities, commodities, and financial services sales agents account for 1 in 5 wage and salary jobs in this industry (table 1). Although the occupation encompasses a variety of job titles and activities, all of them involve placing orders or buying and sell-

ing securities, commodities, or other financial services. The most common types of sales agents deal directly with the public and often are called retail brokers, account executives, registered representatives, or financial consultants. Securities brokers typically buy and sell stocks, bonds, mutual funds, and other financial services, while commodities brokers deal primarily with futures contracts on metals, energy supplies, agricultural products, and financial instruments.

When a client places an order for one of these items, brokers relay the order through the firm's computers to the floor of an exchange, to a dealer, or to an ECN. Upon confirmation of the trade, the broker notifies clients of the final price. As part of their job, brokers often provide advice to clients about possible investments, taking into consideration the client's financial situation, tolerance for risk, and savings needs. Because sales is one of their major responsibilities, brokers also spend a considerable amount of time soliciting new business.

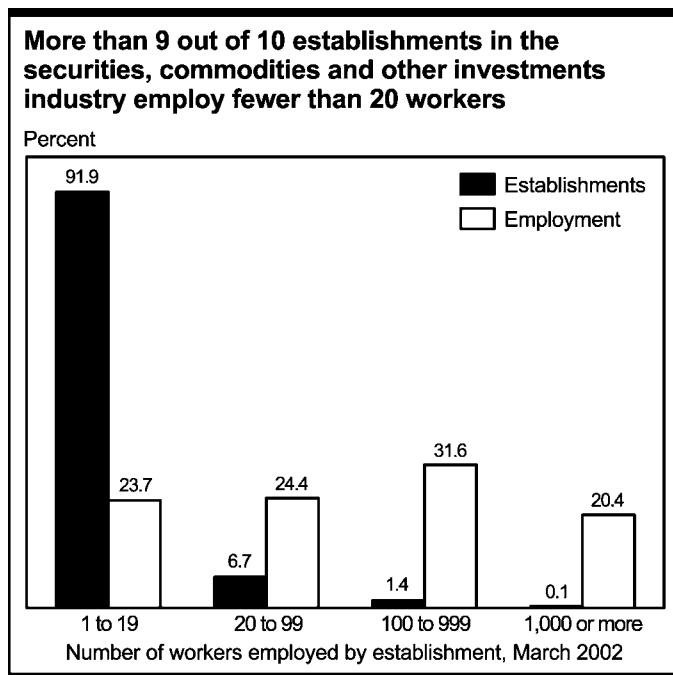
A small number of sales agents deal exclusively with large investors, such as insurance companies, pension funds, and mutual funds. These agents typically are called institutional representatives or institutional brokers, and they provide many of the same services as a retail broker, but on a larger scale.

Sales agents referred to as traders, market makers, or floor brokers actually make the trades on the floor of the exchange or over the computer. These agents match buyers and sellers of a particular security or commodity, sometimes using their own or their firm's money to close the deal.

Keeping track of transactions and paperwork constitutes a large portion of the work in this industry, which is why its largest occupational group is office and administrative support workers. *Brokerage clerks*, the largest occupation in this category, handle much of the day-to-day operations within a brokerage firm. The largest group of brokerage clerks, called sales assistants, takes calls from brokers' clients, writes up order tickets and enters them into the computer, handles the paperwork for new accounts, informs clients of stock prices, and performs other tasks as needed. Some sales assistants obtain licenses to sell securities, allowing them to call brokers' clients with recommendations from the broker regarding specific investments. Other brokerage clerks may compute transfer taxes and dividends and keep daily records of transactions and holdings. At some companies, a number of brokerage clerk positions are considered entry level, with promotion potential to securities sales agent jobs or other higher level jobs.

Because more clients are choosing to trade without the use of sales agents or brokers, *customer service representatives* are playing a larger role in securities firms. While some may have licenses to sell securities or other financial products, most are not in the business of sales or offering advice, but mainly take questions from current customers. Customer service representatives usually work in central call centers, where they handle account transfers, redemptions, and address changes; answer tax questions; and help clients navigate the Web, among other services.

Management, business, and financial occupations account for 28 percent of total employment, a larger proportion than in most industries. This category includes a myriad of people with expertise in finance and investment policy; *accountants and au-*



ditors, who prepare the firm's financial statements; and *general and operations managers*, who run the business. *Financial analysts* generally work in the research and investment banking departments, reviewing financial statements of companies, evaluating economic and market trends, and making recommendations concerning the potential profits from investments in specific companies. Financial analysts also may attempt to determine fair market values for companies wishing to trade their stocks publicly or for those firms involved in mergers or acquisitions. Analysts in large firms usually specialize in a certain industry sector, such as finance, transportation, or utilities, or in a market, such as government financing.

Personal financial advisors, also called financial planners, provide advice to both individuals and businesses on a broad range of financial subjects, such as investments, retirement planning, tax management, estate planning, and employee benefits. They may take a comprehensive approach to the client's financial needs or address only a specific issue. Advisors also may buy and sell financial products, such as stocks, bonds, mutual funds, and insurance, for their clients.

Financial managers are employed throughout the industry, preparing financial documents for the regulatory authorities or directing a firm's investment policies. In many departments, managers act as senior advisors and oversee teams of junior analysts or brokers while continuing to be actively involved in working out deals with clients. Portfolio managers and commodity trading advisors are responsible for making investment decisions for clients with large sums of money to invest. These clients include mutual funds, pension funds, trust funds, commodity pools, and individuals with high net worth. Portfolio managers must know the investment goals of their clients and ensure that the investments they make meet those goals.

The increasingly computerized environment in this industry requires the expertise of *computer software engineers*, *computer programmers*, and other computer specialists to develop and operate the communications networks that provide online trading.

Training and Advancement

The securities, commodities, and other investments industry has one of the most highly educated and skilled workforces of any industry, and the requirements for entry are high—even brokerage clerks often have a college degree. The most successful workers at all levels have an aptitude for numbers and a keen interest in investing. In addition, most people in the industry are required to be licensed by the National Association of Securities Dealers (NASD) before they can sell securities or recommend specific investments. To be licensed, brokers and assistants must pass an examination that tests their knowledge of investments. Various licenses are available for different investment products; however, the one most brokers and broker's assistants receive is the "Series 7" license, which requires a passing score on the General Securities Registered Representative Examination administered by the NASD. Since 1995, the NASD also has required all registered persons with licenses to undergo a continuing education program approximately every 3 years in order

Table 1. Employment of wage and salary workers in securities, commodities, and other investments by occupation, 2002 and projected change, 2002-12
(Employment in thousands)

Occupation	Employment, 2002		Percent change, 2002-12
	Number	Percent	
All occupations	801	100.0	15.5
Management, business, and financial occupations	228	28.4	29.2
Chief executives	9	1.1	28.1
General and operations managers	20	2.5	24.4
Advertising, marketing, promotions, public relations, and sales managers	10	1.3	33.2
Marketing and sales managers	9	1.1	34.3
Administrative services managers	6	0.8	21.6
Computer and information systems managers	6	0.8	36.1
Financial managers	32	4.0	24.0
Management analysts	7	0.9	28.1
Accountants and auditors	15	1.9	27.5
Financial analysts	33	4.1	16.1
Personal financial advisors	40	4.9	45.7
All other financial specialists	12	1.6	28.3
Professional and related occupations	60	7.5	31.0
Computer programmers	8	1.0	9.1
Computer software engineers	9	1.1	35.6
Computer support specialists	7	0.9	28.3
Market research analysts	5	0.6	22.7
Sales and related occupations	201	25.1	10.2
First-line supervisors/managers of non-retail sales workers	7	0.8	24.1
Securities, commodities, and financial services sales agents	174	21.7	9.0
Telemarketers	7	0.9	-4.2
Other sales and related workers	15	1.8	11.6
Office and administrative support occupations	303	37.8	5.6
First-line supervisors/managers of office and administrative support workers	21	2.7	10.0
Bookkeeping, accounting, and auditing clerks	21	2.6	9.4
Brokerage clerks	61	7.7	-16.1
Customer service representatives	45	5.7	28.4
Receptionists and information clerks	8	1.0	28.2
Executive secretaries and administrative assistants	40	4.9	8.4
Secretaries, except legal, medical, and executive	16	2.0	-1.0
Data entry and information processing workers	5	0.6	-13.3
Mail clerks and mail machine operators, except postal service	5	0.6	-7.6
Office clerks, general	40	5.0	11.7

NOTE: May not add to totals due to omission of occupations with small employment.

to retain their licenses. Classes consist of computer-based training in regulatory matters and training on new investment products.

A number of professionals in this industry begin their careers as brokerage clerks. Depending on the actual job, brokerage clerks can be high school or college graduates. Positions dealing with the public, such as broker's or sales assistant, and those dealing with more complicated financial records are increasingly being held by college graduates. In addition, these jobs require good organizational ability, phone skills, and attention to detail. A Series 7 brokerage license can make a clerk more valuable to the broker because it gives the assistant the ability to answer more of a client's questions and to pass along securities recommendations from the broker. Clerks may be promoted to sales representative positions or other professional positions. Some of the larger firms have training programs, especially for their college graduates, that provide clerks with the skills they need for advancement.

A college education, although not essential, is increasingly important for securities, commodities, and financial services sales agents because it helps them to understand economic conditions and trends. In fact, the overwhelming majority of entrants to this occupation are college graduates. Still, many employers consider personal qualities and skills, such as self-motivation and the ability to handle rejection, more important than academic training. Many employers prefer persons who have been successful in other sales careers. Employers seek applicants with good communication skills, a professional appearance, and a strong desire to succeed.

Securities, commodities, and financial services sales workers must meet Federal and State licensing requirements, which generally include passing an examination and a background investigation and, in some cases, furnishing a personal bond. Most of the large brokerage firms provide formal classroom training for new brokers that can last a couple of weeks to several months. Smaller firms usually rely on informal on-the-job training.

Although there are no specific licensure requirements for becoming a personal financial advisor, most advisors must be knowledgeable about economic trends, finance, budgeting, and accounting. Therefore, a college education is important. Personal financial advisors must possess excellent communication and interpersonal skills to be able to explain complicated issues to their clients. Many advisors earn a Certified Financial Planner credential, also referred to as CFP (R), issued by the CFP Board of Standards, Inc., or a Chartered Financial Consultant (ChFC) designation offered by the American College in Bryn Mawr, Pennsylvania. To receive these designations, a person must pass a series of exams on insurance, investments, tax planning, employee benefits, and retirement and estate planning; must have the required experience in related jobs; and, in the case of the CFP (R), must agree to abide by the rules and regulations issued by the Board of Standards. The CFP (R) exam has been revised in recent years in response to changes in the industry. Candidates are now required to have a working knowledge of debt management, planning liability, emergency fund reserves, and statistical modeling. It may take from 2 to 3 years of study to complete these programs.

Entry-level financial analyst and other managerial support positions usually are filled by college graduates who have majored in business administration, marketing, economics, accounting, industrial relations, or finance. Many of the large companies

have management training programs for college graduates in which trainees work for brief periods in various departments to get a broad picture of the industry before they are assigned to a particular department. Those working as financial analysts are encouraged to obtain the Chartered Financial Analyst (CFA) designation sponsored by the Association of Investment Management and Research. To qualify, applicants must have at least 3 years of qualifying experience and pass a series of rigorous essay exams requiring an extensive knowledge of many areas, including accounting, economics, and securities.

Advancement opportunities in the securities, commodities, and other investments industry vary by occupation. To advance into the managerial ranks or enter some of the more lucrative and prestigious jobs on Wall Street, a master's degree is increasingly becoming essential. In investment banking, for example, most firms select the top candidates from the Nation's most prestigious business schools. However, because many business schools accept master's degree candidates only if they have some job experience, many securities firms hire analysts with a bachelor's degree and provide them with the experience they need, assuming that they will eventually obtain their master's degree.

The principal basis of advancement for securities, commodities, and financial services sales agents is an increase in the number and size of the accounts they handle. Some eventually manage the assets of clients. Although beginners usually service the accounts of individual investors, a select few eventually may handle very large institutional accounts. Administrative support workers such as brokerage clerks may advance to sales agent positions or to other professional positions. Financial analysts may advance to positions in which they manage investment portfolios or negotiate investment banking deals.

Earnings

Most workers in the securities, commodities, and other investments industry are paid a salary on an annual or a weekly basis. In 2002, the average weekly earnings of nonsupervisory workers in the industry were \$847, compared with \$506 in all industries combined. Median earnings for the largest occupations in the

Table 2. Median hourly earnings of the largest occupations in securities, commodities, and other investments, 2002

Occupation	Securities, commodities, and other investments	All industries
General and operations managers	\$50.22	\$32.80
Securities, commodities, and financial services sales agents	37.31	29.32
Personal financial advisors	33.94	27.25
Financial analysts	31.74	27.45
First-line supervisors/managers of office and administrative support workers	20.88	18.66
Executive secretaries and administrative assistants	18.78	16.06
Bookkeeping, accounting, and auditing clerks	16.61	13.16
Brokerage clerks	16.34	15.97
Customer service representatives	14.82	12.62
Office clerks, general	11.40	10.71

securities, commodities, and other investments industry in 2002 are presented in table 2.

Earnings of securities, commodities, and financial services sales agents—especially those working for full-service brokerage firms—depend in large part on commissions from the sale or purchase of stocks, bonds, and other securities or futures contracts. Commissions are likely to be lower when there is a slump in market activity. Earnings also can be based on the amount of assets that a broker or portfolio manager has under his or her management, with the broker or portfolio manager receiving a small percentage of the value of the assets.

Personal financial advisors are compensated in a number of ways. Those who manage client's assets usually collect a percentage of the assets as their fees. Others charge hourly fees, and some charge different rates, depending on the type of plan requested. Many receive commissions based on the financial products they sell. Those who work for financial services firms may receive a salary.

For many in the industry, a large part of their earnings come from annual bonuses based on the success of the firm. Profit sharing and stock options also are common. Salaried employees are more likely to receive typical benefits, such as paid vacations, sick leave, and pension plans, than are self-employed workers.

Outlook

Wage and salary employment in securities, commodities, and other investments is projected to rise 15.5 percent from 2002 to 2012, about as fast as the 16.3-percent increase expected for all industries in the economy. Employment growth will be driven primarily by increasing levels of investment in securities and commodities in the global marketplace. In addition to the many new job openings stemming from this growth, a large number of openings will arise as people retire or leave the industry for other reasons.

Baby boomers are in the middle of their peak saving years, and many are putting money into a number of tax-favorable retirement plans, such as 401(k) programs and Roth IRAs. These plans have been one of the major causes of inflows of money into the stock market and into mutual funds, and this trend towards saving for retirement is expected to continue.

Another factor contributing to projected employment growth is the “globalization” of securities and commodities markets—the extension of traditional exchange and trading boundaries into new markets in foreign countries. This extension, in turn, has provided an expanding array of investment opportunities and access to markets in which new financial products are now available to domestic investors. These new products and markets encourage trading and prompt firms to hire more workers.

Also, although online trading will grow and reduce the need for direct contact with an actual broker, the number of securities sales agents is still expected to increase, as many people will remain willing to pay for the advice that a full-service representa-

tive can offer. Competition for securities sales agent jobs, though, is expected to be keen, because the job attracts a large number of qualified applicants. Job opportunities for sales agents should be best for mature individuals with successful work experience.

Employment of personal financial advisors is expected to increase rapidly. As the number of self-directed retirement plans grows, and as the number of investments rises and their complexity increases, individuals will require more help to manage their money. Financial advisors who have either the CFP (R) or ChFC designation are expected to have the best opportunities.

Financial analysts will be needed in the investment banking field, where they help companies raise money and where they work on corporate mergers and acquisitions. However, growth in demand for financial analysts to do company research will be constrained by the implementation of reform proposals calling for investment firms to subsidize independent research boutiques and separate research from investment banking. Firms may try to contain the costs of reform by eliminating research jobs. Competition for entry-level analyst positions in investment banking typically is intense, as the number of applicants usually far exceeds the number of vacancies.

Due to advances in telecommunications and computer technology, the securities, commodities, and other investments industry has become highly automated. On the one hand, this automation is expected to cause rapid growth in employment of computer software engineers and other computer specialists. On the other hand, automation has resulted in computerized recordkeeping of transactions, more productive office and administrative support staffs, and enhanced communications with foreign firms. Accordingly, employment of brokerage clerks and secretaries will decline, and employment of bookkeeping, accounting, and auditing clerks is projected to grow more slowly than the average for the industry.

Sources of Additional Information

For general information on the securities industry, contact:

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

Detailed information on many key occupations in the securities, commodities, and other investments industry, including the following, may be found in the 2004-05 edition of the *Occupational Outlook Handbook*:

- Brokerage clerks
- Financial managers
- Financial analysts and personal financial advisors
- Securities, commodities, and financial services sales agents