



Online Discount Brokerages- what to look for

In the early 1990s when I started investing in the stock market, trade commissions were a major factor impacting our bottom line results. Commissions of \$50, \$100 and even \$200 per trade were common debits seen on our statements. The internet has nurtured a change in trading costs through an explosion of online discount brokers. We can now trade at greatly reduced commissions but in return receive no personalized advice. This is the perfect scenario for Blue Collar Investors who have educated themselves to the point where we need no assistance as we do our own due-diligence. Furthermore, selling predominantly 1-month covered calls requires many trade executions and the need for commissions to be non-events is essential to maximizing our returns. When deciding on which online discount broker to use, I would factor in the following:

- Low trade commissions
- Efficient trade executions
- Watch out for hidden fees and minimum requirements
- Prompt and courteous phone service should be available if a problem arises
- Depending on your volume, you may be able to get access to their "advanced platforms."

I started using USAA Brokerage Services in the early 1990s as I was an officer in the military and at the time that allowed me to take advantage of this service. Since then, anyone can use this service and I do highly recommend it. Over the years, fellow Blue Collar Investors have recommended other online discount brokers to me and other members of the BCI community. Although I have no first hand knowledge of these other brokerages, I will include them on the following list and you can do your due-diligence checking them (and others) to see which meet your needs. Here is the information as of June, 2010:

USAA: www.usaa.com

\$5.95 PER TRADE + \$0.75 PER OPTION CONTRACT

ZECCO: www.zecco.com

10 free stock trades every month so long as you maintain a \$25,000 minimum balance or make at least 25 trades each month. However, even if an account is unable to satisfy the requirements to get the free trades, the regular Zecco commission rate is only \$4.50 per trade

TRADE KING: www.tradeking.com

\$4.95 per trade. Whether online or broker assisted, trades via the popular brokerage firm at a mere \$4.95 per equity trade for both market and limit transactions. With TradeKing, there are no minimum balance requirements and no account maintenance fees.

SCOTTRADE: www.scottrade.com

\$7.00 per online trade with no account maintenance or inactivity fees, and low balance requirements. While phone and broker assisted trades do cost more, they can be easily avoided by simply sticking with online trades exclusively.

TRADEMONSTER: www.trademonster.com

\$7.50 per trade up to 5,000 shares, and \$0.50 per options contract

E*TRADE: www.etrade.com

\$9.99 per equity trade for those who make at least 30 trades a month or maintain \$50,000 in account assets, and charging the standard rate of \$12.99 per trade otherwise.

CHARLES SCHWAB: www.schwab.com

On-line trades - \$8.95 per equity trade plus \$0.75/options contract. You can negotiate lower prices based on your account and trade volume.

Other sites to consider:

www.thinkorswim.com

www.tdameritrade.com

www.optionsxpress.com

<http://www.interactivebrokers.com/ibg/main.php>

Link for updates on several brokerages:

www.brokerage.com/stocktrading.html

It is important to do your own research assuring that you will be receiving the lowest possible commissions while still receiving outstanding online service.

For establishing accounts outside the US, look into the following:

- Charles Schwab
- Zecco
- TradeMonster
- Options Express
- Interactive Brokers
- Trade Monster

2013 IBD Survey of Best Online Brokers (top overall experience)

- Charles Schwab
- Fidelity
- TD Ameritrade
- USAA Brokerage
- TradeStation

Low cost (same survey)

- Interactive Brokers
- Trade King
- Vanguard Brokerage
- Scottrade
- Merrill Edge