An Individual Investor's Guide to Discount Brokerage Firms

By The AAII Staff

Individual investors are the prime beneficiaries of the growth of the discount brokerage industry. Competition among the discounters has kept trading costs down, and new products and services are continuously being introduced.

That growth, of course, also means there are many more firms to choose among. To make the selection somewhat easier, AAII has put together a listing of discount brokerage firms, including examples of a range of commission charges, and some of the major services they offer.

Commissions

The stock commissions charged by discount brokerage firms vary widely. Unfortunately, firms structure their rates using various formulas. For instance, some rates are based on the dollar value of the transaction, some are based on the number of shares, some use a combination, and some simply provide a table that lists the prices for various transactions without providing any formulas.

This makes generalized comparisons impossible. Some firms will be cheaper for some kinds of trades, and more expensive for others.

In the listing, we have presented three trades that cover a range of trades for exchange-listed stocks that the typical individual investor may make: a modest trade of a higher-priced stock (100 shares at $50 per share, a $5,000 transaction); a large transaction (500 shares at $50 per share, a $25,000 transaction); and a modest trade of a low-priced stock (1,000 shares at $5 per share, a $5,000 transaction); the table presents the commission that each firm would charge for those three representative trades.

The minimum dollar amount represents the minimum amount charged for any trade by the firm.

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The trades reflect commissions for exchange-listed stocks, although most of the firms charge the same rate for stocks traded over the counter; a few, however, do not.

At the bottom of the listing, we have indicated the average charge for each trade as a point of comparison.

The three transactions should give you some basis for comparing the various firms. However, certain discounts and charges by some firms may not be reflected in these particular examples. Examples of further 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. Several firms, in fact, offer special accounts for customers who consistently trade in large volume; these are noted in the listings by a double asterisk.
- Trades made using a computer or touch-tone phone to place the order.

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

- Shares that are particularly low-priced, such as those 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 includes an odd lot of 53 shares).
- A small number of firms (indicated by an asterisk in the listing) levy extra charges for non-market orders, such as limit and stop orders. (A market order is an order to buy or sell at the best price available at the time the order is received.)

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. We have listed four of the most popular ones in the listing. They include:

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Telephone	Brokerage Firm	Commission ($) 100 Shares at $50 per share ($5,000)	500 Shares at $50 per share ($25,000)	1,000 Shares at $5 per share ($5,000)	Minimum ($)	Other Services (see key on opposite page)
800/221-5873	Andrew Peck Assoc.	48.00	72.50	90.00	50.00	SIPC; Sweep; NLMF; IRA
800/221-5873	Andrew Peck Assoc. "Savings in Size"**	100.00	100.00	100.00	100.00	SIPC; Sweep; NLMF; IRA
800/328-4076	Arnold Securities	35.75	130.16	69.85	35.00	SIPC; Interest ($2,000+); IRA
800/634-4935	Atlantic Discount Brokerage	60.00	135.00	60.00	40.00	SIPC+; Sweep; NLMF; IRA
800/368-3668	Aufhauser (K.) & Company	24.99	41.99	53.00	24.99	SIPC+; Sweep; NLMF; IRA
800/368-3668	Aufhauser (K.) & Company**	42.00	42.00	42.00	42.00	SIPC+; Sweep; NLMF; IRA
800/262-8739	Aurex Financial Corp	60.00	60.00	60.00	60.00	SIPC+; Sweep; NLMF; IRA
800/321-1640	Baker & Co.	40.00	80.00	55.00	40.00	SIPC+; Sweep; IRA
800/221-2111	Barry Murphy & Company	32.50	62.50	60.00	25.00	SIPC+; Sweep; NLMF; IRA
800/547-6337	Bidwell & Company	29.00	65.00	62.50	20.00	SIPC; Sweep; NLMF; IRA
800/776-6061	Brown & Company	28.00	40.00	55.00	28.00	SIPC+; Interest ($1,000+); IRA
800/899-6878	Bruno, Stolze & Company	45.00	130.00	75.00	35.00	SIPC+; Sweep; NLMF; IRA
800/262-5800	Bull & Bear Securities	44.00	124.00	70.40	31.00	SIPC; Sweep; NLMF; IRA
800/621-0392	Burke Christensen & Lewis Securities	34.00	120.00	70.00	34.00	SIPC+; Interest ($1,500+); IRA
800/999-3699	Calvert Securities Corp.	50.00	149.50	80.00	45.00	SIPC; Sweep; NLMF; IRA
800/442-5111	Charles Schwab	55.00	155.00	90.00	39.00	SIPC; Sweep; NLMF; IRA
800/222-0124	CoreStates Securities Corp.	70.00	160.00	70.00	35.00	SIPC; Sweep; NLMF; IRA
813/586-3541	Downstate Discount Brokerage	46.00	118.50	65.00	39.00	SIPC; Interest ($500+); NLMF; IRA
800/544-6565	Fidelity Brokerage Services	54.00	154.50	88.50	38.00	SIPC+; Sweep; NLMF; IRA
800/526-7486	First Institutional Securities Corp.	68.00	137.00	68.00	45.00	SIPC; Sweep; IRA
800/228-3011	First Nat'l Brokerage Services*	31.00	110.00	67.00	31.00	SIPC+; Sweep ($1,000+); NLMF; IRA
800/228-3011	First Nat'l Brokerage Direct Service*	48.00	48.00	48.00	48.00	SIPC+; Sweep ($1,000+); NLMF; IRA
800/326-4434	First Union Brokerage Services	45.00	140.00	90.00	40.00	SIPC; Sweep, IRA
800/221-8210	Fleet Brokerage Securities	46.20	135.55	67.77	37.00	SIPC+; Sweep; NLMF; IRA
800/729-7585	Freeman Welwood & Co.	45.00	145.00	70.00	34.00	SIPC; Interest ($500+.); NLMF; IRA
800/634-8518	Icahn & Co.	50.00	75.00	60.00	40.00	SIPC+; Sweep; IRA
800/247-3396	J.D. Seibert & Company	49.00	140.00	75.00	49.00	SIPC+; Sweep; NLMF; IRA
800/233-3411	Jack White & Company	36.00	48.00	63.00	33.00	SIPC+; Sweep; NLMF; IRA
800/678-2626	Kashner Davidson Securities	50.00	160.00	75.00	45.00	SIPC+; Sweep; NLMF; IRA
800/252-0090	Kennedy, Cabot & Co.	35.00	35.00	50.00	35.00	SIPC+; Sweep; IRA
800/688-3462	Lombard Institutional Brokerage	34.00	34.00	34.00	34.00	SIPC+; Sweep; NLMF; IRA
800/221-3305	Marquette de Bary Co.	42.90	146.43	69.85	20.00	SIPC+; Sweep; IRA
800/366-1500	Marsh Block & Co.	33.24	129.95	33.24	25.00	SIPC+; Sweep; NLMF; IRA
800/223-6642	Max Ule	57.00	195.00	70.00	35.00	SIPC+; Interest ($1,000+); NLMF; IRA
800/872-0711	Muriel Siebert & Co. "Value Rates"	45.00	113.00	57.00	37.50	SIPC+; Sweep; NLMF; IRA
800/872-0711	Muriel Siebert & Co. "Share Rates"**	75.00	75.00	75.00	75.00	SIPC+; Sweep; NLMF; IRA
800/472-7227	New England Investment Enterprises	115.00	325.00	115.00	50.00	SIPC+; Sweep; NLMF; IRA
800/872-6533	Olde Discount Stockbrokers	40.00	100.00	52.50	20.00	SIPC+; Sweep; IRA
800/221-1660	Pace Securities	40.00	75.00	70.00	40.00	SIPC+; Sweep; IRA
800/221-1660	Pace Securities PaceSetter Account**	70.00	70.00	70.00	70.00	SIPC+; Sweep; IRA
800/421-8395	Pacific Brokerage Services	25.00	42.00	53.00	28.00	SIPC+; Sweep; IRA
800/772-4400	People's Securities	40.00	131.00	69.00	38.00	SIPC+; Sweep; NLMF; IRA
800/666-1440	Peremel & Co.	40.00	70.00	100.00	40.00	SIPC+; Sweep; NLMF; IRA
800/247-2752	ProVest	40.00	95.00	145.00	40.00	SIPC; Sweep; IRA
800/221-5220	Quick & Reilly	49.00	119.50	60.50	37.50	SIPC+; Sweep; IRA
800/221-8514	R.F. Lafferty & Co.	50.00	62.50	70.00	50.00	SIPC+; Interest ($2,000); IRA
800/328-8600	Recom Securities	39.00	163.00	75.00	35.00	SIPC+; Sweep; IRA
800/631-1635	Richard Blackman & Co.	43.00	98.00	60.00	25.00	SIPC+; Sweep; NLMF; IRA

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Telephone	Brokerage Firm	Commission ($) 100 Shares at $50 per share ($5,000)	500 Shares at $50 per share ($25,000)	1,000 Shares at $5 per share ($5,000)	Minimum ($)	Other Services (see key below)
800/242-1523	Robert Thomas Securities	60.00	155.00	110.00	35.00	SIPC+; Sweep; NLMF; IRA
800/676-1848	Rodecker & Co. Investment Brokers	72.50	247.50	132.50	50.00	SIPC+; Sweep; IRA
800/488-5195	Royal Grimm & Davis	40.00	75.00	70.00	30.00	SIPC+; Sweep; IRA
718/448-2900	Russo Securities	50.00	75.00	100.00	50.00	SIPC; Sweep; NLMF; IRA
918/582-0110	S.C. Costa Company	46.00	139.00	76.50	38.00	SIPC; Sweep; IRA
800/283-1950	Scottscale Securities	29.00	55.00	65.00	30.00	SIPC; Interest
800/732-7678	Seaport Securities Corp.	34.00	50.00	80.00	34.00	SIPC+; Sweep; NLMF; IRA
800/327-3156	Securities Research Inc.	45.00	115.00	95.00	35.00	SIPC+; Sweep; NLMF; IRA
800/582-8585	Shareholder Services Corp.	40.00	52.00	67.00	37.00	SIPC+; Sweep; NLMF; IRA
800/221-4242	Shearman, Ralston Inc.	40.00	110.00	105.62	40.00	SIPC+; Sweep; NLMF; IRA
800/327-1536	Shochet Securities	63.00	150.00	95.00	40.00	SIPC+; Sweep; IRA
800/695-4220	Spear Rees & Co.	48.00	145.00	75.50	38.00	SIPC; IRA
800/726-7401	St. Louis Discount Securities*	32.00	64.00	62.40	37.00	SIPC; Interest; IRA
800/421-6563	Stock Mart (The)	35.75	162.70	62.87	30.00	SIPC+; Sweep; IRA
800/225-6196	StockCross*	33.50	67.50	110.00	25.00	SIPC; Sweep ($3,000+); IRA
800/225-7720	T. Rowe Price Discount Brokerage	46.00	134.00	75.00	35.00	SIPC; Sweep; IRA
800/669-4483	Thomas F. White & Co.	65.00	130.00	65.00	35.00	SIPC; Sweep; IRA
800/522-3000	Tradex Brokerage Service	35.00	95.00	75.00	25.00	SIPC+; Sweep ($1,000+); IRA
800/962-5489	Tuttle Securities	65.00	195.00	115.00	40.00	SIPC; Sweep; NLMF; IRA
800/426-8106	Voss & Co.	53.63	162.70	104.78	38.50	SIPC+; Sweep; NLMF; IRA
800/221-7990	Wall Street Discount Corp.	35.00	62.50	60.00	35.00	SIPC+; Interest; IRA
800/934-4410	Waterhouse Securities	35.00	111.74	54.72	35.00	SIPC+; Sweep; NLMF; IRA
800/223-5023	Whitehall Securities Inc.	50.00	62.50	125.00	50.00	SIPC+; Interest ($2,000+); IRA
800/221-3154	York Securities	35.00	70.00	45.00	35.00	SIPC+; Sweep; NLMF; IRA
800/433-5132	Young, Stovall and Company	50.00	136.00	78.00	38.00	SIPC; Sweep; IRA
	Average	**46.85**	**109.32**	**74.44**		
	Highest	**115.00**	**325.00**	**145.00**		
	Lowest	**24.99**	**34.00**	**33.24**		

**Non-market orders are higher*
***High volume rates*

The commissions represent charges on exchange-listed shares for market orders only. Most firms do not charge different rates for over-the-market stocks, but a few do. Confirm all charges and services with firms before making final decisions.

Key to Other Services

SIPC: Provides insurance for securities and cash in customer accounts up to $500,000 through the Securities Investor Protection Corp.

SIPC+: Provides insurance coverage beyond $500,000 for customer accounts at no extra charge.

Interest: Pays interest on customers' cash balances. Amounts in parentheses, if any, indicate minimum amount above which interest is paid. If a discount firm offers a sweep account, we do not include information on cash balance interest.

Sweep: Automatically invests cash balances in an interest-bearing money market fund until those funds are reinvested. Money market funds usually pay a higher rate of interest than cash balance accounts that simply earn interest.

NLMF: No-load mutual funds can be purchased through the firm. Note that some firms charge for this, others do not. In addition, the number of funds available varies from firm to firm; check with the firm for a listing of available funds.

IRA: Self-directed Individual Retirement Accounts can be set up with the firm. The charges for maintaining an IRA varies among the firms.

• SIPC coverage. The Securities Investor Protection Corp. insures the securities and cash in customer accounts up to a maximum of $500,000 per customer. All of the firms listed here provide this minimum protection. Some firms have purchased additional protection for their customer accounts; if the firm provides extra coverage at no extra charge, we have indicated this in the listing with the symbol "SIPC+."

• Interest on cash balances. Most investors want assurance that any cash balances are earning interest. Most discount firms pay interest on these funds, although some will only pay interest on amounts above a certain amount.

A sweep account automatically invests cash balances (for instance, funds from the sale of shares) in an interest-bearing money market fund until those funds are reinvested. Money market funds usually pay a higher rate of interest than cash balance accounts that simply earn interest.

In the listings, we indicate if a brokerage firm offers a sweep account by the symbol "Sweep." If the firm does not offer a sweep account but pays interest on uninvested funds, we use the symbol "Interest," followed by the minimum amount upon which it pays interest, if a minimum applies.

• No-load mutual funds. Some discount firms have started to offer no-load mutual funds for their customers. Many firms—but not all—charge a fee for the transaction. In addition, the number of funds offered by each firm varies; investors interested in this service should request a list of the funds offered from the discounter. Why would you buy no-load funds through a discount broker? Ease of switching among different fund families is one reason; easier recordkeeping is another, particularly if you hold funds from several families. In addition, some investors have set up Individual Retirement Accounts with discounters, and want to include no-load funds in these accounts. We have indicated if the firm offers no-load mutual funds by the symbol "NLMF."

• Individual Retirement Accounts. Many investors prefer to buy and sell individual stocks for their IRA accounts and can do so using a self-directed IRA. The charges for maintaining an IRA vary among the firms. If a discounter offers self-directed IRAs, we have indicated this in the listings by the symbol "IRA."

Additional Services

While we have listed the most popular services, there are many others that are offered by discount brokers.

Some firms, for instance, have offices in many locations, a consideration for investors who want the reassurance of a local contact. Check with the firm for a list of branch-office locations if this is important to you. Most of the discount brokers listed here have 800 telephone numbers, so that calls to the firm are toll-free regardless of location.

Some discounters offer research information on various topics, such as the economy and business conditions, and specific companies. Some charge for this information while others do not.

Most discounters offer current market quotes, but a number have 24-hour touch-tone telephone service that allows quick access to account information, market quotes and trades. Several firms also offer computerized trading and market information.

Some firms offer asset management accounts with checkwriting privileges, debit cards, direct deposit of payroll checks and other regular checks, and ATM access cards.

Some discount firms also offer investment counseling and financial planning through affiliated firms.

Most discounters offer the standard broker fare of margin accounts, trading of other instruments (options, bonds, and certificates of deposit, for instance), wire transfers, confirmations of trades and monthly statments. And most provide for delivery of stock certificates if you wish to hold them yourself (there is usually a fee for this).

How to Use the Listing

The listing here is intended to give you a starting point if you are seeking a discount brokerage firm or if you want to see how your current broker stacks up.

Compare the commission charges for the kinds of trades that you are most likely to make. Then select several discounters to call for more information. When calling a firm, ask for a commission schedule and a description of the services they offer. Double-check the charges in the listings here—prices change, and although we have made every attempt to provide recent and accurate information, it is best to confirm the charges yourself. You should also check for other charges that may apply to your particular situation.

In addition, you should make sure you are comfortable with any firm you choose; our listing does not attempt to rate the firms' financial condition or quality of service.

The *AAII Journal* will update this guide annually, since we feel the information is of particular use and interest to individual investors. Comments and suggestions are always welcome.

These past *AAII Journal* articles covered broker issues:

"Reading and Understanding Brokerage Account Statements" by J. Michael Bishop and Henry Sanchez Jr., November 1992.

"How Safe Is Your Money? What to Ask Your Financial Institutions," by Martin D. Weiss, August 1992.

"SIPC: What Happens If Your Brokerage Firm Fails?" by Henry Sanchez Jr., November 1990.