

### Career Shot: Financial Planning and Stock Brokerage

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Careers in financial planning and stock brokerage cover a wide range of activities. Professionals in these arenas include:

- retail stock brokers who sell stocks, bonds, and other investment instruments to individual clients
- independent financial planners who help clients decide how much life insurance they should have, what kinds of mutual funds they should invest in, how much they should save for retirement and their children's education, etc.
- personal investment managers, individuals who make investment decisions on behalf of clients whose funds they manage (including trust-fund accounts)
- private bankers or private client-services providers

Financial planning and stock brokerage differ in:

- the training and legal licensing they require
- the breadth and depth of their responsibilities
- their compensation methods

However, they share a focus on managing the finances of individual clients. This focus contrasts with that of investment-fund management, in which managers make investment decisions for entire groups of people (such as investors in a mutual fund, or employees who have retirement funds). As such, financial planning and stock brokerage are professional service businesses, like medicine or law.

**Financial planners** help clients make decisions about long-term financial issues. They typically charge an hourly or flat fee -- though some who offer advice regarding mutual funds charge a percentage of the assets a client has invested.

**Stock brokers** advise clients about which individual stocks and bonds to invest in. They earn their fees on a commission basis: For every purchase or sale they make, the brokerage house they work with charges a fee and pays them part of that fee.

Because brokers work on commission, people sometimes fear that they put "the sale" above their clients' best interest. (Of course, if brokers "churn" clients' accounts -- that is, make trades for no good reason other than to earn commissions -- they violate Securities and Exchange Commission regulations. They also operate against their own long-term interests, since they depend on referrals for new business.)

**Personal investment managers** are compensated based on the amount of money they manage (their "assets under management"). As a result, they have no reason to make trades that might not be in their clients' best interest. On the other hand, since they earn a percentage of clients' assets regardless of how actively they manage those investments, some clients worry that there's no incentive for these managers to work as hard as they can.

Financial planners and stock brokers need extraordinary interpersonal skills for several reasons:

- They're in a position to help or hurt clients dramatically.
- Their clients are always suspicious that they may be serving their own interests first.
- Their clients aren't highly skilled investors, and may become very emotional when making decisions about their own money.

Therefore, to keep customers and get new referrals from them, professionals in this field have to win their clients' trust. They can do so by:

- communicating complex information clearly to clients
- using sensitivity and diplomacy in navigating their relationships with customers