

Certified Financial Planner Option (FCFP)

Providing financial services and advice to individuals and families is one of the largest areas in terms of job opportunities for finance graduates. It is also one of the fastest growing due to the aging of the United States' population and the resultant increase in focus on saving and investing for retirement. This career area encompasses several job functions and career paths, including financial planning, insurance, wealth management, private banking and estate planning. At many firms, the same individual often performs more than one of these functions, for example providing both financial planning and investment advice.

The Financial Planning Option (CFP Option) provides excellent preparation for students interested in the various aspects of providing financial services to individuals and families. One of the advantages of the CFP Option is that it qualifies students to take the Certified Financial Planner ("CFP") professional licensing exam when they graduate. The CFP is a nationally recognized professional designation that positions students well for careers in financial planning and wealth management. Students seeking to enter this area of finance should have excellent people skills. A key to success is the ability to win new clients, earn their trust, and then maintain those relationships as the clients get older and wealthier. In addition to providing solid financial advice, it is important to be able to connect with clients on a personal level. When and if you take the time to learn about their lives and goals, then you can often give them better advice. Professionals in this area should also be genuinely interested in the markets and enjoy speaking about them, since the markets will be a major part of conversations with clients throughout one's career.

The material below covers different potential career paths for the Certified Financial Planner Option (FCFP).

Financial Planning and Wealth Management

A very important role provided by finance professionals for individual investors and their families is financial planning. Financial planners use software programs to forecast the financial situation of an individual or family throughout their lives. Forecasting takes into account the client's cash sources and uses, and attempts to project, based on those sources and uses, how much wealth and liquidity the client will have at various stages of their lives. Sources of cash include salary and investment income, while uses of cash include the client's cost of living (food, gas, etc.), debt payments (mortgage, student loan, etc.), taxes, healthcare costs, and college education for their children. One goal of a financial planning analysis is to determine whether the client will have sufficient funds for their retirement. Another key aspect of the analysis is that it looks at how much the client will need to save and invest, as well as the required return on their investments, in order to ensure a financially secure retirement. They can use this data as a starting point from which to put together their financial plans, especially the types of investments that they will pursue at various points throughout their lives. The clients may also use the information to adjust their lifestyles, if necessary, in order to meet their financial goals.

Wealth management involves advising individuals and families on how to invest their money in order to achieve their desired financial goals. In the past, wealth managers were called "stockbrokers", because a major portion of their job was to provide recommendations as to which individual stocks their clients should buy and sell. Other common terms for these professionals are "registered reps" and "financial advisors". Today, rather than individual stocks, many wealth managers prefer to have their clients invest in funds (mutual funds, exchange traded funds, etc.) in order to reduce risk through diversification. Wealth managers must know their clients and their investment needs. As a result, most wealth managers today also work with their clients on financial planning. That way they get to know the client's needs, goals and constraints. Once a financial plan is in place, they are then in a better position to recommend an initial portfolio to the client. After that, they meet with their clients periodically and adjust the mix of investments in the portfolio. For clients who like to trade individual stocks, wealth managers may also provide advice, provide them with research reports, and help them execute trades. Traditionally, wealth managers earned most of their income through trading commissions (fees charged to clients when a trade was made). Now, however, a higher percentage of them charge their clients a fixed annual fee to manage their money. This discourages the manager from encouraging their clients to do unnecessary trades in order to boost commissions.

Financial planning and wealth management professionals work in a wide variety of firms, ranging from small partnerships with less than 10 employees up through large multinational financial institutions such as Morgan Stanley, Bank of America, Fidelity and UBS. Some firms specialize in serving wealthy individuals with multi-million-dollar net worth, while others serve a broader range of investors. Students who enter this field directly out of college are often paired with experienced financial advisors to whom they provide support, which often includes analytical work on clients' financial plans, portfolios and potential investments. New employees usually also assist with preparing presentations for clients and in fulfilling information requests from clients. Some firms put new graduates through a training program when they first start, while other firms, especially smaller ones, rely on on-job-training.

In the first few years, new employees are also usually required to study for and pass various licensing exams (such as the Series 7 or Series 63) and/or the Certified Financial Planner exam. At most of the firms where Virginia Tech Financial Planning students are placed, new employees are not responsible for bringing in new clients for the first few years until they learn the business. As they progress in their careers, they may transition from a support role to a role where they are expected to bring in their own new clients. However, some firms expect new employees to begin generating business right away by bringing in new clients. This is often difficult for recent graduates, because most of their young friends have little or no money to invest; at the same time, a recent graduate doesn't have enough experience and credibility to win the trust of older investors who have money to invest. At that type of firm, turnover among young professionals can be high due their inability to successfully recruit new clients.

If you can succeed in obtaining and keeping clients, financial planning and wealth management can be a very attractive career path. The employment opportunities are not limited to certain cities, like some finance career tracks. Opportunities exist in any area with affluent people, and compensation may be lucrative over time if you are able to build up a large client base. Also, once you have established a client base, your hours can be more flexible than other finance career tracks. Finally, because markets change and each client is different, there is a healthy amount of variety in the job.

Insurance

Most adults in the United States will purchase at least one insurance product during their lifetimes. Examples include car insurance, life insurance, health insurance and homeowner's insurance. Businesses also purchase insurance coverage. Business require insurance on their buildings and equipment. In addition, most provide health insurance plans for their employees, and they often need liability insurance for their directors and officers. Insurance representatives are the financial professionals who sell insurance policies to individuals, families and businesses. They also provide insurance for government agencies, schools, and non-profit entities. Once the insurance representative has sold the policies to their clients, they maintain the relationships with their clients and work with them to update their insurance coverage as their needs change over time. Many insurance reps also assist their clients with financial planning and sell them investment products, such as annuities. Insurance reps must have marketing and people skills. They also must be able to handle the quantitative aspects of insurance calculations and be able to explain complicated insurance policies to individuals who do not have a finance or quantitative background.

In order to be successful as an insurance rep, you must be willing to prospect for clients and often do cold calling. The early part of the career is the hardest, because it involves building up a client base through a significant amount of prospecting and selling. Compensation is often tied to the size of one's client base and their active insurance policies. Many insurance reps have also branched out into financial planning and wealth management services as a method to broaden their portfolio of products and services that they can offer their clients.

In addition to having insurance representatives, insurance companies also employ individuals in a variety of other roles, such as claims adjusters in the field and corporate finance professionals at their headquarters. Insurance companies also have large investment portfolios (into which the premiums on their policies are invested) that require financial analysts, traders and portfolio managers.

There are many benefits to a career in insurance. This is a career that may be done anywhere where you have a large network and connections and most likely the work hours can be flexible, particularly once you have built up a client base. In addition, it is a rewarding career path for those who like meeting people and helping them.

Estate Planning

Estate planning is a set of financial and legal services provided to individuals who seek to ensure that their wealth passes to the desired beneficiaries in a tax-efficient manner during their lifetimes and after they die. Individuals work with lawyers to put together a will, which outlines where their money goes when they die. As part of the process, they often set up trust funds and other accounts to invest money on behalf of the will's beneficiaries. Trust funds are also often used with life insurance policies and their beneficiaries. The money in a trust fund is invested on behalf of an individual or a charity, the individual or charity will then receive the income from the trust fund and eventually may get the trust fund's principal after a period of time. Finance professionals are involved in the management of trust funds and the investment decisions involving them. The structuring of trust funds may be complicated. The structuring of a trust is often done in conjunction with lawyers to ensure that tax laws are obeyed.

Estate planning is often offered as a service by firms that do financial planning and wealth management. It is also done by banks, particularly their private banking and trust divisions. Students interested in this area are highly advised to take FIN 4004 (Wills, Trusts and Estates) as part of their coursework. Estate planning is a logical career path for finance majors who go on to law school.

Private Banking

Private banking is the area of a bank that provides banking services to wealthy individuals and families. As a family's wealth increases, their banking needs often become more complex. In addition to normal consumer banking products such as checking accounts and mortgages, they often require products such as asset management, business loans, tax planning, international banking, trust accounts, wire transfers, and estate services. Very wealthy families also sometimes need services such as aircraft loans and art advising. Because of the increased complexity that serving their needs requires, they usually are covered by private bankers which are a select group of officers within a bank. Individuals who perform this function must have solid banking and finance skills and must also enjoy working with people and have marketing and relationship management skills.