Career Paths in Finance*

For someone new to the world of finance, understanding the available career paths—and corresponding career opportunities—can be confusing. This is especially true for those in the middle of the finance recruiting season, since decisions about group preferences and placements will need to be made in the coming weeks and months, and since these decisions have long-term career implications. Remember, however, that while job placement is important, your career trajectory is not set in stone with this initial decision. In fact, one of the major takeaways from this post should be that you can migrate within the world of finance, but in order to do so you need to know where you want to go and what skills you need in order to get there. This article will describe some of the most common finance career paths and provide an overview of these various career migration alternatives.

**Buy-side vs. sell-side**

The first major distinction (and decision) is between working on the sell-side vs. working on the buy-side. Traditional investment banking is considered to be the “sell-side” while asset management (including private equity), investment management, and hedge funds) is considered to be the “buy-side.”


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**Intermediaries connect users of capital to sources of capital**

- The two distinct sets of intermediaries are sell-side agents (investment banks) and buy-side agents (asset managers)

Users of capital invest in tangible and intangible assets (e.g., buildings, land, machines, people, services, software, and R&D)

Investment banks are agents for users of capital

Securities

Sources of capital

Buy-side Agents

Asset managers are agents for providers of capital

Private equity and hedge funds are both asset managers and providers of capital

Providers of capital (the investors) expect a return commensurate with the risk of the investment

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Within a universal bank such as JPMorgan Chase, Deutsche Bank, or Bank of America, however, there can be groups that are considered to be on the “buy-side” even though they fall within the corporate umbrella of an investment bank, which is generally considered to be on the “sell-side”.

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Careers in Finance

Within both the sell-side and the buy-side there are various career paths for someone interested in a career in finance. Some of these career groups and the sub-career groups are described in the following chart.
And to make it even more confusing, some of the titles within each of the career groups can be the same. For example, within investment banking (on the sell-side), the term “analyst” refers to someone just out of college (or pre-MBA), but the term “analyst” also refers to a more experienced professional in research (on the sell-side), asset management (on the buy-side) or at a hedge fund (on the buy-side).
Because of the skill sets one develops in certain jobs, there is a natural tendency for certain career choices to feed into related careers. Below is a chart that describes some of the classic pre-MBA and post-MBA feeders (note that these are generalizations and not specific requirements for a career progression in finance). Just as you need to take certain prerequisites for certain upper level courses in school, there are certain jobs that serve as “feeders” for certain careers in finance. This is not to suggest that it is impossible to get into private equity, for example, if one is not in Leveraged Finance, Financial Sponsors, Mergers & Acquisitions, or Restructuring. Rather, this means that it will be easier to get into private equity from one of these groups because there are so many private equity professionals who have followed this career progression that it is a well-understood path by those responsible for the hiring. Those candidates who come from a different background will simply have to work harder and provide a more compelling case in terms of background, experience and skill set in order to win a job in private equity, in this example, only because their background—whatever it might be—is less well-known to those within private equity who are making the hiring decisions. Also, it is prudent to remember that people are generally risk-averse and so it is easier to hire someone with a “traditional” background than someone with a “non-traditional” background. And if those responsible for hiring generally have this bias, and you are aware of it far enough in advance, you can take advantage of it by positioning yourself as a “traditional” candidate by obtaining this traditional background and skill set. Said differently, if you know where you want to go, it is much easier to map out how to get there.
Major Players

A number of financial institutions on both the buy-side and sell-side recruit actively on campuses both at the college and the MBA level. Some of the more well-recognized names are provided in the following chart. Needless to say, this is not an exhaustive list but rather a representative list. As you consider your career options and interview with firms in different sectors of the finance world, be sure to think broadly. For example, if you are interested in a boutique investment bank (on the sell-side), we have listed ten of them below, but there are literally hundreds of boutique investment banks. Also, if you are targeting a boutique bank remember that, due to their smaller size, they may not need to visit dozens of campuses to fulfill their hiring requirements and so they may only visit a few schools, and yours may not be one of them. This means that it is up to you to make the initial contact with the bank and to express your interest in potentially joining them. Similarly, if you want to work on the buy-side, there are hundreds of different firms in each of the market segments described below, so do not consider this list as anything other than a representative list to help you begin your research efforts. Lastly, if you want to work in finance, recognize that you have many opportunities to do so given the large numbers of firms in each of these market segments. But in order to do so you must:

(i) understand where the firm with which you are interviewing fits in the grand scheme of finance (buy-side vs. sell-side; and within that distinction, where in the buy-side or where in the sell-side);

(ii) understand the requirements for jobs within that segment; and

(iii) be able to demonstrate how you not only meet those requirements but will be a strong contributor to the firm.
Final Thoughts

Understanding how the finance industry is organized and the career options available to you is one of many things someone interested in a career in finance needs to learn. This is important at the outset—enabling you to speak intelligently about the finance industry in your interviews—but it is more important over the long-term for purposes of navigating your own career path.