

# DISCOUNT BROKER SHOPPING GUIDE:

## MUTUAL FUND SUPERMARKETS

By John Markese

This year, 30 discount brokers offer selected mutual funds with no transaction fees attached. That means you can buy or sell funds from different families through one broker, saving time and paperwork, and with minimal fees.

Discount brokers have discovered what mutual fund investors want: no-fee, no-transaction-cost mutual fund supermarkets. This year the survey tallied 30 discount brokers that levy no brokerage fees for buying and selling a select list of mutual funds.

Investors are crowding the aisles of mutual fund supermarkets, and for good reason. You can buy or sell mutual funds from different fund families (including no-load funds), 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, a few clicks or one 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 and mix of funds offered by each firm is growing rapidly. This year National Discount Brokers is at the top of the list with 8,211 no-transaction-fee funds offered.

Another measure of the depth of a broker's service is the number of different fund families participating in the broker's no-transaction-fee program. Bidwell & Co. leads in no-transaction-fee fund families with 360 choices; second is Charles Schwab with 341 no-transaction-fee fund families. Many of these brokers list over 400 total fund families both with and without transaction fees; one lists a total of 1,280.

### THE FEES

If you do incur a transaction fee, just how expensive is it? Table 1 lists the minimum transaction fees for each broker, as well as sample fees for \$100,000 and \$10,000 mutual fund purchases. Minimums range from a low of \$9.99 to a high of \$75.00. But these discounters also have maximum transaction fees and different break points in steps from the minimum to the maximum charge. Some have a sliding scale as a percentage of the trade value; some give their brokers discretion to lower the fee for individual customers. 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

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

Broker	No-Transaction-Fee Funds			Transaction Fee Funds					Min. Purchase Amt. (\$)	Swit in NTF
	No-Load			Funds Offered	Fund Families	Min. Trans. Fee (\$)	Fee for \$100,000 Purch. (\$)	Fee for \$10,000 Purch. (\$)		Min. Switch Fee (\$)
	Funds Offered	Funds Offered	Fund Families							
AccuTrade	700	700	134	1,842	343	27.00	27.00	27.00	200	27.00
American Express Brokerage	2,525	956	188	258	14	39.95	39.95	39.95	2,000	39.95
Baker & Co.	3,300	160	39	0	0	na	na	na	0	na
Banc of Amer. Investment Serv.	1,500	1,500	100	1,500	nfs	40.00	260.00	60.00	0	40.00
Bidwell & Co.	5,500	1,000	360	1,000	125	25.00	150.00	40.00	100	25.00
Charles Schwab	3,298	3,298	341	1,211	106	39.00	149.00	69.51	2,500	39.00
CSFBdirect	1,193	912	115	1,471	266	35.00	35.00	35.00	1,000	50.00
Datek Online	3,257	159	78	552	57	9.99	9.99	9.99	0	9.99
Dreyfus Brokerage Services	669	669	67	1,332	132	20.00	20.00	20.00	0	20.00
E*Trade Securities	1,250+	1,250+	125+	3,800+	250+	24.95	24.95	24.95	2,500	24.95
Fidelity Brokerage Services	1,100+	1,100+	165	3,622	286	75.00	75.00	75.00	2,500	75.00
Firstrade Securities	620	620	64	3,314	306	19.95	19.95	19.95	0	19.95
Harris InvestorLine	3,800	600	140	721	105	34.00	34.00	34.00	1,000	25.00
Investrade	2,000	600	55	2,000	40	29.00	29.00	29.00	0	na
Muriel Siebert & Co.	6,572	1,318	142	1,370	260	35.00	35.00	35.00	0	35.00
Mydiscountbroker.com	400	400	34	6,600	300	25.00	25.00	25.00	0	1.50
National Discount Brokers	8,211	886	300	2,117	300	20.00	20.00	20.00	0	51.00
NetVest	200+	400+	25+	0	0	na	na	na	0	nfs
Peremel & Co.	7,500+	1,600+	100+	7,500+	200+	25.00	75.00	35.00	0	na
Quick & Reilly	589	589	61	1,109	231	25.00	149.00	70.00	0	25.00
Scottrade	1,594	1,423	155	0	0	na	na	na	0	17.00
Sherry Bruce's State Disc. Brok.	611	0	52	8,000	210	25.00	25.00	25.00	0	na
Strong Investments	590	0	53	1,109	90	30.00	30.00	30.00	0	na
TD Waterhouse Securities	1,437	1,437	230	1,203	119	24.00	24.00	24.00	0	24.00
The Financial Café	500	200	80	4,000	1,200	13.75	13.75	13.75	2,000	13.75
USAA Brokerage Services	835	607	60	662	32	40.00	149.00	50.00	2,000	40.00
Vanguard Brokerage Services	945	945	102	1,700	200	35.00	35.00	35.00	5,000	50.00
Wachovia Investments	706	706	91	1,524	266	40.00	245.00	50.00	1,000	75.00
York Securities	5,000	3,000	317	0	0	na	na	na	0	nfs
Your Discount Broker	1,130	938	104	10,670	482	35.00	35.00	35.00	5,000	50.00

na = not applicable

nfs = no figure supplied

read the descriptions.

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-transac-

tion-fee network has even more rules unique to each broker, so keep that description handy. Table 1 lists any minimum switch fees along with how long shares must be held to qualify for a free switch. 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 the Internet. Internet trading is now available for all but one of these discounters and a few offer discounts for trading on-line.

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 reports, when offered, are often summary material but can be useful

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Network

Restrictions for Free Switching	On-Line Mutual Fund Services				Internet Address	Telephone Number
	Trading Discount	Screening Funds	Data Points	Free Fund Reports*		
6 mos.	none	9,500	11	L	www.accutrade.com	800/494-8946
180 days	none	2,783	5	S	www.americanexpress.com/trade	800/297-8800
none	no on-line trading	na	na	none	www.bakernyse.com	800/321-1640
90 days	10%	352	25	S	www.bankofamerica.com/investments	800/926-1111
90 days	none	13,000	19	L, M, S, V	www.bidwell.com	800/547-6337
180 days	20%	10,000	11	M	www.schwab.com	800/435-4000
6 mos.	none	11,001	9	L, S, T	www.csfbdirect.com	800/825-5723
90 days	none	nfs	12	S	www.datek.com	888/463-2835
180 days	20%	8,248	29	T	www.edreyfus.com	800/421-8395
30 days	none	5,200	104	M	www.etrade.com	800/786-2575
180 days	none	4,500	3	M	www.fidelity.com	800/544-8666
30 days	none	10,000+	17	V	www.firstrade.com	800/869-8800
90 days	26%	11,146	14	L, T	www.harrisinvestorline.com	800/729-7585
none	none	6,000+	10	M	www.investrade.com	800/498-7120
90 days	none	13,019	10	M, S	www.siebertnet.com	800/872-0666
5 days	none	10,000+	26	none	www.mydiscountbroker.com	888/882-5600
6 mos.	none	10,000+	27	V	www.ndb.com	800/888-3999
90 days	none	na	na	none	www.netvest.com	800/961-1500
none	none	3,000	50	M	www.peremel.com	800/666-1440
180 days	none	11,000+	73	none	www.quickandreilly.com	800/837-7220
90 days	none	7,500	44	V	www.scottrade.com	800/619-7283
none	none	na	na	M	www.statediscountbrokers.com	800/222-5520
none	20%	5,000	13	L, S, V	www.strong.com	800/368-1550
varies	none	5,030	5	M, S	www.tdwaterhouse.com	800/934-4448
90 days	none	6,681	14	M	www.thefinancialcafe.com	877/600-6410
90 days	15%	6,300	15	V	www.usaa.com	800/531-8144
1 year	none	2,600	7	M	www.vanguard.com	800/992-8327
6 mos.	none	6,000+	15	M	www.wachovia.com	800/922-9008
30 days	none	na	na	none	www.yorktrade.com	800/221-3154
6 mos.	20%	na	na	L	www.ydb.com	800/800-3215

\* Reports Key: L = Lipper, M = Morningstar, S = Standard & Poor's, T = Thomson, V = Value Line

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 find more value in a pure no-transaction-fee service.

The services, funds, costs, and rules of these supermarket 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 decision. ♦

### For More Information

To find out more about these and other discount brokers, visit our Web site at [www.aaii.com](http://www.aaii.com). In the **Special Reports** section on the right-hand side of the home page, you'll find a link to our annual **Discount Broker Survey**.

- See how stock commissions stack up
- Compare the services offered
- Check member ratings of individual brokers
- Add your opinion of discounters you've tried