MUTUAL FUND SUPERMARKETS: ONE-STOP SHOPPING AT LOW COST

By John Markese

This year's survey found 26 discount brokers that offer hundreds of no-load mutual funds from different fund families with no brokerage fees for buying and selling.

Individual investors are filling their shopping carts with mutual funds. And discount brokers are rushing to offer no-fee, no-transaction-cost mutual fund supermarkets: This year the survey tallied 26 discount brokers that levy no brokerage fees for buying and selling a select list of mutual funds.

Investors find one-stop shopping at no cost for mutual funds nearly irresistible. You can buy or sell stocks, bonds, and mutual funds from different 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 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. Most discounters are also computer-accessible, with many offering on-line trading and, increasingly, access through the Internet.

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 Dreyfus is at the top of the list with 7,015 no-transaction-fee funds offered.

Beyond the no-load/load differences, 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-load fund families with 475 choices; second is AccuTrade with 288 no-load 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 explaining their mutual fund programs, including transaction fees. All seem to have some unique pricing structures,

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

	No-Transaction-Fee Funds			Transaction Fee Funds				Mutual Fund Switching Within No-Transaction-Fee Network		
Broker	No. of Funds Offered	No. of No-Load Funds Offered	Number of Fund Families	No. of Funds Offered	Number of Fund Families	Minimum Trans-action Fee ($)	Minimum Purchase Amt. ($)	Minimum Switch Fee ($)	No. of Free Switches	Free Switching Restrictions
AccuTrade	5,120	638	288	1,080	198	27.00	200		unlimited	6 mos.
American Express Fin'l Advs	217	217	11	0	0	—	2,000		unlimited	90 days
Baker & Co.	3,300	160	39	0	0	—	0		unlimited	none
Bidwell & Co.	4,000	600	280	500	100	25.00	0		unlimited	90 days
Bull & Bear Securities	1,306	8	3	250	45	23.00	0		unlimited	30 days
Bush Burns Securities	5,097	1,020	475	1,075	89	35.00	2,500		unlimited	6 mos.
Charles Schwab	1,452	1,452	212	1,542	151	39.00	2,500		unlimited	90 days
Discover Brokerage Direct	3,000	478	47	145	15	25.00	0	25.00	7/mo.	30 days
DLJdirect Inc.	4,589	716	191	1,045	184	35.00	5,000		unlimited	6 mos.
Dreyfus Lion Account	7,015	795	88	3,631	438	35.00	5,000		unlimited	6 mos.
E*Trade Securities	500+	500+	46	350+	32	24.95	0		unlimited	90 days
Fidelity Brokerage Services	820+	820+	110+	2,426	217	28.95	2,500	28.95	4	6 mos.
Freeman Welwood	1,279	246	92	745	90	34.00	2,000		unlimited	90 days
Investrade	2,500	600	85	1300	88	29.00	1,000		unlimited	90 days
Jack White & Company	1,312	1,312	205	4,728	410	27.00	0	27.00	14	90 days
Muriel Siebert	5,050	1,001	113	1,200	92	35.00	5,000		unlimited	1-9 mos.
National Discount Brokers	5,534	790	84	2,305	100	20.00	5,000		unlimited	6 mos.
NationsBanc	3,978	352	30	1,522		40.00	0		unlimited	90 days
Quick & Reilly	3,900	330	27	636	56	25.00	0		unlimited	90 days*
Scudder Brokerage Services	6,570	800	87	1,581	250+	35.00	0	32.00	2	6 mos.
Shochet Securities	200	40+	140+	100+	40+	50.00	0		unlimited	none
T. Rowe Price Discount	3,896	417	48	498	47	35.00	5,000		unlimited	90 days
USAA Brokerage Services	400	400	42	400	17	35.00	1,000		unlimited	90 days**
Vanguard Brokerage Services	87	87	1	397	25	35.00	0	***	2	30 days
Waterhouse Securities	5,897	1,010	250	835	91	25.00	0	25.00	varies	varies
York Securities	3,000	275	211	0	0	—	0		unlimited	30 days

** 10/year if held less than 90 days*
*** 6/year if held less than 90 days*
**** Does not allow more than 2 switches.*

requirements, minimums, etc. It pays to get the brochures and read them.

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 the brochure.

Switching within the no-transaction-fee network has even more rules unique to each broker, so keep that brochure 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 account access capabilities of these discount brokers. Discount brokers are increasingly offering and encouraging electronic access and trading directly through on-line services and

On-Line Mutual Fund Services

Trading	Trading Discount	Account Balance	Screening	Free Research	Internet Address	Telephone Number	Broker
✔		✔	✔	✔	www.accutrade.com	800/494-8946	AccuTrade
✔		✔		✔	www.americanexpress.com/direct	800/297-8800	American Express Fin'l Advs
	na				www.bakernyse.com	800/321-1640	Baker & Co.
✔		✔		✔	www.bidwell.com	800/547-6337	Bidwell & Co.
✔	10%	✔		✔	www.bullbear.com	800/847-4200	Bull & Bear Securities
✔		✔	✔		www.bushburns.com	800/821-4803	Bush Burns Securities
✔	10%-20%	✔	✔	✔	www.schwab.com	800/435-4000	Charles Schwab
✔		✔	✔	✔	www.discoverbrokerage.com	888/543-9194	Discover Brokerage Direct
✔		✔	✔	✔	www.dljdirect.com	800/825-5723	DLJdirect Inc.
	na				www.dreyfus.com	800/843-5466	Dreyfus Lion Account
✔		✔	✔	✔	www.etrade.com	800/786-2575	E*Trade Securities
✔	20%	✔	✔	✔	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
✔	11%	✔	✔	✔	www.jackwhiteco.com	800/233-3411	Jack White & Company
✔		✔	✔	✔	www.msiebert.com	800/872-0666	Muriel Siebert
✔		✔	✔	✔	www.ndb.com	800/888-3999	National Discount Brokers
✔		✔		✔	www.nationsbank.com	800-926-1111	NationsBanc
✔		✔	✔	✔	www.quick-reilly.com	800/533-8161	Quick & Reilly
✔		✔			brokerage.scudder.com	800/700-0820	Scudder Brokerage Services
	na					800/327-1536	Shochet Securities
	na	✔			www.troweprice.com	800/638-5660	T. Rowe Price Discount
✔			✔			800/531-8343	USAA Brokerage Services
	na		✔	✔	www.vanguard.com	800/992-8327	Vanguard Brokerage Services
✔		✔	✔	✔	www.waterhouse.com	800/934-4443	Waterhouse Securities
✔		✔			www.yose.com	800/221-3154	York Securities

through the Internet. Internet trading is now available for most 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. Some 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 some 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. ✦