

# A GUIDE TO DISCOUNTERS OFFERING ONE-STOP MUTUAL FUND SHOPPING

By John Markese

If you find all the mutual funds you are interested in under one discount brokerage roof and they are no-transaction-fee funds, the service is hard to beat.

Hook up the Internet to a shopping cart that investors can fill up with mutual funds and you have a hit. That's why discount brokers are rushing to offer no-fee, no-transaction-cost mutual fund supermarkets: This year the survey tallied 28 discount brokers that levy no brokerage fees for buying and selling a select list of mutual funds.

Investors find one-stop shopping for mutual funds, whether on-line or by that old stand-by the telephone, nearly irresistible. You can buy or sell stocks, bonds, and mutual funds from different fund families (including no-load funds)—and more—all through one broker. That means that if you are buying mutual funds, there is no need to contact different fund families to transfer accounts when changing fund holdings. While switching funds within a family is relatively easy and seamless, switching among fund families has significant costs in time and paperwork. With the mutual fund supermarkets, one click or phone call will do it. Purchasing new funds is easy, and although switching may entail some holding period limitations to avoid switch fees, the restrictions are usually reasonable, and the fees incurred are relatively small.

There are some negatives, however.

The most important one is that the discounter may not trade all the funds or fund families that interest you. Also, you will still have to pay loads if the fund itself has a load, as well as switching fees if you switch too often, but that would be true whether you went with a discounter or to the funds directly.

## No-Transaction-Fee Discounters

Table 1 lists the discount brokers that offer no-transaction-fee funds. The number of discount brokers with no-transaction-fee funds is increasing, and the number and mix of funds offered by each firm is growing even more rapidly. This year Scudder Financial Services is at the top of the list with 7,976 no-transaction-fee funds offered.

Another measure of offering depth is the number of different fund families participating in the broker's no-transaction-fee program. Bush Burns leads in no-transaction-fee fund families with 475 choices; second is Waterhouse with 379 no-transaction-fee fund families. Some of these brokers list 500 or more total fund families among those offered both with and without transaction fees.

## The Fees

If you do incur a transaction fee, just how expensive is it? Table 1 lists the minimum transaction fees for each broker; they range from a low of \$20 to a high of \$50. But these discounters also have maximum transaction fees and different break points on steps from the minimum to the maximum charge. Some have a sliding scale as a percentage of the trade value. These discount brokerage firms have brochures and Web pages explaining their mutual fund programs, including transaction fees. All seem to have some unique pricing structures, requirements, minimums, etc. It pays to read the descriptions.

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TABLE 1. THE INDIVIDUAL INVESTOR'S GUIDE TO MUTUAL FUND SUPERMARKETS

Broker	No-Transaction-Fee Funds			Transaction Fee Funds			Minimum Purchase Amt. (\$)	Mutual Fund Switching Within No-Transaction-Fee Network		
	No. of Funds Offered	No. of No-Load Funds Offered	Number of Fund Families	No. of Funds Offered	Number of Fund Families	Transaction Fee (\$)		Minimum Switch Fee (\$)	No. of Free Switches	Free Switching Restrictions
AccuTrade	6,835	614	314	1,403	200	27.00	200		unlimited	6 mos.
Baker & Co.	3,300	160	39	0	0	—	0		unlimited	none
Bidwell & Co.	5,000	900	350	1,000	125	25.00	0		unlimited	90 days
Bull & Bear Securities	396	28	29	400+	79	23.00	2,000	25.00	6	180 days
Bush Burns Securities	5,097	1,020	475	1,075	89	35.00	2,500	35.00	2	6 mos.
Charles Schwab	1,659	1,659	257	1,542	151	39.00	2,500		unlimited	180 days
Discover Brokerage Direct	5,120	811	173	240	14	25.00	2,000		unlimited	30 days
DLJdirect Inc.	5,368	865	97	1,967	312	35.00	1,000		unlimited	6 mos.
Dreyfus Brokerage Services	58	58	1	0	0	—	2,500		unlimited	none
Dreyfus Lion Account	5,302	894	93	3,631	387	35.00	5,000		unlimited	6 mos.
E*Trade Securities	1,100+	900+	100+	3,200+	250+	24.95	0		unlimited	90 days
Fidelity Brokerage Services	900+	900+	140+	3,081	265	28.95	2,500	75.00	1	180 days
Freeman Welwood	1,437	300	80	843	96	34.00	2,000		unlimited	90 days
Investrade	2,000	600	55	2,000	40	29.00	0		unlimited	91 days
Muriel Siebert	5,050	1,001	113	1,200	92	35.00	0		unlimited	3 mos.
Mydiscountbroker.com*	400	400	34	6,600	300	25.00	0		unlimited	5 days
National Discount Brokers	7,919	889	296	1,965	291	20.00	5,000		unlimited	6 mos.
Peremel & Co.	7,500+	1,600+	100+	7,500+	200+	25.00	0		unlimited	none
Quick & Reilly	3,900	330	27	636	56	25.00	0		unlimited**	90 days
Scudder Financial Services	7,976	890	95	2,000	250+	35.00	0	32.00	limited	6 mos.
Shochet Securities	200	40+	140+	100+	40+	50.00	0		unlimited	none
T. Rowe Price Discount	4,522	537	63	596	64	35.00	5,000		unlimited	90 days
Vanguard Brokerage Services	890	890	85	1,800	235	35.00	5,000		limited	1 year
Wachovia Investments	890	890	97	1,963	257	40.00	1,000	75.00	5	6 mos.
Waterhouse Securities	7,760	1,419	379	853	82	24.00	0	24.00	varies	varies
WellsTrade	3,400	450	125+	600	20+	34.95	0		unlimited	90 days
York Securities	3,000	275	211	0	0	—	0		unlimited	30 days
Your Discount Broker	2,000+	500+	93	2,500+	200+	35.00	5,000		unlimited	6 mos.

\* formerly Sovereign Securities

\*\* 10/yr. if held less than 90 days

† primarily an on-line firm; discount does not apply

The minimum purchase amount is usually the higher of the broker-imposed minimum or the fund's minimum. Retirement account minimums are generally less. Payment for no-load funds is usually required the next business day, and for load funds it is within three business days, the same as a stock purchase. But if the brokerage is offering its own funds—Fidelity for example—there may be differences. Again, it is crucial to read and

understand each supermarket's rules.

Switching within the no-transaction-fee network has even more rules unique to each broker, so keep that description handy. Table 1 lists the number of free switches and any minimum switch fees along with how long shares must be held to qualify for a free switch. Most have unlimited free switches, but some restrict the number. Ninety-day and six-month minimum holding periods are common as a free switching

restriction, but not standard.

### On-Line Access and Trading

Table 1 also details the on-line mutual fund services offered by these discount brokers. Discount brokers are encouraging electronic access and trading directly through on-line services and through the Internet. Internet trading is now available for most of these discounters and a few offer discounts for trading on-line.

## On-Line Mutual Fund Services

Trading	Account	Free	Internet	Telephone	Broker
Discount	Balance	Screening	Address	Number	
✓	✓	✓	✓		
			www.accutrade.com	800/494-8946	AccuTrade
			www.bakernyse.com	800/321-1640	Baker & Co.
✓			www.bidwell.com	800/547-6337	Bidwell & Co.
✓	20%		www.ebullbear.com	800/400-6432	Bull & Bear Securities (Midas)
✓		✓	www.bushburns.com	800/821-4803	Bush Burns Securities
✓	20%	✓	www.schwab.com	800/435-4000	Charles Schwab
✓†		✓	www.discoverbrokerage.com	800/688-6896	Discover Brokerage Direct
✓†		✓	www.dljdirect.com	800/825-5723	DLJdirect Inc.
✓			www.edreyfus.com	800/421-8395	Dreyfus Brokerage Services
			www.dreyfus.com	800/843-5466	Dreyfus Lion Account
✓†		✓	www.etrade.com	800/786-2575	E*Trade Securities
✓	25%–70%	✓	www.fidelity.com	800/544-8666	Fidelity Brokerage Services
✓	10%	✓	www.freemanwelwood.com	800/729-7585	Freeman Welwood
✓†		✓	www.investrade.com	888/969-2947	Investrade
✓		✓	www.siebertnet.com	800/872-0666	Muriel Siebert
✓†		✓	www.mydiscountbroker.com	888-882-5600	Mydiscountbroker.com
✓†		✓	www.ndb.com	800/888-3999	National Discount Brokers
✓		✓	www.peremel.com	800/666-1440	Peremel & Co.
✓		✓	www.quick-reilly.com	800/533-8161	Quick & Reilly
✓			www.scudder.com	800/700-0820	Scudder Financial Services
				800/327-1536	Shochet Securities
✓		✓	www.troweprice.com	800/222-7002	T. Rowe Price Discount
✓		✓	www.vanguard.com	800/992-8327	Vanguard Brokerage Services
✓			www.wachovia.com	800-922-9008	Wachovia Investments
✓		✓	www.waterhouse.com	800/934-4443	Waterhouse Securities
✓	20%	✓	www.wellsfargo.com/wellstrade	800-872-3377	WellsTrade
✓			www.yorktrade.com	800/221-3154	York Securities
✓			www.ydb.com	800/800-3215	Your Discount Broker

As noted in the table, some firms do most of their business on-line; in these cases, a discount would not apply.

On-line account data, including portfolio value, transactions, and quotes, is an extremely useful function offered by most discounters. Most also offer mutual fund screening, but the power, depth of data, and flexibility of these on-line tools are usually limited. Free research, when offered, is often summary material but can be useful

for quick first looks and comparisons.

### The Bottom Line: Convenience

If you find all the funds you are interested in under one brokerage roof and they are no-transaction-fee funds, the service is hard to beat. There is a reason these fund supermarkets are popular—simplified paperwork, quick transactions and switches, and a single account statement are all very valuable benefits.

Add to this the on-line features most supermarkets offer and it is easy to explain the interest. For some, convenience and service may be more important than cost, while others will want a pure no-transaction-fee service.

The services, funds, costs, and rules of these programs are all different. Be sure to take the time to study the Web sites or do a brochure-to-brochure comparison before you reach a final decision. ♦