

# 2008

## Discount Broker GUIDE

*By Jean Henrich and Maria Crawford Scott*

**S**tock prices may be plunging, but at least it will not cost you more to trade them, as competition continues to hold commissions at bay. AAI's 2008 Guide to Discount Brokers indicates that commissions are continuing to drop, albeit only slightly. The average commission for a broker-assisted \$5,000 trade (100 shares at \$50/share) totaled 0.63% of the trade, compared to 0.67% for last year's survey; the average commission for a broker-assisted \$25,000 trade (500 shares at \$50/share) totaled 0.19% of the trade, down slightly from last year's 0.21%.

The lowest commissions for broker-assisted trades are from MB Trading, at a rock-bottom \$1 (or 0.02%) for the \$5,000 trade, and TradeKing, at \$4.95 (0.02%) for the \$25,000 trade. The highest commissions are charged by Cutter & Co. Brokerage and USAA Brokerage Services (1.20% for



the \$5,000 trade) and Max Ule (0.78% for the \$25,000 trade).

Spotting the best dealmaker amidst the throng of discount brokers is still a challenge. Highlighting the features of the current participants, AAI's annual survey of discount brokerage firms can help you find the perfect match.

This year's survey covers 52 firms that refer to themselves as discount, 45 of which offer on-line trading. Notable changes this year include the merger of Accutrade into TD Ameritrade, and CyberTrader merging with Charles Schwab. And one firm to keep an eye on is E\*Trade, a leading on-line discount.

E\*Trade ran into serious problems last fall with its ill-timed thrust into the mortgage business, taking a major hit in the third quarter due to large losses on home-related loans. The situation grew worse with further unrest in the financial markets, and after a Citigroup analyst suggested in a report that E\*Trade had a 15% chance of being forced to file for bankruptcy protection. Representatives at E\*Trade remain unconcerned and point out that customer accounts are insured up to \$500,000 by the SIPC, with additional insurance protection provided by the firm.

While this is probably not a cause for immediate concern among E\*Trade users, you should pay close attention to the firm and its announcements over the next months to determine if it is still a brokerage firm that can offer you the safety and security you need as an investor.

It should also serve as a reminder of the importance of thoroughly checking out a broker and its business practices before trusting your money and sensitive information to the firm.

### CONTENTS

#### AAI Broker Survey:

How the Most Popular Rank .....	6
Discount Broker Listing .....	8
Know the Deal on Cash Sweeps .....	12
SIPC: What Does It Cover? .....	13
How to Check Out a Broker .....	14

## AAIL Broker Survey: How the Most Popular Rank

Interactive Brokers is the top-rated brokerage firm on AAIL.com in terms of trade price and execution speed, according to our Member Broker Survey for 2007. Interactive Brokers ranked highly in both those categories.

Scottrade is the most widely used firm among members who took the survey. The firm ranks fifth in terms of trade price and 10th in execution speed among the most popular brokers.

The Member Surveys area of AAIL.com offers members the opportunity to voice their opinions on the discount brokers they use. The survey asks members which discount broker they use and the primary reasons for choosing a broker. It then asks members to rate their satisfaction with their broker on a number of specific criteria.

The table below provides rankings for the 12 most popular brokers—those for whom we received 10 or more member responses during 2007. We determined a rating for each broker based on member responses, and then ranked the brokers based on their rating. The table also indicates the percentage of respondents who use each firm; the numbers do not add up to 100% because not all brokers are listed.

The table shows how each broker ranked relative to the others in terms of:

- Trade Price: The price at which an order was filled and how close it was to the price when placed;
- Execution Speed: How quickly an order is filled;
- Reliability: How well you are able to access your broker when you wish to; and
- Overall Satisfaction.

The brokers are listed in order of their price ranking, the key factor members used to choose a broker.

Broker	How Broker Ranks Relative to Others in Terms of:						Usage by Respondents (%)
	Trade Price	Execution Speed	Reliability		Overall Satisfaction		
			Broker-Asst. Trades	Electronic Trades	Broker-Asst. Trades	Electronic Trades	
Banc of America Investment Services	1	11	3	8	2	10	1.4
Interactive Brokers	2	3	7	2	8	4	1.6
TradeKing	3	6	2	3	1	2	1.2
USAA Brokerage Services	4	1	1	1	3	1	2.6
Scottrade, Inc.	5	10	9	6	9	6	16.4
Fidelity Brokerage Services	6	2	4	4	6	3	8.8
Charles Schwab	7	4	6	5	5	5	10.8
Vanguard Brokerage Services	8	9	8	7	7	9	2.6
TD Ameritrade	9	7	11	9	11	8	10.2
E*Trade Financial	10	5	10	11	10	11	6.5
Muriel Siebert & Co.	11	12	5	12	4	12	1.3
optionsXpress	12	8	12	10	12	7	1.4

Comparing the commissions charged among the discounters, as well as their other fees and services, can help you ensure you are making the right choice for the amenities you need. And with an eye on bargains among the discount brokers, do-it-yourself investors can realize significant savings.

What does the listing cover?

### Commissions & Fees

The stock commissions charged by discount brokerage firms vary widely, not just by amount, but also by the

way in which they are determined. For instance, some discounters' rates are based on the dollar value of the transaction, others' rates are based on the number of shares in the transaction, some use a combination, and some simply provide a table that lists the prices for various transactions without providing any formulas. Brokers that do most of their business on-line tend to charge a flat rate, with a flat surcharge for broker-assisted trades.

This makes generalized comparisons impossible, since certain firms will be cheaper for some kinds of trades,

yet more expensive for others. To help overcome that problem, our listing first presents three broker-assisted trades that cover a range of possibilities for the typical individual investor: a modest trade of a higher-priced stock (100 shares at \$50 per share, a \$5,000 transaction); a large trade (500 shares at \$50 per share, a \$25,000 transaction); and a modest trade of a low-priced stock (2,000 shares at \$5 per share, a \$10,000 transaction). Commissions charged by each broker for these trades are presented in total dollars and as a per-

*(continued on page 10)*

# Definitions of Table Symbols and Column Headings

❖: Does not insure accounts above the SIPC minimum of \$500,000.

**Minimum to Open an Account:** Minimum dollar amount needed to open a new account with broker.

## Commissions

**Broker-Assisted Commissions:** Commission rate and its percentage of the total trade for three sample market order trades. Also shows the overriding minimum commission for broker-assisted market order trades. Commissions based on a flat rate appear in bold type.

**On-Line Commissions:** Commission and its percentage of the total trade for one sample market order trade placed via the Internet. On-line commissions based on a flat rate appear in bold type; the maximum number of shares that can be traded at the flat rate is noted.

**Limit Orders Higher:** Firm charges higher commission for limit orders. Limit orders allow customers to set the minimum price for selling a security or the maximum price for buying a security.

**Commission Discounts:** Offers a reduced commission rate for premium accounts. Brokers offering a discount for large accounts are noted under Account Size. Brokers offering a discount based on trading activity are noted under Frequent Trades.

## Cash Balances

**Automatic Sweep:** Automatically invests cash balances in an interest-bearing bank account or money market fund until those funds are reinvested.

**Money Market Fund Available:** Broker uses bank account as automatic option, but a money market fund alternative can be requested by the customer.

**Interest Rate:** The interest rate paid on cash balances swept into the money market fund or bank account as of November 30, 2007.

**Sweep Minimum:** Minimum dollar amount at which automatic sweep is initiated.

## Fees

**Transfer Account:** Fee to transfer account to or from another broker.

**Register Shares in Name:** Fee to register stock certificate in owner's name and send to the owner.

**Inactive Account:** Fee levied if account remains inactive for specified period of time, rounded to whole dollar amount.

**Low Balance Fee:** Fee levied if account balance falls below a specified amount after a specified period, rounded to whole dollar amount.

**Low Balance Threshold:** Account balance below which low balance fee is levied. Diamond ❖ indicates that low balance fee is waived for active accounts.

## Margin Accounts

**Minimum:** The minimum dollar amount required to open a margin account, shown as a sum of the NYSE and NASD \$2,000 requirement plus any broker-required minimum.

**Interest Rate:** The interest rate charged on a margin account with a \$10,000 debit balance as of November 30, 2007.

## Other Securities Handled

Firm offers securities as checked. For trading no-load mutual funds, note that some firms charge for this (\$), others do not.

## Services

**Research:** Broker offers company research such as S&P reports supplied by outside sources or research supplied by the firm's own analysts. A (\$) denotes that a broker charges a fee for reports.

**Free Check Writing:** Firm allows a customer to write personal checks against the cash balance in account for no extra charge.

**Self-Directed IRA:** Minimum dollar amount required to open a self-directed individual retirement account. If the firm charges a fee for initial set up or annual maintenance, the amount is noted.

**Dividend Reinvestment Plan Arrangement:** Stock dividends can be automatically reinvested through the brokerage firm.

**Clears Trades Directly:** Firm is able to clear trades without going to an outside clearinghouse.

**Touch-Tone Phone Trading:** Offers electronic trading via customer's telephone. If broker offers discounted commission rate for trades placed through a touch-tone phone, this is noted under the Commission Discount column.

**Offers Tax Lot Accounting:** Record-keeping tools and systems that allow customers to more easily determine and specify the trading of specific share lots to minimize taxes.

## Available at Web Site

**Tax Lot Accounting Software/Tools:** Customers can track tax status of trades on Web site or by downloading software. An asterisk denotes that this feature is only available to on-line customers.

**Download Portfolio Account Info:** Customer can access portfolio account information at the broker's Web site and download account data to their computer. An asterisk denotes that this feature is only available to on-line customers.

**Free Web Research:** Customer can access standard research reports at the firm's Internet site at no extra charge.

**Free Real-Time Quotes:** Customer can access real-time quotes on stock trades at the firm's Internet site at no extra charge.

**Internet Address:** Web address is given where available for all brokers. A few sites are informational only.

# Discount Broker Guide

Telephone		Brokerage Firm		MIN ACCT	COMMISSIONS												CASH BALANCES									
					Broker-Assisted								On-Line				Discounts		Automatic Sweep							
Minimum to Open an Account (\$)	(\$)	100 Shares at \$50/Share (\$5,000) as % of Trade	(\$)	500 Shares at \$50/Share (\$25,000) as % of Trade	(\$)	2,000 Shares at \$5/Share (\$10,000) as % of Trade	Overriding Minimum (\$)	(\$)	500 Shares at \$50/Share (\$25,000) as % of Trade	Maximum Number of Shares at Flat Rate	Limit Orders Higher	Account Size	Frequent Trades	Money Market Fund	Interest Rate on MMF as of 11/30/07 (%)	Bank Account	Interest Rate on Bank Acct. as of 11/30/07 (%)	Money Market Fund Available	Interest Rate on MMF as of 11/30/07 (%)	Sweep Minimum (\$)						
888/229-2853	A.B. Watley Direct	2,000	6.95	0.14	6.95	0.03	6.95	0.07	6.95	6.95	0.03	no limit				✓	4.168									
800/321-1640	Baker & Co.		40.00	0.80	80.00	0.32	85.00	0.85	40.00	na	na	na		✓	✓	✓	4.25									
800/926-1111	Banc of America Investment Services		42.50	0.85	42.50	0.17	42.50	0.43	42.50	14.00	0.06	no limit				✓	4.23									
800/221-2111	Barry Murphy & Co.		32.50	0.65	62.50	0.25	175.00	1.75	25.01	29.95	0.12	2,000	✓	✓	✓	✓	4.20									
866/232-4488	Cambridge Discount Brokerage		30.00	0.60	30.00	0.12	30.00	0.30	30.00	15.00	0.06	50,000					✓	4.25	✓	4.25						
866/232-9890	Charles Schwab	1,000	37.95	0.76	37.95	0.15	52.95	0.53	37.95	12.95	0.05	1,000		✓	✓			✓	0.5	✓	4.51	500,000				
800/292-6637	Consolidated Financial Investments		35.00	0.70	45.00	0.18	89.50	0.90	35.00	na	na	na		✓	✓	✓	4.6									
800/536-8770	Cutter & Co. Brokerage		60.00	1.20	125.00	0.50	130.00	1.30	35.00	25.00	0.10	500		✓	✓	✓	4.03				500					
800/387-2331	E*Trade Financial	1,000	57.99	1.16	57.99	0.23	57.99	0.58	57.99	12.99	0.05	2,000		✓	✓			✓	0.995	✓	4.15					
888/793-5333	eOption		20.00	0.40	20.00	0.08	20.00	0.20	20.00	5.00	0.02	no limit		✓	✓	✓	4.4									
800/343-3548	Fidelity Brokerage Services, LLC	2,500	55.00	1.10	111.00	0.44	321.00	3.21	55.00	19.95	0.08	1,000		✓	✓	✓	3.24									
888/781-0283	📞 Fimat USA	5,000	9.95	0.20	9.95	0.04	9.95	0.10	9.95	9.95	0.04	5,000			✓	✓	4.4									
888/642-2811	First Discount Brokerage	5,000	35.00	0.70	55.00	0.22	75.00	0.75	35.00	19.75	0.08	5,000		✓	✓	✓	4.4		✓							
800/687-3800	First Financial Equity Corp.		42.00	0.84	42.00	0.17	42.00	0.42	42.00	31.95	0.13	no limit				✓	4.14									
888/988-6168	Firstrade Securities		26.95	0.54	26.95	0.11	26.95	0.27	26.95	6.95	0.03	no limit				✓	4.13									
800/944-4033	📞 Freedom Investments	2,000	25.00	0.50	25.00	0.10	25.00	0.25	25.00	15.00	0.06	no limit				✓	3.4									
877/442-2757	Interactive Brokers, LLC	10,000	na	na	na	na	na	na	na	2.50	0.01	na					✓	4.16								
800/327-1883	InvestIN Securities Corp.	2,000	10.00	0.20	10.00	0.04	10.00	0.10	10.00	6.00	0.02	1,000					✓	1.8	✓	4.2	2,000					
800/498-7120	Investrade Discount Securities		17.95	0.36	17.95	0.07	17.95	0.18	17.95	7.95	0.03	no limit	✓	✓	✓	✓	4.4									
800/247-3396	J.D. Seibert & Company		49.00	0.98	140.00	0.56	100.00	1.00	49.00	na	na	na		✓	✓	✓	4.4									
888/757-5388	JetTrade.com		30.00	0.60	30.00	0.12	30.00	0.30	30.00	14.95	0.06	5,000				✓	3.0									
800/606-8844	JH Darbie & Co.		29.95	0.60	29.95	0.12	29.95	0.30	29.95	14.95	0.06	5,000		✓	✓	✓	4.0									
800/374-4212	Lantern Investments		45.00	0.90	60.00	0.24	75.00	0.75	45.00	na	na	na		✓	✓	✓	4.20									
800/597-8767	LowTrades.com		25.00	0.50	25.00	0.10	25.00	0.25	25.00	4.95	0.02	500,000				✓	4.157									
800/221-3305	Marquette de Bary Co.		50.00	1.00	146.43	0.59	118.49	1.18	50.00	na	na	na		✓	✓	✓	4.09									
800/223-6642	Max Ule	1,000	57.00	1.14	195.00	0.78	105.32	1.05	40.00	na	na	na		✓	✓			✓	4.0	✓						
866/628-3001	MB Trading	1,000	1.00	0.02	5.00	0.02	12.50	0.13	1.00	5.00	0.02	na				✓	4.35				2,000					
800/424-3934	MTDirect.com	3,000	7.99	0.16	7.99	0.03	7.99	0.08	7.99	7.99	0.03	no limit			✓	✓	4.19									
800/872-0711	Muriel Siebert & Co., Inc.		45.00	0.90	75.00	0.30	75.00	0.75	37.50	14.95	0.06	1,000		✓	✓	✓	4.18				1					
800/961-1500	NetVest		24.00	0.48	24.00	0.10	24.00	0.24	24.00	14.00	0.06	no limit	✓			✓	4.18				1,000					
877/698-7239	Online Brokerage Services	200	24.95	0.50	24.95	0.10	24.95	0.25	24.95	7.95	0.03	no limit				✓	4.08									
888/280-8020	optionsXpress		14.95	0.30	14.95	0.06	30.00	0.30	14.95	14.95	0.06	1,000			✓	✓	3.82				5,000					
800/444-5880	📞 Perelman-Carley & Assoc.		9.00	0.18	9.00	0.04	9.00	0.09	9.00	na	na	na	✓				✓	2.25								
800/927-3425	Regal Discount		21.95	0.44	21.95	0.09	21.95	0.22	21.95	11.95	0.05	no limit	✓	✓	✓	✓	4.4									

All firms offer SIPC coverage. Brokers with an 📞 before their name do not insure accounts above the SIPC minimum of \$500,000.  
Commissions based on a flat rate appear in bold type.

See page 7 for explanations of the headings.

FEES					MARGIN ACCOUNTS		OTHER SECURITIES HANDLED				SERVICES										AVAILABLE AT WEB SITE				
Transfer Account	Register Shares in Name (\$)	Inactive Account (\$)	Low Balance Fee (\$)	Low Balance Threshold	Minimum (\$)	Interest Rate on \$10,000 Debit Balance as of 11/30/07	No-Load Mutual Funds	Exchange-Traded Funds	Bonds	Options	Research			Self-Directed IRA		Dividend Reinvestment Plan Arrangement	Clears Trades Directly	Touch-Tone Phone Trading		Offers Tax Lot Accounting	Tax Lot Accounting Software/Tools	Download Portfolio Account Info	Free Web Research	Free Real-Time Quotes	Internet Address
											Standard Research Reports	In-House Analysts	Free Check Writing	Minimum to Open (\$)	Set-Up Fee (\$)			Annual Maintenance Fee (\$)	Place Trades						
25	100	25/mo.			2,000	8.20		✓	✓	✓			✓	2,000		30	✓			✓		✓	✓	✓	www.abwatley.com
35	80	50/yr.	50/yr.	\$10,000*	2,000	9.50	✓(\$)	✓	✓	✓	✓		✓				✓			✓	✓	✓	✓		www.bakerinvestments.net
75	25		50/6 mos.	\$50,000*	5,000	9.35	✓	✓	✓	✓	✓					40	✓	✓	✓	✓	✓*	✓*	✓	✓	www.bankofamerica.com/investments
65	25	50/yr.			2,000	9.50	✓		✓	✓	✓(\$)		✓			30	✓			✓		✓*	✓	✓	www.barrymurphy.com
50	75				2,000	8.375	✓	✓	✓	✓							✓			✓					www.cambridge-discount.com
50	50		12.5/qtr.	\$1,000	5,000	10.00	✓	✓	✓	✓	✓	✓	✓	1,000			✓	✓	✓	✓	✓	✓	✓	✓	www.schwab.com
50	25				2,000	10.75	✓(\$)	✓	✓	✓	✓		✓			35	✓			✓	✓	✓	✓		www.cfii.org
95	30	50/yr.			2,500	9.00	✓(\$)	✓	✓	✓	✓		✓			40	✓			✓		✓	✓	✓	www.cutterco.com
60	40		40/qtr.	\$10,000*	2,000	9.49	✓	✓	✓	✓	✓		✓				✓	✓	✓	✓	✓	✓	✓	✓	www.etrade.com
50	25				2,000	7.75	✓(\$)		✓	✓			✓				✓			✓		✓	✓	✓	www.eoption.com
	15				2,500	9.825	✓	✓	✓	✓	✓		✓	2,500			✓	✓	✓	✓	✓	✓	✓	✓	www.fidelity.com
50	20	35/yr.			5,000	7.50		✓		✓						30		✓						✓	www.fimatpreferred.com
95	25	50/yr.			2,000	9.65	✓(\$)	✓	✓	✓	✓		✓	3,000	60	✓				✓	✓	✓	✓		www.1db.com
50	25	35/yr.			5,000	8.44	✓(\$)	✓	✓	✓	✓		✓			35	✓					✓			www.ffec.com
50	75				2,000	9.00	✓	✓	✓	✓			✓				✓		✓	✓	✓	✓	✓	✓	www.firstrade.com
75	50				2,000	9.00				✓				2,000	40	✓				✓		✓	✓	✓	www.freedominvestments.com
		10/mo.	20/mo.	\$3,000	2,000	6.16		✓	✓	✓	✓	✓		4,000				✓			✓*	✓*	✓		www.interactivebrokers.com
50	35	12.5/qtr.			2,000	8.40	✓(\$)	✓	✓	✓	✓		✓	2,000	30	30	✓					✓			www.directaccesselite.com
50	25				2,000	7.75	✓(\$)	✓	✓	✓			✓				✓			✓		✓	✓	✓	www.investrade.com
60	25	50/yr.			2,000	8.50	✓	✓	✓	✓	✓		✓			25	✓			✓(\$)		✓			jdseibertandco.com
25	20				2,000	9.50	✓	✓	✓	✓			✓			35	✓						✓	✓	www.jettrade.com
25	20				2,000	8.00	✓(\$)	✓	✓	✓	✓	✓	✓				✓		✓	✓	✓	✓	✓	✓	www.jhdarbie.com
75	75	50/yr.			2,000	8.50	✓	✓	✓	✓	✓		✓	500	25	✓				✓					www.lanterninvestments.com
50	75	50/6 mos.			2,000	9.25	✓(\$)	✓	✓	✓				500	25	35	✓(\$)					✓	✓	✓	www.lowtrades.com
95	30	50/yr.			2,000	9.00	✓(\$)	✓	✓	✓	✓	✓	✓		25	30	✓			✓		✓			www.debary.com
95	30	50/yr.			2,000	7.50	✓	✓	✓	✓	✓	✓	✓	500	30	✓				✓		✓			www.maxule.com
50	50				2,000	8.95	✓(\$)	✓	✓	✓				500	30							✓		✓	www.mbtrading.com
5	25	25/yr.			3,000	8.45	✓(\$)	✓		✓			✓	3,000	35							✓	✓	✓	www.mastertrader.com
					2,000	7.75	✓	✓	✓	✓	✓		✓			30	✓		✓	✓	✓	✓	✓	✓	www.siebertnet.com
25	25	20/6 mos.	20/6 mos.	\$2,500	2,000	6.50	✓	✓	✓	✓	✓		✓				✓		✓	✓		✓	✓	✓	www.netvest.com
50	15				2,000	8.20	✓(\$)		✓	✓			✓	200	25	45	✓					✓*	✓	✓	www.mytradz.com
50	50				2,000	7.75	✓(\$)	✓	✓	✓	✓						✓	✓		✓(\$)	✓	✓	✓	✓	www.optionsxpress.com
50	35				2,000	8.875	✓(\$)		✓	✓				25				✓				✓			www.pcastocks.com
50	25				2,000	6.75	✓(\$)	✓	✓	✓			✓				✓			✓		✓	✓	✓	www.eregal.com

Diamond ♦ denotes that fee is waived for active accounts.



\*on-line customers only.

See page 7 for explanations of the headings.

Continued on next page



# Discount Broker Guide

Telephone	Brokerage Firm	MIN ACCT	COMMISSIONS										CASH BALANCES									
		Minimum to Open an Account (\$)	Broker-Assisted						On-Line				Limit Orders Higher	Discounts		Automatic Sweep			Money Market Fund Available	Interest Rate on MMF as of 11/30/07 (%)	Sweep Minimum (\$)	
			(\$)	100 Shares at \$50/Share (\$5,000) as % of Trade	(\$)	500 Shares at \$50/Share (\$25,000) as % of Trade	(\$)	2,000 Shares at \$5/Share (\$10,000) as % of Trade	Overriding Minimum (\$)	(\$)	500 Shares at \$50/Share (\$25,000) as % of Trade	Maximum Number of Shares at Flat Rate		Account Size	Frequent Trades	Money Market Fund Interest Rate on MMF as of 11/30/07 (%)	Bank Account Interest Rate on Bank Acct. as of 11/30/07 (%)					
800/728-1266	Saturna Brokerage Services		39.00	0.78	67.50	0.27	75.00	0.75	39.00	62.50	0.25	na				✓	4.43					
800/619-7283	Scottrade, Inc.	500	27.00	0.54	27.00	0.11	27.00	0.27	27.00	7.00	0.03	no limit					✓	0.5-4.65				
800/732-7678	Seaport Securities Corp.	1	34.00	0.68	50.00	0.20	120.00	1.20	34.00	14.95	0.06	1,000				✓	4.08					
800/222-5520	Sherry Bruce's State Discount Brokers		35.00	0.70	45.00	0.18	100.00	1.00	35.00	14.00	0.06	5,000		✓	✓			✓	3.50	✓ 4.09		
888/818-7646	 SogoTrade	2,500	27.00	0.54	27.00	0.11	27.00	0.27	27.00	3.00	0.01	5,000						✓	0.0			
800/225-6196	StockCross Financial Services		29.00	0.58	29.00	0.12	29.00	0.29	29.00	20.30	0.08	2,000	✓	✓	✓	✓	4.56					
800/638-5660	T. Rowe Price Brokerage	2,500	50.00	1.00	150.00	0.60	120.00	1.20	40.00	19.95	0.08	1,000				✓	4.48			1,000		
800/934-4448	TD Ameritrade		44.99	0.90	44.99	0.18	44.99	0.45	44.99	9.99	0.04	no limit						✓	0.10-3.0	✓ 0.10-3.0		
866/839-1100	Thinkorswim	2,000	5.00	0.10	7.50	0.03	9.95	0.10	5.00	7.50	0.03	5,000						✓	1.50	✓ 1.50		
877/495-5464	TradeKing		4.95	0.10	4.95	0.02	4.95	0.05	4.95	4.95	0.02	no limit						✓	1.0	✓ 3.41		
800/925-8566	Trading Direct		19.95	0.40	19.95	0.08	19.95	0.20	19.95	9.95	0.04	1 million		✓	✓							
800/531-8144	 USAA Brokerage Services		60.00	1.20	161.00	0.64	116.00	1.16	60.00	11.95	0.05	1,000				✓	4.347					
800/992-8327	Vanguard Brokerage Services†	3,000	50.00	1.00	70.00	0.28	145.00	1.45	45.00	25.00	0.10	1,000		✓	✓	✓	4.71					
800/353-9264	Wang Investments		20.00	0.40	20.00	0.08	20.00	0.20	20.00	7.00	0.03	no limit				✓	4.01			50 75		
800/872-3377	Wells Fargo Investments, LLC	1,000	44.95	0.90	44.95	0.18	59.95	0.60	44.95	19.95	0.08	1,000						✓	1.00	✓ 4.62		
800/673-6476	WR Hambrecht + Co.	2,000	24.95	0.50	24.95	0.10	24.95	0.25	24.95	19.95	0.08	3,000		✓	✓	✓	3.63					
800/221-3154	York Securities		40.00	0.80	40.00	0.16	40.00	0.40	40.00	40.00	0.16	na				✓	4.04					
909/657-6655	Zecco.com	2,500	19.99	0.40	19.99	0.08	19.99	0.20	19.99	0.00	0.00	no limit						✓	0.25	✓ 3.75 500		
Average			31.28	0.63	48.41	0.19	57.07	0.57	29.87	14.48	0.06											
Lowest			1.00	0.02	4.95	0.02	4.95	0.05	1.00	0.00	0.00											
Highest			60.00	1.20	195.00	0.78	321.00	3.21	60.00	62.50	0.25											
See page 7 for explanations of the headings.																						

See page 7 for explanations of the headings.

\*Charges \$30 annual maintenance fee on all brokerage accounts.

All firms offer SIPC coverage. Brokers with an  before their name do not insure accounts above the SIPC minimum of \$500,000.

Commissions based on a flat rate appear in bold type.

(continued from page 6)

centage of the total transaction. Sample commissions for broker-assisted trades that are based on a flat-rate comision schedule are bolded.

The trades reflect commissions for exchange-listed stocks; however, some firms charge a different rate for stocks traded over the counter. The minimum commission amount represents the minimum dollar amount charged for any broker-assisted stock trade by the firm.

For brokers that offer on-line trades, we present the commission for a sample

market order trade of 500 shares at \$50 per share, along with its percentage of the total \$25,000 transaction. On-line commissions based on a flat rate are bolded, and the maximum number of shares that can be traded at the flat rate is noted in the next column. On-line commissions may vary for NASDAQ and over-the-counter stocks and orders placed using a non-market order (limit order). Forty-five of the discount brokers listed here offer trading through the Internet.

At the end of the listing, we have indicated the average, the highest, and

the lowest charges and percentages for each trade as a point of comparison.

The sample transactions should give you some basis for comparing the various firms. However, certain discounts as well as additional charges by some firms may not be reflected in these particular examples. Other discounts offered by a few firms include:

- Trades of a large number of shares, for instance over 1,000 shares per transaction.
- Trades of a large dollar volume. A few firms, in fact, offer special accounts for customers who con-

FEES					MARGIN ACCOUNTS		OTHER SECURITIES HANDLED				SERVICES										AVAILABLE AT WEB SITE					
Transfer Account	Register Shares in Name (\$)	Inactive Account (\$)	Low Balance Fee (\$)	Low Balance Threshold	Minimum (\$)	Interest Rate on \$10,000 Debit Balance as of 11/30/07	No-Load Mutual Funds	Exchange-Traded Funds	Bonds	Options	Research		Self-Directed IRA			Dividend Reinvestment Plan Arrangement	Clears Trades Directly	Touch-Tone Phone Trading	Commission Discount	Offers Tax Lot Accounting	Tax Lot Accounting Software/Tools	Download Portfolio Account Info	Free Web Research	Free Real-Time Quotes	Internet Address	
											Standard Research Reports	In-House Analysts	Free Check Writing	Minimum to Open (\$)	Set-Up Fee (\$)											Annual Maintenance Fee (\$)
25	15				2,000	9.00	✓	✓	✓	✓	✓		✓			25	✓			✓		✓*	✓	✓	www.saturna.com	
	50				2,000	9.50	✓	✓	✓	✓	✓		✓	500			✓	✓	✓	✓	✓*	✓*	✓	✓	www.scottrade.com	
60	25	50/yr.			2,000	8.40	✓	✓	✓	✓	✓		✓	1			✓			✓		✓*	✓	✓	www.seaportsecurities.com	
60	25	50/yr.			2,000	8.50	✓	✓	✓	✓	✓		✓				✓		✓	✓	✓		✓		www.statediscountbrokers.com	
50	50				2,500	9.50		✓						na	na	na	✓	✓					✓	✓	www.sogotrade.com	
50	40	50/yr.			2,000	8.25	✓	✓	✓	✓	✓		✓			30	✓	✓				✓*	✓	✓	www.stockcross.com	
35	15		30/yr.	\$50,000*	2,000	9.25	✓	✓	✓	✓			✓	1,000		30	✓		✓	✓	✓	✓*	✓*	✓	✓	www.troweprice.com
25	40				2,000	10.75	✓	✓	✓	✓	✓		✓	500			✓	✓	✓	✓(\$)	✓	✓	✓	✓	✓	www.tdameritrade.com
50	50				2,000	8.20	✓	✓	✓	✓		✓		500			✓			✓	✓	✓	✓	✓	✓	www.thinkorswim.com
50	200				2,000	7.25	✓(\$)	✓	✓	✓			✓				✓						✓	✓	✓	www.trading.com
60	100	60/yr.			2,000	7.50	✓	✓	✓	✓							✓			✓(\$)	✓	✓	✓	✓	✓	www.tradingdirect.com
75					2,000	9.49	✓	✓	✓	✓	✓		✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	www.usaa.com
					3,000	9.25	✓	✓	✓	✓	✓		✓	3,000		10	✓		✓	✓	✓	✓	✓	✓	✓	www.vanguard.com
					2,000	8.30	✓	✓	✓	✓			✓			35	✓					✓*	✓*			www.wangvest.com
50	50	15/qtr.			2,000	9.50	✓	✓	✓	✓	✓			1,000		30	✓	✓	✓	✓	✓	✓	✓	✓	✓	www.wellsfargo.com
75	30	20/yr.			2,000	10.00	✓	✓	✓	✓		✓	✓	2,000		35	✓			✓(\$)		✓	✓			www.wrhambrecht.com
60	25	60/yr.			2,000	8.75	✓	✓	✓	✓	✓		✓			50	✓							✓	✓	www.yorktrade.com
50	50				2,000	7.95	✓(\$)	✓		✓						30	✓				✓(\$)	✓*	✓*	✓	✓	www.zecco.com

Diamond ♦ denotes that fee is waived for active accounts.

See page 7 for explanations of the headings.

\*on-line customers only

- Account balances above a certain dollar amount. Where this discount is offered, the account size and discount are negotiable between the broker and customer. Brokers offering a discount for large accounts are noted by a checkmark in the Account Size column under Commission Discount in the listing.
- Accounts in which frequent trades are made. This type of discount is also usually only offered on a case-by-case basis. Brokers offering a discount for frequent trading

are noted by a checkmark in the Frequent Trades column under Commission Discount.

- Trades made using a touch-tone phone.

In a new twist, Banc of America offers customers with *bank* deposits of \$25,000 or more zero commission for on-line equity trades.

Examples of additional charges that may not be reflected in these examples include:

- Shares that are particularly low priced, such as stocks selling for under \$5 a share.

- A small number of firms levy extra charges for odd lots (any number of shares less than 100—for instance, a sale of 553 shares consists of five round lots of 100 and an odd lot of 53 shares).
- A number of firms levy extra charges for non-market orders such as limit and stop orders. A checkmark in the **Limit Orders Higher** column denotes firms that charge extra for placing limit orders.
- More brokers are charging extra for special handling, such as transferring an account to or from another

broker or registering certificates in the owner's name and mailing it to the owner. These charges are shown in the table under **Fees**. Many brokers charge a fee for accounts that post no activity for a period of time. In the majority of cases, the fee is triggered after an account has been idle for one year; however, some on-line brokers have instituted quarterly or monthly inactivity fees. A few brokers charge a fee when the account balance falls below a certain amount, but in some cases the fee is waived for active accounts.

**Minimum to Open.** Some discounters require a minimum to open an account. This can usually be met by sending the broker either cash or

securities.

**Cash Balances.** Investors want assurance that any cash balances in their accounts are earning interest. Most discount firms sweep cash balances into either an interest-bearing money market fund or bank account until those funds are reinvested. Money market funds usually pay a higher rate of interest than bank accounts, and some brokers that sweep into bank accounts will offer a money market fund alternative if you request it. In the listing, we indicate if a brokerage firm automatically sweeps into a money market fund or an interest-bearing bank account. For brokers that use a bank account as the automatic option, we note whether a money market fund alternative is available. The table also

shows any minimum cash balance that the firm requires before initiating the automatic sweep and the interest rate paid on any balance as of November 30, 2007. [For more on cash sweep accounts, see the box below.]

### Research and Other Services

Price isn't the sole consideration for most individual investors when selecting a discount broker. Other services provided by the firm are also important considerations.

**SIPC Coverage.** All of the firms in the survey have SIPC coverage, which insures (through the Securities Investor Protection Corp.) the securities and cash in customer accounts up to a maximum of \$500,000 per customer.

## Know the Deal on Cash Sweeps

Your money should be working for you even if you are temporarily parked in "cash" at your brokerage firm.

Brokers differ on their cash balance offerings. Some offer to sweep cash balances into money market mutual funds, while others offer sweeps into accounts that are deposited in an affiliated or third-party bank, and some offer several choices.

The primary point to keep in mind is that your brokerage firm has no obligation to seek the highest rates available when it comes to the cash in your sweep account. In fact, your brokerage firm may receive payments for introducing your cash sweep account to a bank, which may, in turn, pay a lower interest rate on your funds.

To protect your investment dollars, the New York Stock Exchange suggests you ask these questions concerning the cash sweep account:

**What choices are available for cash balances?**

You should compare the rates available on common money market instruments, including short-term and long-term money funds, certificates of deposit or Treasury bills and notes, as well as the bank deposit sweep program that may be offered by your brokerage firm. You should also inquire if your brokerage firm offers choices for cash sweeps that include money market alternatives, and compare the benefits of having your cash balances swept to a bank (for instance, possible FDIC insurance coverage) versus the money market alternatives (possibly higher rates).

**Are these introductory rates and, if so, what is the longer-term rate?**

Some firms offer an inducement to sign on to a new program with "tester" rates of limited duration.

**If my funds are being swept into a bank deposit account, whom do I call to gain access to these funds?**

Because some brokerage firms have arrangements with banks that allow recordkeeping to be done by the brokerage firm, the bank may not know the name of individual customers. So, ask your broker or customer service representative—especially when you open the account or at the inception of the bank deposit arrangement.

**How long will it take to obtain my funds?**

The length of time will vary according to your brokerage firm.

**Does my brokerage firm need my consent to move my cash balance from one investment to another?**

Some brokerage firms have contractual language in their customer agreement—that may have been signed before implementation of a new program or changes to an existing program—that gives the firm the authority to adopt or amend the cash sweep plan without further consent from the customer. Often, disclosure of changes to existing plans may be made through newsletters, statement stuffers or similar mass-mailed documents. If you wish to revoke your consent to a bank sweep, talk to your broker or customer service representative.



# SIPC: What Does It Cover?

The Securities Investor Protection Corporation (SIPC) helps customers of failed brokerage firms retrieve their cash and securities. It is a nonprofit group that is overseen by the SEC. All U.S. broker-dealers are required to be members of the SIPC and they provide its funding. When a broker-dealer closes due to insolvency or bankruptcy, the agency works with a federal court to return investor cash and securities.

## SIPC Coverage and Limits

Cash, stocks, bonds, mutual funds and other SEC-registered securities are insured up to \$500,000, including up to \$100,000 for cash.

Investments that are not eligible for SIPC protection include commodity futures contracts and currency, as well as investment contracts (such as limited partnerships) and fixed annuity contracts that are not registered with the SEC.

SIPC insurance does not protect investors against stock market risk or broker fraud (such as deceptive selling). Market risk, of course, is a normal part of trading securities. Fraudulent activity, such as deceptive selling schemes, falls under federal and state securities laws, therefore, the SIPC is not involved.

## What Happens

When a brokerage firm fails that owes customers cash and securities, SIPC usually asks a federal court to appoint a trustee to liquidate the firm and protect the customers.

Typically, the SIPC calculates the value of a customer's account as of the date the SIPC files for court protection, which may be higher or lower, due to market fluctuations, than when the broker actually closed its doors.

When the SIPC steps in, customers get back all securities that already are registered in their name or are in the process of being registered. Then, the remaining customer assets are divided on a pro rata basis, with funds shared in proportion to the size of claims. If sufficient funds are not available in the firm's customer accounts to satisfy the claims, reserve SIPC funds are used to supplement the distribution up to the SIPC coverage limit (\$500,000 per customer, including a maximum of \$100,000 for cash claims).

Wherever possible, the actual stocks and other securities owned by a customer are returned to him or her. SIPC's reserve funds are used, if necessary, to purchase replacement securities (such as stocks) in the open market.

Most customers can expect to receive their property in one to three months. When the records of the brokerage firm are accurate, deliveries of some securities and cash to customers may begin shortly after the trustee receives the completed claim forms from customers, or even earlier if the trustee can transfer customer accounts

to another broker-dealer.

Delays of several months usually arise when the failed brokerage firm's records are not accurate. It also is not uncommon for delays to take place when the troubled brokerage firm or its principals were involved in fraud.

## Your Claim: Keep Good Records!

If your brokerage firm fails, you will need to fill out a claim form, which will include a description of the cash and securities that are owed to you. The court-appointed trustee will compare what you claim against the books and records of the brokerage firm.

SIPC and court-appointed trustees assume that the brokerage firm's records are accurate. However, there are instances of mistakes in brokerage firm records.

For your own protection, it is important to keep copies of trade confirmations, as well as your latest monthly or quarterly statement of account from your brokerage firm. If you ever discover an error in a confirmation or statement, you should immediately bring it to the attention of the brokerage firm in writing, and you should keep a copy of your correspondence. If there is something wrong with the brokerage firm's records of your account, you will have to prove that, or SIPC and the trustee will assume that the firm's records are accurate.

## Checking for SIPC Membership

Keep in mind that SIPC only protects broker-dealer customers as long as the broker-dealer is an SIPC member.

You should be aware that some SIPC members have affiliated or related companies that are not members of SIPC, some of who have names that are similar to the name of the SIPC member. Be sure you receive written confirmation of each securities transaction in your securities account with the SIPC member, and that each confirmation statement and each statement of account is issued by the SIPC member and not by a non-SIPC affiliate.

Note in particular that when you are checking out a broker and asking about SIPC coverage, you must also find out who clears trades for the firm. If your broker does not clear trades directly, ask who the clearing firm is and check on their SIPC membership, since the clearing firm is the entity that actually holds your cash and securities.

To make sure you are dealing with an SIPC member, look for the words "Member SIPC," which appear in all signs and ads of SIPC members.

If you have a question as to whether or not a particular firm is a member of the SIPC, you can call the SIPC Membership Department at 202/371-8300 or visit the SIPC Web site at [www.sipc.org](http://www.sipc.org).

## How to Check Out a Broker

Background checks of individual brokers or brokerage firms should be made by using both the FINRA BrokerCheck and by requesting information from your state securities regulator. The Financial Industry Regulatory Authority (FINRA) regulates brokerage firms and their employees. State disclosure programs may provide additional information on brokers licensed by the state.

You also should check to make sure that your broker is covered by SIPC (Securities Investor Protection Corp.) insurance—for more on this see the box on page 13.

### Financial Industry Regulatory Authority (FINRA)

[www.finra.org](http://www.finra.org)

Under Investor Resources on the right-hand side of the FINRA home page, click FINRA BrokerCheck.

FINRA BrokerCheck provides information on FINRA-registered firms and their brokers that is required to be reported on the approved industry registration and licensing forms. It also includes disciplinary and disclosure information reported by regulators.

### North American Securities Administrators Association (NASAA)

[www.nasaa.org](http://www.nasaa.org)

The NASAA is an association of 50 state securities

agencies. Click on the Contact Your Regulator link on the home page to obtain the address, telephone and Web site of your state regulator. Your state securities regulator can tell you if the broker is properly licensed within your state, can access the central brokerage registration database, and may be able to supply you with additional regulatory action taken under state securities laws.

### Securities Investor Protection Corp. (SIPC)

[www.sipc.org](http://www.sipc.org)

Under Who We Are, click on Member Database to make sure a brokerage firm is an SIPC member.

In addition, all but five of the firms in the survey have purchased additional private insurance protection for their customer accounts; the maximum dollar amount varies among brokers. The firms without additional protection are designated by the symbol [♥] before their names. (See the box on page 13 for more on the SIPC.)

Other services provided by discount brokerage firms vary, and in the listing we have included information on the most popular ones:

- **Margin Accounts:** All the firms in the guide offer margin accounts, which allow you to borrow money from the broker to buy securities. The NYSE and NASD require a deposit of \$2,000 (or 100% of the purchase price of the security, if less) as minimum margin; the listing incorporates this \$2,000 exchange requirement as a minimum and then lists any broker-required minimum. Interest rates charged on margin accounts vary and are shown in the table as the rate on a \$10,000 debit balance as of November 30, 2007.
- **Other Securities Handled.** Most

discount firms offer **no-load mutual funds** for their customers; while many charge a fee for the transaction, many discounters offer a certain number of no-load funds at no charge to the customer. Investors interested in this service should request a list of the funds offered from the discounter, as well as the charges. We indicate if the firm offers no-load mutual funds and we note if a fee is charged on any no-load mutual funds traded. Brokers may also offer securities such as **exchange-traded funds, bonds** and **options** to their customers. These are noted in the listings. If you are interested in these securities, be sure to request a schedule of the appropriate fees.

- **Research.** Some discounters offer research information and investment recommendations on various topics, such as the economy, business conditions, and specific companies. More than half the brokers in our guide offer research supplied by an outside source. The listing indicates which discounters provide standard research

reports such as S&P stock reports or analyst reports. A few discount brokers maintain in-house analysts who perform custom research. Brokers may charge for research information; those that do are noted. Remember to check whether research is available through a broker's Web site for free (noted in the Available at Web Site section of table).

- **Free Check Writing:** Three-quarters of the firms allow you to write personal checks against the cash balance in your brokerage account. This is usually a free service provided by the broker.
- **Self-Directed IRA.** All but one of the firms in the survey offer self-directed individual retirement accounts. IRA accounts can have different minimums than regular accounts at brokerages, so be sure to check the requirements when setting up an IRA. Also, many brokers charge a fee to set up an IRA account and an annual fee to maintain the account. These minimums and fees are noted in the listings.
- **Dividend Reinvestment Plan**

**Arrangement.** Forty-six of the discount brokers will allow an investor to automatically reinvest dividends through the firm. We indicate if the firm offers this arrangement for all dividend-paying stocks; currently, only one of these firms charges a fee for the service.

- **Direct Clearing of Trades.** Some brokerage firms, particularly smaller ones, use other brokers to clear their trades. Some investors feel that firms able to clear their own trades may offer somewhat better execution of trades.
- **Touch-Tone Phone Trading.** One-quarter of the firms offer an electronic option of receiving information and placing trades through the customer's telephone. In most cases, commissions on trades placed using a touch-tone telephone system are discounted (**Commission Discount**), ranging from 11% to 63% below the regular broker-assisted commission rate charged.
- **Tax Lot Accounting.** Some firms are offering better tax-lot accounting tools for their customers. The most

sophisticated programs automatically update the cost basis of positions to reflect wash sales and corporate actions, such as mergers and splits. This leads to accurate capital gains calculations throughout the year and makes it easier for investors to spot and select specific tax lots when buying or selling shares to recognize maximum or minimum gains or losses. Some discount brokerage firms will also allow you to select specific shares when trading on-line.

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### **Web Services**

Discount brokers that maintain a Web site may provide services to customers through the Internet, whether or not they offer on-line trading. Several brokers in our guide offer **tax lot accounting software or tools** on their sites so that customers can track the tax status of trades on their computers. Forty-five of the discounters allow customers to **download portfolio account information** from their sites for use in

software programs. However, several only offer tax lot tools or portfolio downloading to customers who place all their trades on-line; these are footnoted in the listing.

An additional feature of brokers with a presence on the Internet is the availability of research reports on companies. The range of information offered is wide—from current quotes and news headlines to in-depth financial statistics. Some Web sites charge for this information, and others provide it free to customers. **Free Web Research** and **Free Real-Time Quotes** are indicated in the listings where available.

Internet addresses are listed, but trading through the Internet is only available with the 45 brokerage firms that show on-line sample commissions.

More information on on-line brokers, including types of orders that can be placed and portfolio activity details that can be accessed through the Internet, is available in the January/February 2008 issue of AAI's *Computerized Investing* publication. ▲

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*Jean Henrich is managing editor at AAI and Maria Crawford Scott is editor of the AAI Journal. Cara Scatizzi and Alyna Johnson provided research assistance.*