

SmartMoney's 2009 Broker Survey

EDITOR'S NOTE: This article is part of SmartMoney's annual broker survey special report. For more coverage, see "Ranking the Full-Service Brokers¹," "Give Your Broker This 5-Part Test²," and "Should You Dump Your Broker³."

What do you want from your brokerage firm? Sorry, they can't make the market march back to its old highs. But what about commissions, research, investment products and customer service?

To find the best—and worst—discount brokers in these and other categories, our 17th annual broker survey relied on our own tests, consulting-firm analysis and surveys of the brokerages themselves. No detail was too small. We noticed, for example, that WellsTrade and Banc of America charge \$75 to close a retirement account—a service provided for free by some of their competitors. OptionsXpress left us on hold for nearly four minutes when we requested its interest rate on cash balances. (The company later said it shouldn't have taken that long.) But when we contacted Fidelity with a query on interest rates, the rep gave us a quick answer and even a compliment: "Good question."

Yes, it's a lot of work, but our efforts haven't gone unnoticed. For two years now, the Web site ConsumerSearch has said SmartMoney has the best broker survey among magazines and newspapers. Our category-by-category-findings:

Commissions & Fees

Best: Just2Trade

Worst: WellsTrade

The winner in this category, Just2Trade, is new to our survey this year. Launched in 2007 and geared toward experienced investors, the firm took top honors with the price of \$2.50 for both equity and mutual fund trades. It also boasted some of the lowest rates on margin interest. Just2Trade edged out Zecco, which got its start just a few years ago by pitching 40 free trades each month to any customer holding a \$2,500 balance. Zecco has angered some customers by lowering the number of free trades to 10 and increasing the required balance to \$25,000. Fall short and the cost is \$4.50 a trade. The firm also set new fees for paper statements and trade confirmations. "It's a recession," says Gabriel Dalporto, Zecco's chief strategy officer. "Our margins are down."



WellsTrade, the discount-brokerage unit of Wells Fargo, doles out up to 100 free trades a year. But it rounds out the bottom of this category because customers qualify only if they link their brokerage account to a Wells Fargo bank account. Without that link and \$25,000 in combined assets, commissions start at a pricey \$19.95 and run as high as \$60 for some broker-assisted trades.

Investment Products & Mutual Funds

Best: Fidelity

Worst: SogoTrade

This year's race came down to Fidelity, Charles Schwab and TD Ameritrade. Together the trio has more than double the number of customers of the remaining firms in our survey combined, and each has a smorgasbord of offerings, including municipal bonds, certificates of deposit and access to initial public offerings. In the end, Fidelity led the pack with its impressive mix of more than 16,000 mutual funds, many of which don't carry transaction fees.



The firms with the fewest mutual funds generally had the slimmest pickings when it came to the other investment products. Just2Trade and ShareBuilder, for example, offered fewer mutual funds than the competition, and both lacked corporate, municipal and U.S. Treasury bonds. Zecco and SogoTrade carried exchange-traded funds but not much else on our wish list. SogoTrade scored the lowest overall because it was the only firm without a single mutual fund offering. The company says it's focused on active traders who come to the firm for its low commissions on stock trades.

Customer Service

Best: Muriel Siebert

Worst: WallStreet*E

Discount brokerage customers don't typically count on their firm for extra hand-holding. But in today's turbulent market, they want to know that their brokerage will be there to answer questions, whether it's in a phone call, e-mail or online chat. After months of market swings, financial crises and industry scandals, experts say quality customer service is more important than ever. That's why we were surprised when WallStreet*E, for the second year in a row, didn't reply to our e-mail as a prospective customer, while Banc of America and WellsTrade had no e-mail address at all for prospective customers to get in touch. (WallStreet*E says it mistakenly thought it had answered our e-mail.)



WallStreet*E was one of the fastest to the phone, answering our calls in 20 seconds on average and offering bucketfuls of extras: a free "valet account" with access to a Visa debit card, check writing and customized statements. But the firm didn't offer 24/7 phone help, access to our account through a mobile phone, or an online summary about our tax gains or losses (it says it's working on the latter two). Muriel Siebert, which inched past TradeKing for the best overall customer service, answered our phone calls and e-mails promptly with thorough and cordial responses.

Trading Tools

Best: TD Ameritrade
Worst: ShareBuilder

Last October the Dow swung more than 1,000 points within a single day—the first time that had happened in its 112-year history. And as we all know, things didn't exactly quiet down after that. In today's fast-moving market, investors need to be able to place trades wherever they are and as quickly as possible. TD Ameritrade offered the 13 trading tools on our wish list. Premarket and aftermarket trading? Check. News alerts about our stocks sent directly to our in-box? Yep. And what about the technology that lets us make trades over our smartphone? TD Ameritrade was one of 10 firms with this convenience.



Of course, nifty tools aren't worth much if it takes too long to make a trade. Once again we teamed up with Gomez, a Web site—monitoring company that timed how long it took to sign in to brokerage accounts, fill out a trade and preview the order at different points in 2008. TD Ameritrade and E*Trade tied with an average of just over five seconds for the year. Yet they weren't the fastest of the bunch. That distinction went to Scottrade, which clocked in at a mere four seconds. WellsTrade managed to improve from the 21 seconds it took in last year's survey, but it was still sluggish compared with the rest of the group—17 seconds. The only trading tool ShareBuilder offered from our list was a dividend-reinvestment program, landing it in last place in this category. ShareBuilder President Dan Greenshields says the firm likes to keep things simple.

Banking Services

Best: Fidelity, E*Trade and WellsTrade
Worst: SogoTrade and Scottrade

Banc of America (the discount-brokerage arm of Bank of America) offers many of the services on our wish list, and Fidelity and E*Trade earned top scores by providing virtually everything we were looking for—without added charges. That includes the ability to pay bills online, make instant cash transfers and have fees for ATM withdrawals automatically rebated to our account. WellsTrade also offers many free banking services and even a place to store precious metals. This helped the firm garner its only five-star category rating in this year's survey.



Some competitors beefed up their own services and inched higher in this category. ShareBuilder, taking advantage of its acquisition by the online bank ING Direct, took the biggest leap, adding a debit card, plus a tool to pay bills online. Scottrade and SogoTrade tied for last, with the fewest banking services. A spokesperson for Scottrade says the company is planning to roll out new banking products such as checking accounts or credit cards. But at SogoTrade, President Dave Whitmore says he's "not looking to attract people for their banking money."

Research

Best: Charles Schwab and E*Trade
Worst: Zecco and WallStreet*E

As investors increasingly worry about the safety and appropriateness of the financial products they buy, they're looking for much more than standard research reports from Wall Street analysts. That might explain why Scottrade's investor education podcasts have ranked in the 20 most-popular investment-related podcasts on iTunes. The St. Louis-based firm, which jumped up a notch in this category, doubled its video podcasts last year to meet the "tremendous demand for investor



education," says Kevin Dodson, director of online financial services. Fidelity, another iTunes regular, bulked up its research with ratings of how companies perform on environmental, social and governance issues. "More customers want help on how to do it themselves," says Jim Burton, president of Fidelity's retail brokerage



Charles Schwab and E*Trade tied for first by adding their own new offerings. Schwab introduced a new, easier to navigate Web site, while E*Trade upped its menu of Web-based seminars by 50 percent. The Web sites of Zecco and WallStreet*E took the longest to navigate, and the firms earned some of the lowest marks on research. WallStreet*E says the firm is hoping to correct its "research problem" with a planned partnership with Zacks Investment Research. Zecco says it has beefed up in this area by adding Standard & Poor's research reports and a mutual fund center.

Of course, not every firm aims to be the best in each category. SogoTrade, for example, wants to be known as a great place for active traders seeking low commissions, and ShareBuilder touts its system for automatic investments in stocks and mutual funds. ShareBuilder says its customers don't really want a lot of bells and whistles, and if they did, it would add to the cost of the product. When it comes to investing, says ShareBuilder President Greenshields, "there's no free lunch."

RANK*	BROKER	COMMENT	COMMISSION (\$)**	SCORES				
				MUTUAL FUNDS & INVESTMENT PRODUCTS	BANKING SERVICES	TRADING TOOLS†	RESEARCH	CUSTOMER SERVICE
1	E*Trade www.etrade.com	Strength across the board notches top ranking for third straight year.	9.99	★★★★	★★★★★	★★★★★	★★★★★	★★★★★
2	Fidelity www.fidelity.com	Keeps No. 2 spot with robust product offerings and biggest mix of funds.	10.95	★★★★★	★★★★★	★★★★★	★★★★★	★★★★
3	Charles Schwab www.schwab.com	New, easy-to-use Web site, but takes time to prepare an online trade order.	12.95	★★★★★	★★★★	★★★	★★★★★	★★★★★
4	TradeKing www.tradeking.com	Short on some product offerings; strong on customer service.	4.95	★★★	★★	★★★★★	★★★	★★★★★
5	TD Ameritrade www.tdameritrade.com	Large selection of trading tools. Missing some banking services.	9.99	★★★★★	★★	★★★★★	★★★★	★★★
6	Muriel Siebert www.siebertnet.com	Top-ranked in customer service, though lacks robust research.	14.95	★★★	★★★	★★★★★	★★★	★★★★★
7	Scottrade www.scottrade.com	Limited banking services. But filling a trade is fast and easy.	7.00	★★★★	*	★★★★	★★★	★★★★
8	Firstrade www.firstrade.com	Large selection of products; small mix of research and trading tools.	6.95	★★★★	★★★	★★★	★★	★★★
9	OptionsXpress www.optionsxpress.com	High marks for trading tools. Limited hours for phone-based customer service.	9.95	★★★	★★	★★★★★	★★★	★★
10	Banc of America www.baisdirect.com	\$25,000 in bank linked to a brokerage account earns 360 free trades a year.	14.00	★★★★	★★★★	★★★★	★★★	★★
11	Just2Trade www.just2trade.com	Newcomer to survey offers cheap trades but caters to experienced investors.	2.50	★★	★★	★★★★	★★★	★★
12	WellsTrade www.wellstrade.com	Combined \$25,000 in bank and brokerage earns 100 free trades a year.	19.95	★★★	★★★★★	*	★★★★	★★★
13	ShareBuilder www.sharebuilder.com	Jumps three spots, after adding 300 mutual funds. Extra fees for research.	9.95	★★	★★★	*	*	★★★
14	WallStreet*E www.wallstreete.com	Still bare-bones on research; poor performance in customer service.	9.99	★★★★	★★★	★★★	*	*
15	Zecco Trading www.zecco.com	Faster customer service, but free trades now require \$25,000 minimum balance.	0.00	★★	*	★★	*	★★★
16	SogoTrade www.sogotrade.com	Lacking in mutual funds, bonds and research. But filling a trade is faster.	3.00	*	*	★★	*	★★

*Criteria are not equally weighted. **For clients with a brokerage balance of \$50,000 making up to 20 trades per year. †Includes data from Gomez Inc. SOURCE: SMARTMONEY RESEARCH

- 1 <http://www.smartmoney.com/Investing/Stocks/Ranking-the-Full-Service-Brokers/>
 - 2 <http://www.smartmoney.com/Investing/Stocks/Give-Your-Broker-This-5-Part-Test/>
 - 3 <http://www.smartmoney.com/investing/stocks/Should-You-Dump-Your-Broker/>
- URL for this article:**
<http://www.smartmoney.com/investing/stocks/smartmoney-2009-broker-survey/>

