

How Much Am I Worth? M&A banker, leading investment bank, Wall Street

By Dina Medland

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A panel of New York recruiters gives its assessment of Wall Street packages at a time when nothing is 'typical.' Base salary: \$150,000-\$200,000 at entry level; mid-tier M&A bankers can earn \$3m including bonus, with top managing directors pocketing as much as \$8m annually.

Who would want to be an investment banker these days? The last three years have seen M&A bankers struggling to generate deals and hold on to their compensation. Group profit figures continue to point an accusing finger in their direction for non-performance.

Recruiters say banks are also struggling with how much to pay these once-high fliers to retain their best people (see related article). That's 'just in case' M&A activity takes off once again.

By contrast, at the associate and vice president levels, banks have culled the ranks by as much as 75% in the last three years, says **Linda Bialecki** of **Bialecki Inc**, the niche search firm for senior Wall Street talent. She says investment banks are now scrambling to make up the numbers on the lower rungs. Why? Those associates left standing have been jumping ship to hedge funds or private equity.

Bialecki says, 'Investment banking pay has become a bit like the Olympics - there is the gold medal and then there is everything else. It used to be a fact that if you were a new managing director you made \$1m, but now you could be a five-year MD and have made \$850,000 or less last year.'

On the other hand, you could make as much as \$8m.

Amy Russo is a partner at Sextant Search Partners, a search firm formed to focus on the needs of the alternative asset management community and its constituents, including traditional investment management firms and investment banks. She says: 'At very senior levels it's almost a spot market - what you can make is very circumstantial indeed.'

Individual M&A bankers who have stood out on the revenue-making stage in the past stand the most to gain now. Russo says, 'In the last dramatic downturn the banks learned who the real rainmakers were. Now they know who has the real relationships, the clout to pull off the deal and also the technical expertise.'

Bialecki concurs: 'You have to have great traction with the clients to be in demand. It's all about having the relationships.'

If you drew a graph of pay for M&A bankers, says **Bialecki**, it would be almost vertical. 'The average pay for MD's in investment banking at Goldman Sachs last year was \$700,000 - and these are people with seven or eight years experience,' she says.

David Schwartz, senior partner at the search firm Gow & Partners, spent a substantial part of his career at Goldman Sachs. He says Goldman does not look at revenues in its compensation decisions, but many other banks do. 'The houses that are looking to strengthen their investment banking franchise are willing to pay more for the real players,' says Schwartz.

But for those tempted by dollar signs, he adds a cautionary note. 'When you hire a Morgan Stanley or a Goldman banker, they operate well within their franchise, but when you take that away it is no longer clear how they will perform. The call from HSBC is not the same as one from Goldman in investment banking,' says Schwartz.

At entry level, those heading for a career in investment banking are looking at salaries of about \$150,000-

\$200,000 - and a huge disparity in pay as they climb the ladder.

Schwartz says: 'A lot of people made a commitment to the industry in 2000, expecting to make \$1m as a second-year vice president. They are out of luck now, and saying to themselves - 'I'm losing my career to a life where the compensation structure is not what it used to be.'

At senior levels, of course, bonuses exceed base pay. There is solace to be found among New York compensation consultants, who are pointing to a 15-25% rise in investment banking bonuses this year.

But in the short term, to be an investment banker you probably need to love what you're doing and understand that when it comes to the distribution of the dollars, life may just not be fair. We all know what happens in the long term.

Figures and commentary by [Bialecki Inc](#), Sextant Search Partners and Gow & Partners in New York