



The Individual Investor's Guide to Mutual Fund Supermarkets

By John Markese

The number of mutual fund supermarkets have shot up, along with the funds offered, faster than the stock market. Why? More discount brokers are offering a no-fee, no-transaction-cost mutual fund supermarket and even more are planning to join the club: This year the survey has tallied 24 discount brokers that levy no brokerage fees for the funds sold, compared to 15 last year.

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 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-transac-

tion-fee funds is increasing rapidly and the number and mix of funds offered by each firm is growing even more rapidly. This year, for example, Scudder is at the top of the list with 5,360 no-transaction-fee funds offered, up from National Discount Broker's topper of 4,060 in the 1996 survey.

An important breakdown of the number of no-transaction-fee funds offered is the no-load/low-load versus loaded funds tally. For example, while Jack White & Co. offers fewer total funds, 4,997, for no transaction fee than Scudder, 1,135 of its no-transaction-fee funds are no-load or low-load, the most no-load/low-load fund choices available.

A second measure of offering depth is the number of different fund families participating in the broker's no-transaction-fee program. Jack White leads in no-load/low-load fund families with 185 choices; second is Charles Schwab with 136 no-load and low-load fund families. Some of these brokers list around 400 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 \$45. Fidelity Brokerage Service has a very tight range—minimum \$28, maximum \$35 reached at just over \$2,000. Jack White charges a minimum \$27 and then raises the charge in two more steps to a maximum \$50 for transactions over \$25,000. Charles Schwab uses a traditional brokerage approach and has a minimum of \$39 per trade and then a sliding scale percentage of the trade value. For a \$100,000 transaction, Fidelity's charge is \$35, Jack White's charge is \$50, and Schwab's is \$275. Most of these discount brokerage firms have brochures explaining their mutual fund programs, including transaction fees. All seem to have some unique pricing structures, requirements, minimums, etc. It pays to get the brochures and read them.

The minimum transaction amount is usually the higher of the broker-imposed minimum or the fund's minimum. Re-

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Table 1
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Phone Number	Broker	No-Transaction-Fee Funds				Transaction Fee Funds		Fee & No-Fee Funds		Broker Minimum Purchase Amt. (\$)	Mutual Fund Minimum Switch Fee (\$)
		Total No. of Funds Offered	No. of Load Funds	No. of No-Load/Low-Load Funds	No. of No-Load/Low Load Families	Total No. of Funds Offered	Minimum Transaction Fee (\$)	Total No. of Funds Offered	Total No. of Families Offered		
800/494-8946	AccuTrade	4,955	4,336	619	109	1,252	27.00	6,207	496	200	27.00
800/297-8800	American Express	557	331	226	12	0	—	557	19	2,000	40.00
800/368-3668	Aufhauser (K.) & Co.	4,786	4,271	515	134	1,258	34.00	6,044	493	0	34.00
800/221-2111	Barry Murphy & Co.	4,009	3,398	611	89	991	25.00	5,000	325	0	25.00
800/547-6337	Bidwell & Co.	660	375	285	36	440	25.00	1,100	175	0	25.00
800/847-4200	Bull & Bear Securities	1,306	1,300	6	3	250	23.00	1,556	160	0	none
800/435-4000	Charles Schwab	1,170	83	1,087	136	1,024	39.00	2,194	288	2,500	39.00
800/688-6896	Discover Brokerage**	3,667	3,274	393	55	209	25.00	3,876	155	500	25.00
800/843-5466	Dreyfus	4,007	3,393	614	67	2,112	35.00	6,119	375	5,000	50.00
800/544-8666	Fidelity Brokerage Services	2,924	2,150	774	100	399	28.00	3,323	300	2,500	28.00
800/233-3411	Jack White & Company	4,997	3,862	1,135	185	717	27.00	5,714	387	0	27.00
800/252-0090	Kennedy, Cabot & Co.	4,060	3,800	260	28	261	25.00	4,321	152	0	25.00
800/872-0711	Muriel Siebert	4,315	3,650	665	60+	1,085	39.50	5,400	325	5,000	39.50
800/888-3999	National Discount Brokers	5,228	4,617	611	67	1,315	20.00	6,543	484	5,000	51.00
800-926-1111	NationsBank	3,978	3,600	378	31	1,522	40.00	5,500	300	0	40.00
800/825-5723	PC Financial Network	4,953	4,336	617	61	1,162	35.00	6,115	364	1,000	20.00
800/248-5008	PT Discount Brokerage	2,800	2,510	290	19	0	—	2,800	128	5,000†	35.00
800/533-8161	Quick & Reilly	1,722	1,427	295	27	281	25.00	2,003	150	2,000†	25.00
800/700-0820	Scudder	5,360	4,721	639	70	1,359	35.00	6,719	395	0	50.00
800/638-5660	T. Rowe Price Discount	3,624	3,149	475	50	360	35.00	3,984	154	5,000	35.00
800/531-8343	USAA Brokerage Services	2,774	2,474	300	72	426	45.00	3,200	150	2,000	none
800/992-8327	Vanguard Discount	83	0	83	1	402	35.00	485	25	0	none
800/934-4443	Waterhouse Securities	3,724	2,903	821	103	527	25.00	4,251	230	0	25.00
800/221-3154	York Securities	2,082	1,438	644	37	0	—	2,082	180	0	70.00

*This list is not exhaustive; brokers who did not supply information could not be included.

†applies to no-load/low-load no-transaction-fee network of funds only.

**formerly Lombard Institutional

irement 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-load/low-load, 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. Ninety-day minimum holding periods are common, 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 such as America Online, CompuServe, and Prodigy, and through the Internet. The software is sometimes free, sometimes not, and often discounted or waived for active accounts. Internet trading is now available for half of these discounters and many offer discounts, commonly 10%, for trading through the Internet or for using proprietary software. As expected, system require-

e 1. to Mutual Fund Supermarkets*

Mutual Fund Switching Within No-Load/Low-Load

No-Transaction-Fee Network			On-Line Mutual Fund Trading							Internet Address	Broker
m n)	No. of Free Switches	Free Switching Requirements	Software Option	On-Line Service Access	Internet Trading	On-Line Trading Discount	View Account Balance	Perform Screening	Free Research		
	unlimited	Shares held more than 6 mos.	✓	A	✓		✓	✓	✓	http://www.accutrade.com	AccuTrade
	unlimited	Shares held more than 90 days			✓		✓		✓	http://americanexpress.com/direct	American Express
	unlimited	Shares held more than 6 mos.			✓	10% (I)	✓			http://www.aufhauser.com	Aufhauser (K.) & Co.
	unlimited	Shares held more than 90 days								—	Barry Murphy & Co.
	unlimited	Shares held more than 90 days	✓		✓		✓		✓	http://www.bidwell.com	Bidwell & Co.
	unlimited	1% fee if held less than 30 days	✓			20% (S)	✓		✓	http://www.bullbear.com	Bull & Bear Securities
	unlimited	Shares held more than 90 days	✓	A, C	✓	20% (I); 10% (S)	✓	✓	✓	http://www.schwab.com/funds	Charles Schwab
	7/mo.	Shares held more than 3 days			✓		✓	✓	✓	http://www.lombard.com	Discover Brokerage
	unlimited	Shares held more than 6 mos.								http://www.dreyfus.com	Dreyfus
	4	Shares held more than 6 mos.	✓		✓	25% (I & S)	✓	✓	✓	http://www.fidelity.com	Fidelity Brokerage Services
	14	Shares held more than 90 days	✓		✓	10% (I & S)	✓			http://www.jackwhiteco.com	Jack White & Company
	unlimited	Share held more than 45 days								—	Kennedy, Cabot & Co.
	unlimited	Required holding period varies	✓			10% (S)	✓			http://www.msiebert.com	Muriel Siebert
	unlimited	Shares held more than 6 mos.								http://ndb.com	National Discount Brokers
	unlimited	Shares held more than 90 days								—	NationsBank
	unlimited	Shares held more than 6 mos.		A, P, C	✓		✓	✓	✓	http://www.pcfm.com	PC Financial Network
	4	Shares held more than 180 days								http://www.ptdiscount.com	PT Discount Brokerage
	unlimited	10/yr. if held less than 90 days	✓		✓		✓	✓	✓	http://www.quick-reilly.com	Quick & Reilly
	2	Shares held more than 6 mos.								—	Scudder
	unlimited	1% fee if held less than 90 days	✓	A	✓		✓		✓	http://www.troweprice.com	T. Rowe Price Discount
	unlimited	1% fee if held less than 90 days	✓				✓	✓	✓	—	USAA Brokerage Services
	2	Vang. funds only; limit 2 exch/yr.								http://www.vanguard.com	Vanguard Discount
	4	4/yr. if held less than 6 mos.	✓	A	✓		✓			http://www.waterhouse.com	Waterhouse Securities
	unlimited	Shares held more than 30 days	✓				✓			http://www.yose.com	York Securities

On-line abbreviations: A = America Online; P = Prodigy; C = CompuServe; I = Internet; S = Software

ments for the software vary.

On-line account data, including portfolio value, transactions, and quotes, is an extremely useful function, but not offered by all. Some discounters also offer mutual fund screening, but the power, depth of data, and flexibility of these programs is 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 or 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 do a brochure-to-brochure comparison before you reach a final decision. 