

HOW TO BECOME AN INVESTMENT MANAGER: INVESTMENT MANAGEMENT CAREERS



Overview of Investment Manager Jobs

When ordinary people have extra money in their pockets, they may stash the cash in a savings account, put it in a company-sponsored 401(k) plan, or dabble in the stock market. When large corporations and wealthy individuals are flush, they hire an investment manager. Investment managers, also known as asset managers, are charged with overseeing part or all of their clients' money and investing it according to the clients' particular needs. Companies, universities, foundations, wealthy families, and municipalities are among the institutions that entrust their assets to an investment manager. The asset manager then invests that money in stocks, bonds, and other financial instruments.

Because **investment managers** control such large sums, they hold a high-status position in the financial world. They work on what is called the buy side of the industry, and are continually courted by salespeople from investment banks and other financial institutions who attempt to persuade asset managers to invest in their products. Investment managers are treated like clients: They call the shots about when and where meetings take place, and are frequently treated to pricey dinners, expensive golf outings, and choice seats at sporting events.

Major Players in Investment Management Jobs

This is a huge and extremely diverse industry, with thousands of firms, fund companies, government institutions, unions, universities, and foundations. Most business school graduates will probably find that the quickest entrance into this world will be through large mutual fund companies that offer a complete (or nearly complete) roster of services and products. Such firms include **Fidelity Investments**, **Janus**, and **Vanguard**. These companies manage assets for large corporations and wealthy individuals.

Other players include large corporations with high levels of assets to manage, such as **General Electric**, and **Microsoft**, as well as some government organizations such as the California Public Employees Retirement System (CalPERS). Insurance companies like The Guardian Life Insurance Company of America and **New York Life** also wield considerable influence in the industry.

Trends in Investment Management

The older, wiser manager: More than most financial industries, **investment management is one that values** age and experience. But in the bull market of the 90s, this philosophy shifted a bit. During that time, being young and Internet-savvy was considered a good thing for, say, a technology fund. But now more than ever, funds want people with gray hair, one asset manager says.

- **New respect for professionalism.** A few years ago, conventional wisdom said that paying people to invest your money was ridiculous, since index funds pegged to the Dow or the S&P 500 consistently outperformed any of the handpicked funds. Lately, however, managed funds are getting a chance to shine again and are garnering more respect from investors.
- **A comeback for hedge funds.** Hedge funds might use daring tactics, but during the late 90s major players in the industry couldn't get a grip on the technology boom and suffered greatly. Large hedge funds like Soros and Tiger bottomed out. Time has now vindicated the hedge fund, and smaller boutiques are doing well, often going overseas as well.

Salary of Investment Managers

Business school graduates can expect to receive from \$150,000 to \$200,000 in salary and bonuses. Compensation for more experienced investment managers, such as portfolio managers, varies greatly but tends to be between \$200,000 and \$500,000. While working on the buy side is extremely lucrative in the long run, some say that starting salaries at sell-side jobs can be slightly higher, because such positions are more plentiful. Nevertheless, if you can snag an **investment management job** right out of business school you're going to be in pretty good shape.

Hours

Office time varies depending on the culture of the firm and the particular type of asset management you do. Our sources reported working anywhere from 40 to 65 hours a week. I never work evenings, I never work weekends, one assistant portfolio manager says.

Travel

If you're starting out as a research analyst, you're probably going to spend most of your day crunching numbers at a desk. However, as you move up the ranks, more travel may be required. While some portfolio managers make most of their decisions from models and research reports, many believe in doing the legwork and pack their bags about once a month. You're really not upholding your fiduciary duties if you're not out kicking the tires, one **investment manager** says.

Office Culture

As an investment manager, you have clients whose assets you control but you are also a client yourself. People with financial instruments to sell ingratiate themselves to you. This has two main benefits. First, there are legions of salespeople eager to shower you with expensive dinners, sports tickets, and so on. Second, you get to work in a more relaxed environment. We still wear suits, an assistant portfolio manager says. Other than that, the atmosphere seems very casual. Everybody from the CEO on down is on a first-name basis.

Some offices have a trading floor set up. We all have our own offices, an asset manager says. But unless I'm on a phone call like this one, I'm out there. It works because then everyone is in the information flow, and it promotes a lot of camaraderie.

But don't expect this collegiality to extend too far outside the office. While you may find some firms in New York or Boston where colleagues gather for impromptu after-work beers, it's unlikely that an **investment management job** will juice up your social life. Investment managers tend to be older than other finance-industry types, so when quitting time comes your colleagues will most likely be dashing back to the burbs.

If you're looking for a party culture hanging out with other just-minted MBAs, making a lot of friends, this is not the job for you, one asset manager says. We all have our own families, so at 7:30 were going home, says another.

The Crowd

While most of your colleagues will probably have an MBA, their pre-business school backgrounds will be quite varied. One institutional investor says that his colleagues have been accountants, traders, lawyers, and commercial credit officers in their past lives. While the majority of his co-workers have MBAs, the founder (a former engineer) does not.

At another firm, an investment manager who skipped business school and instead got a Ph.D. in finance and economics says his two closest colleagues are a former accountant, who did not go to business school, and a guy who worked for 10 years as a bond-ratings analyst and got his MBA part-time.

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What binds asset managers together is their penchant for competition and their love of money. It's not a touchy-feely kind of business, says an asset manager for a private equity firm. This profession attracts very mercenary, quantitative people pure capitalists. I don't get my reward by saying I found a way to sell

three million laser jet printers in Romania. I don't need to feel like I run a company of 40,000 employees. I'd rather make \$5 million a year and have no employees.

Getting Into Investment Management

When I decided to make a career change (leaving academe), my friend, who worked here at the time, introduced me to his boss, who interviewed me over beers and offered me a job the next day, one assistant portfolio manager recalls. We hope that your job hunt goes as smoothly as this, but don't be discouraged if it doesn't: Buy-side jobs are extremely competitive.

One problem is supply: There simply are not as many jobs. [Sell-side] jobs are plentiful. There are always people leaving. So a lot of jobs on the sell side are easier to get, and initially they pay more, says a hedge fund manager who worked on the sell side for several years before snaring his current position.

Investment management's proclivity for older, more experienced employees is another reason these jobs are so elusive for new MBAs. Most investment management firms don't even recruit on campus. Most of the people here spent several years working on Wall Street, says an asset manager who handles investments for one of the country's richest families. As far as I know, there isn't a single person working here who started right out of school. The philosophy seems to be to hire people who already know what they're doing and can jump right in and start making money. If you're completely new to the field, you'll probably start out as an analyst and slowly climb the ladder as you learn the ropes.

Interviewing Tips for Investment Managers

Still, if you're focused on getting an [asset management job](#), most insiders say it's probably attainable if you bear a few things in mind.

Show your love for, knowledge of, and (hopefully) experience in investing. The most important characteristic to convey in interviewing for an analyst position is a passion for investing and investment analysis.

Come in with five or six ideas. Be able to talk about companies you like and why they are different. It's far better to go in and say, Hey have you looked at XYZ company? Here's what I think would work. That's a very different conversation from I just graduated from business school, and I think I'm pretty smart, one industry veteran says.

Understand each firm's philosophy and every firm has a different one. For example, some focus on active trading, while others are more value-oriented. (Bigger houses like Janus, Fidelity, or Capital have a wide range of styles, but individual departments will have their own particular bent.) So it's critical that you understand what your prospective employers is before you walk in the door. If a person were to interview with me, he should know what kind of investor I am and what kind of philosophy I have; and he needs to give me the impression that he shares that philosophy, because I'm not going to hire someone who does not have my point of view, one asset manager says. Prior to the interview, do as much research as possible check out websites, magazine articles, Morning star reports, etc. People get used to doing canned interviews, he continues. But if you go to a value manager and start talking about growth stocks, they will rip you apart. Actually, they won't rip you apart they just won't ask you back for another interview.

If you can't get the buy-side job of your dreams, consider starting on the sell side. A lot of people start on the sell side, says an asset manager who took that route at the beginning of his career. Take the money. Get the experience.

Moving Up in Investment Management

The great thing about asset management is that it affords very little bullshit room. If you make money, you move up. If you don't, you won't. My job appeals to frustrated academics because you get a grade at the end of every day, one hedge fund manager says. It's comforting to people that there is this objective measure.

Most asset managers start out as research analysts. That means you'll be sitting at a desk, running numbers, and writing reports. You're making recommendations but not calling the shots. Next, you may be asked to assist in the managing of a portfolio or possibly manage your own sector fund a specialized retail fund in, say, telecommunications or health care.

Sector funds are a good place to cut your teeth; the stock selection isn't as critical because there are not as many options, one [investment manager](#) says. If your technology sector fund is doing badly and the investor complains, you can say, Hey, technology stocks are doing poorly overall. Sector funds are also a good proving ground because they can help you find a specialty a crucial skill, one insider says. Moving up generally involves finding a niche and establishing a position that did not exist before, he says.

On the other hand, if you go to a smaller firm, there may not be a clear hierarchy you just get better at your job and make more money. Were very flat, a private equity firm vice president says. There's no hierarchy; I don't report to anyone. We report to each other. I've been doing the same thing since the day I got here.

What It Takes to be an Investment Manager

It's no surprise that the overwhelming majority of [investment managers](#) have a business background. One asset manager says: Can a chemist go to business school and do well in this field? Sure. But if you don't have an inherent interest in things financial, you won't succeed. If you're not keyed up to read a 712-page credit agreement, then it won't work out.

Most people in the field have MBAs, but many [investment managers](#) admit that it would be hard to find a general theme among the best and the brightest. A surprising number of asset management firms are looking to hire someone with a liberal arts background, says one investment manager, who explains that an appreciation of history and an ability to write are essential skills in this job. As Warren Buffett says, you should be able to explain any investment strategy to your great-grandmother. It's a lot like journalism you need to be able to take huge numbers and very disparate facts, and put them together to form some sort of story. Investment managers who can only crunch numbers can't always do that.

Communication skills are also essential for the deal-making end of the job, as are basic interpersonal skills. You need to be able to communicate in different ways with different kinds of people to get what you want. Your idea could be right, but it won't matter if you have the wrong execution, one asset manager says.

Typical Day of an Investment Manager

Here's how one insider describes the day: In the office between 8 a.m. and 8:30 a.m. Read the Wall Street Journal, and scan Bloomberg news to find out what's going on in the world. Talk to five or six sell-side people to find out what's going on in the bond market. Generally pretty busy ... from about 9 a.m. to noon. Afternoon is generally slower; I spend a lot of time reading research/strategy reports and trying to come up with more investment/trading ideas. I probably spend about a half-hour to an hour discussing markets/ideas/whatever with colleagues. Another industry veteran puts it this way: A third of the day is spent reading financial documents, magazine articles, and getting investment ideas and information to support the ideas I'm researching. Another third is spent working on computer modeling creating spreadsheets and financial models to figure out what investments are worth. And a third of day talking on the phone to investors, doing administrative stuff.

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Buzzwords

- Long/short
- Leverage
- Active
- Growth
- Value
- Distressed
- Buy side/sell side
- Gut-check

Pros and Cons of Being an Investment Manager

Pros:

- Good pay
- Reasonable hours
- Generally not as stressful as sell side
- Objective performance measures keep politics to a minimum
- Never boring
- You can read five or six newspapers a day and that's considered work
- Everyone knows when you win

Cons:

- Everyone knows when you lose
- Hard to get a job right out of business school
- Starting salaries are sometimes lower than at sell-side jobs
- Minimal social interaction with colleagues outside of work
- First few years most likely spent chained to a desk

Misconceptions About [Investment Manager Jobs](#)

- **Myth: Investment managers are driven by money.**

Reality: You have to want to make money to last long, but it's not about getting rich. The money is just another measurement that tells you how you're doing. It's not about buying a yacht.

- **Myth: All investment managers are geniuses.**

Reality: Warren Buffett is a smart guy, but hes not a rocket scientist and neither are we. It's just hard work and common sense.

The Perks of Being an Investment Manager

As the buyer, you will be courted continually by salespeople who will shower you with enticements. Our insiders say they can receive tickets to whatever sporting events they want to attend, and are taken out to their cities hottest restaurants. But even the good life has a downside: If you work for Fidelity you have everyone on Wall Street kissing your ass. You can play golf on a nice course. The problem is, you have to play golf with the sales guy from Goldman Sachs. If they would just let you play golf alone, that would be nice, or if they got you a table at Nobu and then went home.

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