
Securities, Commodities, and Financial Services Sales Agents

(O*NET 41-3031.00, 41-3031.01, 41-3031.02)

Significant Points

- A college degree, sales ability, good interpersonal and communication skills, and a strong desire to succeed are important qualifications.
- Competition for entry-level jobs usually is keen, especially in investment banks; opportunities should be better in smaller firms.
- Many people leave the occupation because of underperformance, but those who are successful have a very strong attachment to their occupation because of high earnings and considerable investment in training.

Nature of the Work

Each day, hundreds of billions of dollars change hands on the major United States securities exchanges. This money is used to purchase stocks, bonds, mutual funds, and other financial instruments, called securities. Securities are bought and sold by large institutional investors, wealthy individuals, mutual funds and pension plans, and the general public. In fact, about half of American households own stock. Most securities trades are arranged through securities, commodities, and financial services sales agents, whether they are between individuals with a few hundred dollars to invest or between large institutions having millions of dollars. The duties of sales agents vary greatly depending on occupational specialty.

The most common type of securities sales agent is called a *broker* or *stock broker*. These are the people who sell securities to everyday people, also known as retail investors. Although only about 2 out of every 10 equities are held by small investors, most investors fall into this category. Because there are so many retail investors, they must work through a broker rather than trading directly on an exchange. First, the investor speaks with the broker, discussing the terms of the trade. Then, the broker relays this information to a trader at the company's headquarters. Because most securities companies are very large, they can often find other company clients who are willing to buy or sell the same security. Otherwise, the stock trader places an order with a floor broker at an exchange, or trades the stock on an electronic network. The broker charges a fee for this service, and may also make money by finding a lower price for the security than was arranged with the investor.

The most important part of a broker'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, often relying heavily on telephone solicitation. They also may meet clients through business and social contacts. Agents also join civic organizations and other social groups to expand their networks of possible clients. Many 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.

Investment bankers are sales agents who connect businesses that need money to finance their operations or expansion plans with investors who are interested in providing that funding in exchange for debt (in the form of bonds) or equity (in the form of stock). This process is called underwriting, and it is the main function of the investment bank. Investment bankers have to sell twice: first, they sell their advisory services to help companies set up issuing new stock or bonds, and second, they then sell the securities they issue to investors.

Perhaps the most important advisory service provided by investment banks is to help companies new to the public investment arena issue stock for the first time. This process, known as an initial public offering, or IPO, can take a great deal of effort because private companies must meet stringent requirements to become public or be allowed to issue stocks and bonds. Corporate finance departments also help private companies sell stock to institutional investors or wealthy individuals. They also advise companies that are interested in funding their operations by taking on debt. This debt can be issued in the form of bonds. Unlike a stock, which entitles its holder to partial ownership of a company, a bond entitles its holder to be repaid with a predetermined rate of interest.

Another important advisory service is provided by the mergers and acquisitions department. Bankers in this area advise



Securities, commodities, and financial services sales agents spend much of their time on the telephone with clients.

companies that are interested in merging with or purchasing other companies. They also help companies that would like to be acquired. Once a potential seller or buyer is found, bankers advise their client on how to execute the agreement. Generally both buyers and sellers have investment banks working for them to make sure that the transaction goes smoothly.

Investment banking sales agents and traders sell stocks and bonds to investors. Instead of selling their services to companies for fees, salespeople and traders sell securities to customers for commissions. These sales agents generally work by telephone, calling customers and their agents to discuss new stock and bond issues. When an investor decides to make a purchase, the order goes to the trading floor. Traders execute buy and sell orders from clients and make trades on behalf of the bank itself. Because markets fluctuate so much, trading is a split-second decision making process. If a trader cannot secure the promised price on an exchange, millions of dollars could potentially be lost. On the other hand, if a trader finds a better deal, the bank could make millions more.

A small but powerful group of sales agents work directly on the floor of a stock or commodities exchange. When a firm or investor wishes to buy or sell a security or commodity, sales agents relay the order through their firm's computers to the floor of the exchange. There, *floor brokers* negotiate the price with other floor brokers, make the sale, and forward the purchase price to the sales agents. In addition to floor brokers, who work for individual securities dealers, there are also independent brokers. These are similar to floor brokers, except that they are not buyers for specific firms. Instead, they can buy and sell stocks for their own accounts, or corporate accounts that they manage, or they can sell their services to floor brokers who are too busy to execute all of the trades they are responsible for making. Specialists or market makers also work directly on the exchange floor, and there is generally one for each security or commodity being traded. They facilitate the trading process by quoting prices and by buying or selling shares when there are too many or too few available.

Financial services sales agents sell a wide variety of banking, accounting, securities, insurance, tax preparation, and other related services. They contact potential customers to explain their services and to ascertain customers' banking and other financial needs. They also may solicit businesses to participate in consumer credit card programs.

Work environment. Most securities and commodities sales agents work in offices under fairly stressful conditions. The pace of work is very fast, and managers tend to be very demanding of their workers since both commissions and advancement are tied to sales.

Stock brokers and investment advisors generally work somewhat more than 40 hours a week, but they may not work at traditional times. Evening and weekend work is often necessary, as many of their clients work during the day. 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.

Investment bankers in corporate finance or mergers and acquisitions typically work long hours and endure extreme stress, especially at the junior levels. Evening and weekend work is common. Because banks work with companies all over the world, extensive travel is often part of the job. With some experience, the workload becomes more manageable, but since higher-level workers generally have more contact with clients, they also tend to travel more.

Sales and trading departments typically work somewhat more than 40 hours a week, but not nearly as much as their counterparts in investment banking. They also travel less, and many only travel a few times a year for conferences or training. On the other hand, their jobs are incredibly stressful. For sales agents, every minute of the day that is wasted means they might have made another sale. Since both commissions and advancement are tied to sales, this can be very stressful. Traders have perhaps the most stressful jobs of all, as split second decisions can lead to millions of dollars being won or lost. Trading floors are very busy and often very loud. Exchange workers, much like traders, have highly stressful jobs because the bulk of their work takes place on the floor of the exchanges. However, exchange traders and workers typically work shorter hours than many other agents since most of their work is done while the market is open.

Exchange workers, much like traders, have highly stressful jobs, but the bulk of their work takes place on the floor of the exchanges, so hours are not very long. Trading floors of exchanges are even busier and louder than those inside of investment banks. Stress is very high, as millions of dollars are on the line for almost every trade, but workers who have made it to this level are generally up to the task.

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.

Training, Other Qualifications, and Advancement

Most positions require a bachelor's degree, although few require a specific major. An MBA or professional certification can also be very helpful. Advancement is often very difficult, but those who are successful can have extremely lucrative careers.

Education and training. A college education is important for securities and commodities sales agents, especially in larger firms, because they must be knowledgeable about economic conditions and trends. Most workers have a bachelor's degree in business, finance, accounting, or economics, although this is not necessarily a requirement. Many firms hire summer interns before their last year of college and those who are most successful are offered full-time jobs after they graduate.

After working for a few years, many agents get Master's degrees in Business Administration (MBA). This degree is a requirement for many of the high-level positions in the securities industry. Because the MBA is a professional degree designed to expose students to real-world business practices, it is considered to be a major asset for jobseekers. Employers often reward

MBA-holders with higher-level positions, better compensation, and even large signing bonuses.

Most employers provide intensive on-the-job training, especially for entry-level employees. While college coursework is helpful, most firms have a specialized business model which employees must learn. New employees must also come to know the large number of products and services offered by most firms. Trainees in large firms may receive classroom instruction in securities analysis, effective speaking, and the finer points of selling. Firms often 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 keep up with new products and services and other developments. Because of this, brokers regularly attend conferences and training seminars.

Licensure. Brokers and investment advisors must register as representatives of their firm with the Financial Industry Regulatory Authority (FINRA). Before beginners can qualify as registered representatives, they must be an employee of a registered firm for at least 4 months and pass the General Securities Registered Representative Examination—known as the Series 7 Exam—administered by FINRA. The exam takes 6 hours and contains 250 multiple-choice questions; a passing score is above 70 percent.

Most States require a second examination—the Uniform Securities Agents State Law Examination (Series 63 or 66). This test measures the prospective representative’s knowledge of the securities business in general, customer protection requirements, and recordkeeping procedures. Most firms offer training to help their employees pass these exams.

There are many other licenses available, each of which gives the holder the right to sell different products and services. Most experienced representatives have several. Traders and some other workers also need licenses, although these vary greatly by firm and specialization. Financial services sales agents may also need to be licensed, especially if they sell securities or insurance.

Registered representatives must 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.

Other qualifications. Many employers consider personal qualities and skills more important than academic training. Employers seek applicants who have excellent interpersonal and communication skills, a strong work ethic, the ability to work in a team, and a desire to succeed. The ability to understand and analyze numbers is also especially important. Because securities, commodities, and financial services sales agents are entrusted with large sums of money and personal information, employers also make sure that applicants have a good credit history and a clean record. Self-confidence and an ability to handle frequent rejection are important ingredients for success.

Maturity and the ability to work independently are important so many employers prefer to hire those who have achieved success in other jobs. Most firms prefer candidates with sales ex-

perience, particularly those who have worked on commission in areas such as real estate or insurance. Other firms prefer to hire workers right out of college, with the intention of molding them to their corporate image.

Advancement. The principal form of advancement for brokers, investment advisors, and financial services 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.

Investment bankers who enter the occupation directly after college generally start as analysts. At this level, employees have some contact with clients but spend most of their time producing “pitchbooks,” information booklets used to sell products. They also receive intensive training. After 2 to 3 years, top analysts may be promoted to an associate position or asked to leave. Recent graduates from MBA programs can start as associates, which is similar to the analyst position, but with more responsibilities. Associate may lead a group of analysts and tend to have more contact with clients. After 2 to 3 years, associates are promoted or terminated. Successful associates can become vice presidents, who manage the work of analysts and associates and have a great deal of contact with clients. Vice presidents may advance to become directors, sometimes called executive directors.

Employment

Securities, commodities, and financial services sales agents held about 320,000 jobs in 2006. More than half of jobs were in the securities, commodity contracts, and other financial investments and related activities industry. One in 5 worked in the depository and nondepository credit intermediation industries, which include commercial banks, savings institutions, and credit unions. About 1 out of 6 securities, commodities, and financial services sales agents were self-employed.

Although securities and commodities sales agents are employed by firms in all parts of the country, about 1 in 10 jobs were located in New York City, including the majority of those in investment banking. Because of their close relationship to stock exchanges and large banking operations, most of the major investment banks in the United States are based in New York City. Smaller investment banks can be found in many major American cities and some major investment banks have operations in other cities, although most of their business remains in New York.

Job Outlook

Securities, commodities, and financial services sales agent jobs are projected to grow rapidly over the next decade, especially in the banking industry. However, the number of applicants

Projections data from the National Employment Matrix

Occupational Title	SOC Code	Employment, 2006	Projected employment, 2016	Change, 2006-16	
				Number	Percent
Securities, commodities, and financial services sales agents.....	41-3031	320,000	399,000	79,000	25

NOTE: Data in this table are rounded. See the discussion of the employment projections table in the *Handbook* introductory chapter on *Occupational Information Included in the Handbook*.

will continue to far exceed the number of job openings in this high-paying occupation.

Employment change. Employment of securities, commodities, and financial services sales agents is expected to grow 25 percent during the 2006-16 decade, which is much faster than the average for all occupations. The replacement of traditional pension plans with self-directed retirement accounts has led more Americans to hold stock in recent years. This change means that where companies were making investments to secure their employees' retirements in the past, individuals now save money for their own retirements. About half of American households now own stock, and the number of new investors grows daily. While these individual investors are still only a small part of the total, the nationwide interest in owning securities will greatly increase the number of brokers and investment advisors.

Members of the baby boomer generation, in their peak savings years, will fuel much of this increase in investment. As they begin to retire, the number of transactions they make will go up, fueling the need for more investment advisors and brokers. The growing demand for brokers will also stem from 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. Also, markets for investment are expanding with the increase in global trading of stocks and bonds.

The deregulation of financial markets has broken down the barriers between investment activities and banking. The result is that banks now compete with securities companies on all levels. Many of the major investment banks are now owned by large banks and most major banks also have brokerages, which allow their customers to quickly and easily transfer money between their personal banking and investment accounts. This will lead to increased employment of financial services sales agents in banks as they expand their product offerings in order to compete directly with other investment firms.

Job prospects. Despite job growth, competition for jobs in this occupation usually is keen with more applicants than jobs, especially in larger companies. Jobs in brokerages are competitive but are accessible to graduates who have first-rate résumés, strong interpersonal skills, and good grades. Opportunities for beginning sales agents should be better in smaller firms. Investment banking is especially known for its competitive hiring process. Having a degree from a prestigious undergraduate institution is very helpful, as are excellent grades in finance, economics, accounting, and business courses. Competition is even greater for positions working in exchanges.

Employment in the securities industry is closely connected with market conditions and the state of the overall economy

and is highly volatile during recessionary periods. Turnover is high for newcomers, who face difficult prospects no matter when they join the industry. Once established, however, securities and commodities sales agents have a very strong attachment to their profession because of their high earnings and considerable investment in training.

Earnings

The median annual wage-and-salary earnings of securities, commodities, and financial services sales agents were \$68,500 in May 2006. The middle half earned between \$42,630 and \$126,290. The lowest 10 percent earned less than \$31,170, and the highest 10 percent made more than \$145,600.

Median annual earnings in the industries employing the largest numbers of securities, commodities, and financial services sales agents were:

Other financial investment activities.....	\$103,640
Security and commodity contracts intermediation and brokerage.....	81,050
Activities related to credit intermediation.....	67,080
Other nondepository credit intermediation.....	53,750
Nondepository credit intermediation.....	52,100

Because this is a sales occupation, many workers 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, and 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. 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.

Investment bankers in corporate finance and mergers and acquisitions are generally paid a base salary with the opportunity to earn a substantial bonus. At the higher levels, bonuses far exceed base salary. This arrangement works similarly to commissions but gives banks greater flexibility to reward members of the team who were more effective. Since investment bankers in sales and trading departments generally work alone, they generally work on commissions.

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, although bonuses or commissions from sales are starting to account for a larger share of their income.

Benefits in the securities industry are generally very good. They normally include health care, retirement, and life insurance. Securities firms may also give discounts to employees on financial services that they sell to customers. Other benefits may include paid lunches with clients, paid dinners for employees who work late, and often extensive travel opportunities

Related Occupations

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

Sources of Additional Information

For information on securities industry employment, contact:

➤ American Academy of Financial Management, 200 L&A Road, Suite B, Metairie, LA 70001. Internet: <http://www.aafm.us>

➤ Securities Industry and Financial Markets Association, 120 Broadway, 35th Floor, New York, NY 10271.

Internet: <http://www.sifma.org>

For information on licensing, contact:

➤ Financial Industry Regulatory Authority (FINRA). 1735 K St., NW., Washington, DC 20006. Internet: <http://www.finra.org>