How Goldman Sachs Makes Money

Idea In Short

Goldman Sachs built its business around four segments: investment banking, global markets, asset and wealth management, and platform solutions. Marcus Goldman started the firm in 1869 buying and selling commercial paper, a business built on relationships and trust rather than capital markets complexity. That trust-based model scaled into modern investment banking, where Goldman now advises on mergers, underwrites securities and trades on behalf of the largest institutions in the world. The firm reported record annual revenue of $58.28 billion in 2025, driven by a resurgence in merger activity and a growing asset and wealth management business under chief executive David Solomon. Its retreat from a costly consumer banking experiment in the early 2020s marked one of the more visible strategy reversals among major Wall Street firms in recent years.

From commercial paper to global bank

Marcus Goldman, a German immigrant, started the firm in 1869 as a one-man operation buying promissory notes from New York merchants and reselling them to banks, a business built entirely on personal trust in an era before formal credit ratings. His son-in-law Samuel Sachs joined the firm in 1882, and the Goldman Sachs name followed shortly after. The firm helped pioneer the initial public offering [IPO] process in the early 20th century, including underwriting Sears, Roebuck and Co.'s public offering in 1906, and later played a role in financing railroad expansion and, controversially, in the leveraged trusts that collapsed during the 1929 stock market crash.[1] The firm rebuilt its reputation over subsequent decades under Sidney Weinberg, who steered Goldman toward advisory work and helped establish the modern relationship-driven model of investment banking.

Four segments, one balance sheet

Goldman Sachs organizes its business into four reporting segments: investment banking, global markets, asset and wealth management, and platform solutions. Investment banking covers advisory work on mergers and acquisitions along with underwriting for equity and debt offerings, earning fees tied to deal size and complexity rather than market movements. Global markets, the trading division, generates revenue from market-making spreads and proprietary positioning across equities, fixed income, currencies and commodities, making it the most volatile of the four segments since results depend heavily on trading conditions in any given quarter.

> Goldman Sachs built its reputation on advisory trust, then spent a century layering trading, asset management and, briefly, consumer banking on top of that foundation.

Trading remains the volatile core

Global markets typically produces the largest share of Goldman's total revenue, and the segment's performance swings substantially with market volatility, since trading desks profit from client order flow and market-making spreads that widen during turbulent periods and narrow during calm ones. The 2025 record year came substantially from a rebound in mergers and acquisitions activity, with Goldman advising on $1.6 trillion in announced deal volume, a level that reflects both the firm's market position and a broader recovery in dealmaking after several slower years.2 That dependence on deal cycles and trading volume means Goldman's revenue moves in a way that a pure fee-based asset manager's does not, rising sharply in strong years for markets and falling just as sharply when activity slows.

The Marcus experiment and its unwinding

Goldman launched its Marcus consumer banking brand in 2016, offering personal loans and savings accounts before expanding into credit cards through partnerships with Apple and General Motors. The push into consumer finance was meant to diversify Goldman's revenue away from the boom-and-bust cycles of trading and dealmaking, but the business accumulated billions of dollars in losses as Goldman underestimated the cost and complexity of consumer lending and credit risk management. Under Solomon, Goldman began selling off pieces of the consumer business starting in 2022, including agreeing to transfer its General Motors credit card partnership and continuing to explore an exit from the

Apple Card partnership.3 The retreat freed up capital and management attention that Goldman redirected toward asset and wealth management, a business it viewed as a better fit for its institutional client base and risk appetite.

Asset and wealth management as the stabilizing bet

Goldman's asset and wealth management segment manages money for institutions, sovereign wealth funds and increasingly for high-net-worth individuals, charging fees that are less sensitive to daily market swings than trading revenue. Assets under supervision reached $3.6 trillion by late 2025, and quarterly management fees hit a record $3.1 billion, figures Goldman has pointed to as evidence that its strategy of building a larger, steadier fee base is working.4 This segment also includes Goldman's private equity and alternative investment activities, where the firm invests its own capital alongside client money, a practice that ties some of Goldman's balance sheet directly to the performance of the funds it manages.

Client relationships built on advisory trust

Corporate clients turn to Goldman for merger advice and capital raising because of the firm's track record executing complex transactions and its network of relationships across industries and regions. That trust took decades to build and gives Goldman pricing power on advisory fees that newer entrants, including boutique advisory firms, struggle to match on the largest transactions. Government clients rely on Goldman for debt issuance and, at times, crisis-related advisory work, a role that has occasionally drawn scrutiny, including criticism over Goldman's involvement in Greece's debt arrangements before the eurozone debt crisis.5 The firm's reputation has weathered controversies, including its settlement over the 1Malaysia Development Berhad bond scandal, but its core advisory relationships with large corporations have proven durable through those episodes.

Competing against both banks and boutiques

Goldman competes with full-service banks such as JPMorgan Chase and Bank of America, which combine investment banking with large consumer and commercial banking operations that Goldman largely lacks after exiting Marcus. It also competes with Morgan Stanley, which built a larger wealth management business earlier through its acquisitions of Smith Barney and Eaton Vance, and with boutique advisory firms that compete purely on deal expertise without carrying trading or lending operations. Goldman's response has been to lean into the businesses where scale and reputation matter most, advisory work, trading and institutional asset management, rather than trying to match diversified competitors across every line of business.

Key Partners

Goldman Sachs' partnerships include corporate and institutional clients whose transactions generate advisory fees, along with other financial institutions that participate in syndicated loans and underwriting deals alongside Goldman. Technology vendors support the firm's trading infrastructure and risk systems, while clearinghouses and custodian banks handle settlement for the securities Goldman trades. Regulators across the jurisdictions where Goldman operates function as an ongoing counterpart given the firm's systemic importance in global financial markets.

Key Activities

Investment banking advisory and underwriting sit at the center of Goldman's activities, requiring teams that structure mergers, acquisitions and capital raises for corporate and government clients. Trading and market-making run continuously across equities, fixed income, currencies and commodities, requiring real-time risk monitoring given the scale of positions Goldman holds. Asset management activities include portfolio construction and client servicing for institutional and wealth management clients. Regulatory compliance and risk management are constant activities given Goldman's status as a systemically important financial institution.

Key Resources

Goldman's talent pool of bankers, traders and analysts represents its most valuable resource, built through a selective hiring process and reinforced by a culture that rewards deal execution and client relationships. The firm's balance sheet and capital base allow it to underwrite large transactions and take trading positions that smaller firms cannot support. Its brand and reputation, built over more than 150 years, give Goldman credibility when pitching the largest and most sensitive transactions. Proprietary technology and trading infrastructure support the speed and scale required for market-making across global asset classes.

Value Propositions

For corporations, Goldman offers capital-raising expertise and merger advisory built on decades of transaction experience across industries. For institutional investors, the firm provides market access, liquidity and research that help clients execute trades and manage positions efficiently. For governments, Goldman offers debt financing expertise and strategic advisory on fiscal matters. For wealthy individuals and institutions using its asset and wealth management arm, Goldman offers access to alternative investments and personalized portfolio management that smaller wealth managers cannot match.

Customer Relationships

Goldman maintains institutional client relationships through dedicated coverage teams organized by industry and geography, supporting ongoing dialogue beyond individual transactions. Trading clients interact with Goldman through both electronic platforms and human sales-trading desks, depending on the complexity and size of the transaction. Wealth management clients receive personalized advisory relationships similar to those offered by traditional private banks. Goldman's research division maintains ongoing relationships with institutional investors through published analysis and direct briefings.

Channels

Goldman reaches corporate and government clients primarily through direct relationship banking rather than mass marketing, given the scale and sensitivity of the transactions involved. Trading clients access Goldman's markets business through electronic trading platforms as well as voice-brokered transactions for larger or more complex trades. Asset and wealth management clients are reached through direct sales teams, referrals and, for wealth management, a network of private wealth advisers. The firm's website, investor communications and public events serve informational functions for shareholders and prospective institutional clients.

Customer Segments

Corporations form a core customer segment, relying on Goldman for capital raising, advisory and risk management services. Governments and sovereign entities use Goldman for debt issuance and fiscal advisory work. Institutional investors, including pension funds, hedge funds and other asset managers, are major clients of Goldman's trading and prime brokerage businesses. High-net-worth individuals and families make up the customer base for Goldman's private wealth management arm, a segment the firm has prioritized growing since scaling back its mass consumer banking ambitions.

Cost Structure

Compensation represents Goldman's largest single cost, reflecting an industry where retaining top dealmakers and traders requires competitive pay tied closely to performance. Technology and infrastructure costs have grown as trading and risk management increasingly depend on advanced systems, alongside regulatory compliance costs that have risen substantially since the 2008 financial crisis.

Revenue Streams

Investment banking fees from advisory work and securities underwriting form one major revenue stream, fluctuating with the pace of merger activity and capital markets issuance. Trading revenue from market-making across asset classes represents the largest and most volatile stream, while asset and wealth management fees provide a steadier, fee-based complement that Goldman has prioritized expanding.

- 1Goldman Sachs Company History
- 2Goldman Sachs 2025 Annual Revenue Results
- 3Goldman Sachs Retreat From Consumer Banking
- 4Goldman Sachs Asset And Wealth Management Growth
- 5Goldman Sachs Advisory Role In Sovereign Debt

Summary

Goldman Sachs' 2025 results validated a strategic retreat: after years spent building the Marcus consumer banking brand, the firm sold off much of that business and refocused on the segments where it holds structural advantages, advisory work, trading and asset management for institutions and wealthy individuals. Assets under supervision reached $3.6 trillion by late 2025, with management fees hitting a quarterly record, evidence that the shift toward steadier, fee-based revenue is working. The firm still carries risk concentrated in trading and dealmaking cycles, both of which move with market sentiment and can swing sharply between years. Competitors including JPMorgan Chase and Morgan Stanley continue to press Goldman on both wealth management scale and technology investment. Whether Goldman's narrower focus proves durable through the next market downturn will test Solomon's back-to-basics strategy as much as the 2025 rebound validated it.