What is Finance?

The science that describes the management, creation and study of money, banking, credit, investments, assets and liabilities.

Finance consists of financial systems, which include the public, private and government spaces, and the study of finance and financial instruments, which can relate to countless assets and liabilities.

Categories:

- public finance
- corporate finance
- personal finance
Careers

- Accountant and Auditor
- Personal Financial Advisor
- Careers in Banking
- Careers in Insurance
- Financial Analyst
- Pension Fund Manager
- Mutual Fund Manager
The American Institute of Certified Public Accountants (AICPA) has established a minimum level of college credits you must earn before acquiring an accounting license (typically 120 hours). Most institutions offering a bachelor’s in accounting adhere to the AICPA guidelines.

Acceptable accounting degrees:

- Bachelor of Science
- Bachelor of Arts
- Bachelor of Business Administration

Most states require a minimum of 150 credit hours of college coursework to sit for the CPA exam, students generally take the exam after completing a bachelor’s and master’s degree.
Auditor

- Carefully checks the accuracy of business records.
- Can be independent or affiliated with the company.
- Internal auditors (usually employees or contractors with the company they are auditing) and external auditors (work either directly for or in conjunction with governmental agencies e.g. IRS, SEC)

<table>
<thead>
<tr>
<th>Percentile</th>
<th>10%</th>
<th>25%</th>
<th>50% (Median)</th>
<th>75%</th>
<th>90%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hourly Wage</td>
<td>$19.41</td>
<td>$24.20</td>
<td>$31.29</td>
<td>$41.41</td>
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<td>Annual Wage</td>
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<td>$50,340</td>
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Financial Manager

Role: Maximize shareholder wealth through
- Investment/Capital budgeting
- Financing

Who is the financial manager?
Anyone responsible for corporate investment or financial decisions:
- **Treasurer**: responsible for obtaining and managing the company’s capital
  - managing banking relationships, employee pension funds, and cash
- **Controller**: checks that the money is being used efficiently.
  - preparation of financial statements, internal auditing to make sure employees aren’t robbing the company, payroll, taxes
- **Chief Financial Officer**: oversees the treasurer and controller and sets overall financial strategy
  - in a large firm oversees treasurer and controller, in a small firm he/she may be the whole enchilada
Holders of Corporate & Foreign Bonds Q3 2010 ($11.4 Trillion)

- Households and nonprofit organizations: 16.8%
- Other: 14.0%
- Mutual funds, etc.: 13.5%
- Pension funds: 7.0%
- Insurance companies: 20.3%
- Banks & savings institutions: 7.2%
- Rest of world: 21.2%
Holders of Corporate Equities
Q3 2010 $21 Trillion

- Households and nonprofit organizations (36.5%)
- Mutual funds, etc. (24.7%)
- Pension funds (16.7%)
- Rest of world (13.3%)
- Insurance companies (7.1%)
- Banks & savings institutions (0.4%)
- Other (1.3%)
Personal Financial Advisor

• Advise clients on financial plans using knowledge of tax and investment strategies, securities, insurance, pension plans, and real estate. Duties include assessing clients' assets, liabilities, cash flow, insurance coverage, tax status, and financial objectives.

• Mean annual wage: $99,920
Banking

Loan Officer
• Evaluate, authorize, or recommend approval of commercial, real estate, or credit loans. Advise borrowers on financial status and payment methods. Includes mortgage loan officers and agents, collection analysts, loan servicing officers, and loan underwriters.
• Mean annual wage: $71,800

Securities, Commodities, and Financial Services Sales Agent (Stock broker)
• Buy and sell securities or commodities in investment and trading firms, or provide financial services to businesses and individuals. May advise customers about stocks, bonds, mutual funds, commodities, and market conditions.
• Mean annual wage: $102,510
Careers in Insurance

Actuary
• Analyze statistical data, such as mortality, accident, sickness, disability, and retirement rates and construct probability tables to forecast risk and liability for payment of future benefits. May ascertain insurance rates required and cash reserves necessary to ensure payment of future benefits.
• Mean annual wage: $94,340

Underwriter
• Review individual applications for insurance to evaluate degree of risk involved and determine acceptance of applications.
• Mean annual wage: $70,110

Claims Adjusters, Examiners, and Investigators
• Review settled claims to determine that payments and settlements are made in accordance with company practices and procedures. Confer with legal counsel on claims requiring litigation. May also settle insurance claims.
• Mean annual wage: $61,190
Financial Analyst

• Conduct quantitative analyses of information affecting the investment strategy of public or private institutions.

• For their influence and sizeable paychecks, financial analysts pay the price by working long hours: one in three put in between 50 and 70 hours a week.

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<tbody>
<tr>
<td>Hourly Wage</td>
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<td>$60,010</td>
<td>$78,380</td>
<td>$106,470</td>
<td>$152,420</td>
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Pension Fund Manager

- Investment plan established by an employer to provide for employees’ retirement
- All employee contributions are pooled and an investment manager buys securities with the funds
- The return is split according to individual contribution
- Funds remain invested until retirement and are rarely cashed out
- Most contributions are tax-deductible
- $14.9 trillion in assets in 2013
Mutual Fund Manager

- Raise funds by selling shares to investors
- Pool investor funds then invest in a portfolio of securities
- The mutual fund company takes a fee for managing the money
- The leftover returns are split amongst the shares
- Investors can buy and sell shares easily through the mutual fund company
- $15T in assets in 2013
Questions?