

# Finance — Education and Career Paths<sup>1</sup>

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## WHAT IS FINANCE?

Believe or not, we have been making financial decisions, one way or another, since our teenage years. However, very few of us ever bother to ask, what is finance? *Simply put, finance is about allocating limited resources over time.* Our parents started saving for our university education while we were a toddler; university students budget their next academic year's expenses based on their summer earnings and other income sources; a family must choose between renting and buying a residence; a firm needs to evaluate investment opportunities and decide on financing methods; a loan manager at the bank needs to decide whether to lend \$50,000 to a client; a CEO and the board of directors need to decide whether to acquire another company; ... all these are examples of financial decision making. In today's world, finance is so ubiquitous that a day can hardly pass by without our making several financial decisions.

Finance is an integral part of an individual, a household, a business, a government or an organization and it often concerns the ultimate well-being of such.

## WHY STUDY FINANCE

- To manage your own financial affairs.
- To pursue a rewarding career in finance.
- To make informed decisions on public choices as a citizen.
- To be abreast with the ever complex business world.
- To broaden your mind.

The first two reasons are by far the most common motivations for people to study finance. Financial knowledge will help you to invest wisely and consume responsibly, which ensures your successful pursuit of other goals in life. Examples of peoples' lives ruined due to bad financial decisions are abundant.

Perhaps more relevant for a university student, the career potential in the financial sector should be a crucial factor to consider. In Canada and other industrialized countries, the financial sector is among the largest employers of the labor force. What is more, the rapid developments in information technology have transformed the offering of financial services into a buffet-like or IKEA style of sales. Varieties and choices often make it necessary for

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<sup>1</sup>. Throughout the preparation of this document, I have benefited from my colleagues at the University of Toronto at Scarborough. Their comments and suggestions are much appreciated. The career table is extracted and modified from a similar document of the College of Commerce, University of Saskatchewan where I used to teach.

ordinary people to seek professional advice. As a result, there is a boom of various specialized careers in financial advisory services.

Besides the wide scope of employment potential, a finance career is often the most portable and best paid.

The rapid growth in the financial services sector, coupled with rapid developments in information technology, has increased the complexity and sophistication of finance jobs. University education plus professional training have become a necessity for a rewarding career.

## **CAREER PATH OF A FINANCE STUDENT**

Typically, students with a finance major or concentration will first secure an entry level job after graduation. The employer could be a bank, an insurance company, a brokerage firm, a corporation, a government unit, or a not-for-profit organization. From then on, they will take various industry courses that lead to professional designations. With some designations under their belt, together with valuable working experience, they will then move up on the corporate ladder or start their own financial services business if they so wish.

The types of careers in the financial industry are numerous. The attached table contains a brief list of typical careers in each sector of the industry. Most are middle management positions, while some are entry level jobs or senior posts. Of course, a successful career will typically start at the entry level and gradually move up. For more comprehensive information on finance careers and finance job links, please visit <http://www.careers-in-finance.com/>.

## **FINANCE COURSES AT UTSC**

The Department of Management at the University of Toronto at Scarborough currently offers seven courses in finance, two of which are required for all BBA students. The first required course, The Principles of Finance (MGTC03), is an introductory course that covers the nuts and bolts of finance. It introduces students to the basic concepts and technical tools in financial decision making. The second required course, Intermediate Finance (MGTC09), applies the knowledge gained in the introductory course to various practical problems in the business world. The remaining five courses are electives covering various sectors of finance and offer students a chance to gain some specialized knowledge. Personal Financial Management (MGTC70) touches upon all the financial matters that affect our daily lives such as insurance, RRSP's, taxation, retirement planning and estate planning. Introduction to Derivatives Markets (MGTC71) covers the fundamentals of futures, options and other derivative securities. Advanced Financial Management (MGTD71) examines more advanced and complex decision making situations a financial manager faces in such areas as capital budgeting, capital structure, working capital management, dividend policy, leasing and risk management. Mergers and Acquisitions - Theory and Practice (MGTD72) provides a general introduction to the important aspects of M&A, including valuation, restructuring, divestiture, takeover defenses, deal structuring and negotiations, and legal issues. Investments (MGTD75)

covers valuation techniques and the workings and underpinnings of the stock and bond markets. To fully prepare our students for a successful career, our finance faculty is actively developing additional courses such as Risk Management, International Finance and Banking.

**Suggested sequence.** All students are advised to take MGTC03 and MGTC09 at the first opportunity. Having taken MGTC03, students can take MGTC09, MGTC70 and MGTC71 altogether if they wish, since MGTC70 only takes MGTC03 as prerequisite while MGTC71 takes MGTC09 as corequisite. The other three electives (MGTD71, MGTD72 and MGTD75) could be taken in any sequence as convenience would dictate, as long as MGTC09 has already been taken.

**Related courses.** To satisfy the Finance Stream requirement, students can also take the following economics courses: ECMC48 (Money and Banking), ECMC49 (Financial Economics) and ECMC61 (International Economics: Finance). It is also highly recommended that students take as many Accounting electives as possible since accounting is an integral part of most finance jobs. The courses most relevant for finance include Intermediate Financial Accounting I & II (MGTC07 & MGTC08) and Advanced Financial Accounting (MGTD50).

## **PROFESSIONAL COURSES OUTSIDE UTSC**

As for professional courses, although most are taken on the job, students are advised to take the courses offered by the Canadian Securities Institute (CSI) while they are at the university. Students should have taken at least the Canadian Securities Course by the time they graduate, since it is a prerequisite for many other CSI courses. There are many reasons for doing so. First, work experience is not required to be enrolled in these courses (while most other professional courses do have such requirements). Second, the courses we offer at the University of Toronto at Scarborough are either comparable to, or more rigorous than many of the courses offered by the CSI. Taking the professional courses while the classroom knowledge is still “fresh” will greatly minimize the efforts and enhance the chance of passing the exams.

Students are also encouraged to prepare for the Level I CFA exam while they are at the university. The fresh knowledge acquired in several related disciplines (such as accounting and economics) can readily be applied to the exam. The Investments course we offer provides an in-depth analysis of the main investment issues, which is very helpful in preparing students for the CFA exams.

## **PROFESSIONAL ORGANIZATIONS AND DESIGNATIONS**

There are many professional organizations in the field of finance, reflecting the wide scope of the profession. Certain organizations grant professional designations, either exclusively or in conjunction with other organizations.

In Canada, the primary educational organization in the investment field is the Canadian

Securities Institute (CSI). The institute offers courses along several streams which lead to different professional designations. The Canadian Securities Course, Investment Management Techniques, and Portfolio Management Techniques would make up the portfolio management stream and lead to the Canadian Investment Manager (CIM) designation. A person will be conferred the Financial Management Advisor (FMA) designation after completing the Canadian Securities Course, Professional Financial Planning Course, and Wealth Management Techniques. The Derivatives Market Specialist (DMS) designation requires the Derivatives Fundamentals Course plus four elective courses. The Fellow of CSI (FCSI) is more demanding than the aforementioned designations. To obtain the designation, you will need at least one of the designations mentioned above, plus 1) meeting other education requirements such as the completion of the Licensing Courses, 2) meeting the Ethics requirement, 3) having at least five years of working experience in the financial industry and 4) meeting the endorsement requirement. Finally, the most demanding is the Chartered Professional *Strategic Wealth* (Ch.P.). To qualify, you must have already taken certain CSI courses or obtained a financial planning designation (CFP, PFP or R.F.P., to be explained below). In addition, you will need at least two years of working experience and the completion of a series of courses in about 18 months.

Certain professional associations also grant professional designations. For instance, the much sought after designation, Certified Financial Planner (CFP), is exclusively granted by the Financial Planners Standards Council whose members include several Canadian professional organizations in the fields of finance and accounting. The Institute of Canadian Bankers (ICB) also offers several designations to those who work in the banking sector. Examples include AICB (Associate, Institute of Canadian Bankers), PFP (Personal Financial Planner) and FICB (Fellow, Institute of Canadian Bankers). The future of these designations is uncertain in that ICB is acquired by the CSI in March 2007. Another example is R.F.P. (Registered Financial Planner) offered by the Institute of Advanced Financial Planners (of Canada). A designation tailored to the insurance industry is Chartered Life Underwriter (CLU), offered by the Chartered Life Underwriter Institute (of Canada). Finally, the Financial Advisors Association of Canada (Advocis) grants Chartered Financial Consultant (CH.F.C.) to those who have passed advanced courses in financial planning and wealth accumulation.

The ultimate designation in finance is arguably Chartered Financial Analyst (CFA), which is comparable to the CA designation in accounting. The granting body for CFA is the CFA Institute, formerly known as the Association for Investment Management and Research (AIMR) whose members are spread all over the world. The institute offers the CFA program which consists of three levels of study and exams. The entire program will require a minimum of three years to complete which, upon passing all exams and securing a sponsor, will lead to the CFA designation.

Contact information:

<u>Organization</u>	<u>Phone</u>	<u>Web-page</u>
Canadian Securities Institute	(866) 866-2601	<a href="http://www.csi.ca">http://www.csi.ca</a>
CFP Program	(800) 305-9886	<a href="http://www.cfp-ca.org">http://www.cfp-ca.org</a>
CFA Institute	(800) 247-8132	<a href="http://www.cfainstitute.org">http://www.cfainstitute.org</a>
CFA Program	(800) 247-8132	<a href="http://www.cfainstitute.org/cfaprog/index.html">http://www.cfainstitute.org/cfaprog/index.html</a>
Chartered Life Underwriter Institute	(800) 563-5822	<a href="http://www.cluinstitute.ca">http://www.cluinstitute.ca</a>
Financial Advisors Association of Canada (Advocis)	(800) 563-5822	<a href="http://www.advocis.ca">http://www.advocis.ca</a>
Institute of Advanced Financial Planners (IAFP)	(888) 298-3292	<a href="http://www.iafp.ca">http://www.iafp.ca</a>
Institute of Canadian Bankers (ICB)	(800) 361-7339	<a href="http://www.icb.org/english/index.asp">http://www.icb.org/english/index.asp</a>

## Careers in the Financial Services Sector

### Banking and Trust

Auditor Trust Officer Loan Officer Banking Analysts Account Manager Real Estate Lender Real Estate Appraiser	Estate Planner Credit Manager Portfolio Analyst Branch Manager Wealth Manager Mortgage Manager Investment Specialist
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### Insurance

Director of Risk Management Sales Representative Insurance Agent Risk Manager	Loss Control Specialist Insurance Underwriter Insurance Consultant Claim Adjuster
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### Investments

Consultant Market Maker Portfolio Analyst Account Executive Sales Representative Mutual Fund Manager	Bond Trader Stock Broker Option Trader Security Analyst Institutional Broker Investment Underwriter
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### Medium and Large Corporations

Director of Financial Reporting Director of Risk Management Vice-President of Finance Pension Fund Manager Cash Manager Treasurer	Director of Investor Relations Capital Investment Manager Chief Financial Officer Credit Manager Comptroller Auditor
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### General, Self-Employment, and Public Sector

Urban Planner Mortgage Broker Financial Reporter Professor of Finance Consumer Advocate Investment Counselor Small Business Consultant	Trader Loan Broker Financial Planner Real Estate Broker Property Manager Municipal Treasurer Pension Fund Manager
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## **A PERSONAL STORY**

The attached short article titled “Is Finance Boring” was published in the newsletter of the University of Toronto at Scarborough. It describes how I personally became interested in finance and what I see as the future of the financial industry.

## Is Finance Boring?

<p>"No!!!". That is the answer I give to anyone who cares to ask the question.</p> <p>Allow me to introduce myself. My name is Jason Wei. I joined the University of Toronto at Scarborough in July 1998 as an associate professor, prior to which I was with the University of Saskatchewan. I teach finance courses and conduct research on financial markets. Finance is definitely not a boring subject.</p> <p>I became interested in finance almost accidentally. When I came to Canada in 1986 to start my MBA study at York University, I only knew that I wanted a business degree. I had not made up my mind as to what area to major in. My first visit to the bank turned out to be a defining moment in my career choice. Coming from a developing country (China), I was overwhelmed by such a variety of bank account choices. Upon hearing that a daily savings account would actually compound interests everyday, my eyes became wide open, for all I knew until then was simple annual interest! "Would I soon become a millionaire if I start an account like this, even with a small sum of money?" I asked myself silently. Of course, as you would guess, my dream was quickly quashed. But intriguing questions remained: How come my balance doesn't multiply like growing cells? What if the interest is calculated hourly, every second, or even continuously? I was determined to find answers to all those questions. That was the starting point of my exploring the ever intriguing world of finance. My appetite for finance mysteries was thoroughly whetted after finishing my MBA with a finance concentration. I went on to pursue four more years of graduate studies and obtained a doctorate at the University of Toronto in 1992.</p> <p>Financial affairs have gradually occupied the center of our daily lives. We finance our real estate by mortgages, take out car loans, make purchases by credit cards, plan for education and retirement, decide where to invest our savings, or simply struggle to balance a book! Yet we do not always know the intricacies, and hence the many personal bankruptcies. Financial management is equally important for businesses.</p>	<p>There are countless examples of business failures due to poor finance. Finance is so ubiquitous, yet so arcane!</p> <p>At the UofT at Scarborough, we offer a range of finance courses aiming at unlocking the mysteries for our knowledge-hungry students. We not only provide financial knowledge to enhance students' own welfare, but also prepare them for careers whereby they will help others to make sound financial decisions.</p> <p>Finance is indeed an interesting subject. At cocktail parties, as soon as I introduce myself as a finance professor, I receive the inevitable compliment, "Oh, so you are the guy who knows how to make money in the stock market!". On such occasions, I feel obliged to dispel the misconception. I often say, "I don't know how to make easy money. Nobody does. But I do know how to invest wisely". If further pressed, I would give an analogy: doctors can turn patients healthy, but can not retain patients' youth; and doctors do become sick from time to time, just like everyone else.</p> <p>Finance is interesting, and will become more important. I firmly believe that there will be more career opportunities in this area. The financial sector is gradually moving towards an IKEA fashion of services — they provide the product menu and customers select items according to their own need. Trouble is, not everyone is equipped with the "Swedish common sense". Hence a great deal of demand will emerge for financial planners and such. If you decide to pursue studies in finance at the UofT at Scarborough, you will likely chart a promising career path, and above all, you will find finance anything but boring!</p> <p><i>Newsletter, University of Toronto at Scarborough, "Focus on Management", 1999</i></p>
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