

BEST ONLINE BROKERS

Best Online Brokers For 2017 Identified — By Their Customers

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INVESTOR'S BUSINESS DAILY

To those examples of dominant performances, you can start thinking of three online brokerages: Fidelity, **Charles Schwab**^{SCHW} and **TD Ameritrade**^{AMTD}.

They are again the best in IBD's fifth annual Best Online Brokers survey. In fact, the trio has been in the top three online stock brokerages for overall customer experience three of the past four years.

The rankings provide a unique perspective to investors who are looking for a broker or just wondering whether their current broker is really the best one for them. That's because they're based entirely on ratings by the brokers' own clients. Investor's Business Daily and its polling partner, TechnoMetrica Market Intelligence, surveyed 4,752 investors to find out how well their primary brokerage stacked up based on 13 critical characteristics.

The 13 performance areas themselves were determined by how much importance investors placed on them. Because needs differ — a novice investor may value different services than an experienced trader, for instance — we present the best brokers in each category as well as the best three overall, based on their performance across all the categories.

For Fidelity, it's the third year in a row that the Boston-based firm took the top overall spot. Impressively, Fidelity had the first or second highest customer rating in all 13 survey categories. What grew into one of the leading mutual fund families has now become a force in online trading.

As in previous Best Online Brokers surveys, privately held Fidelity met a stiff challenge from Charles Schwab. A small margin separated the two companies.

Janet Malan, an investor who lives in California's Silicon Valley, weighed Schwab and TD Ameritrade before settling on Fidelity, largely because of costs and the flat fee Fidelity charges for trades. She found Schwab's fees higher than Fidelity's and Ameritrade's fee structure more complicated.



Jose Calvino, an engineer in Greensboro, N.C., has accounts with four brokerages. His favorite? Fidelity. While he doesn't find a great deal of difference among his brokers, "Fidelity provides more flexibility and latitude in the types of trading they allow in various accounts. ... If I were to consolidated all my accounts to one broker, I would choose Fidelity."

What does it take to be one of the best online brokers? You better have top research tools, ETF choices and website performance. The three brokerages topping the IBD survey shared the highest scores in those areas.

Educational resources, stock trading tools and mobile platforms were other factors that weighed significantly in the final results. Fidelity, Schwab and TD

Ameritrade also led in investment research, portfolio analysis and reports, and investment and retirement planning tools.

Trade reliability was another factor shared by the top three brokers, although one in which there was little separation among all brokers that qualified for the survey.

The brokers' research tools was an area that separated the top three from the rest, as has been the case in each year of the survey. There was a noticeable lag by the other brokers in the survey.

Educational resources and investment research were other segments in which the top three stood out sharply.

Low commissions were rated highly important to investors, yet the top brokerages didn't all get the best scores in that category. **Interactive Brokers^{IBKR}** — which uses a commission system based on the number of shares traded rather than a flat fee — was the easy leader in that section.

Scottrade ranked in the best three brokers for low commissions and fees. Scottrade also rated among the top brokers for customer service, while Interactive's options trading platform ranked as one of the best.

Performing well in the areas most dear to investors certainly helped the top three brokers. Trade reliability, site

performance and equity trading tools were the most important characteristics after commissions. In all of those, Fidelity, Schwab and TD Ameritrade were the top three in the survey. Fidelity and Schwab also were leading brokerages in customer service.

As in prior years, the survey analysis focused on brokers with at least 125 clients who participated. Six brokers qualified this year.

But for the first time, IBD and Techno-Metrica also took a look at smaller brokers with at least 85 customers responding. A separate article examines the six brokerages that qualified for this analysis.

But overall, TradeStation, Merrill Edge and Vanguard were the best of the rest, earning Honorable Mention. In this group, TradeStation had the most top scores in the 13 broker service categories.

Of the many resources that investors value most, preferences can change over time, and the latest survey saw a shift in which costs, ETFs, education, research and portfolio analysis gained in relative importance. At the same time, mobile tools, options trading and bread-and-butter factors such as site performance, trade reliability and customer service fell in priority.

For all the digital tools now available to them, many online investors still crave some personalized help. The industry has responded with individualized advice. Robo-advisors — suggestions dispensed from computer algorithms based on the user's inputs — are available at many brokerages.

Merrill Edge (owned by **Bank of America^{BAC}**) has just stepped up its advisory offerings. This month, it launched Merrill Edge Guided Investing for current Merrill Edge clients and it is expanding to investors outside the brokerage in February. Unlike with robo-advisors, clients receive a recommended investment strategy from the Merrill Lynch Chief Investment Office.

Still, IBD's survey found that online trading remains a predominantly do-it-yourself endeavor. Results show that investors value having many tools at their disposal, but put less worth on advisory help. Wealth management, automated advice and financial advice networks came in below the 13 services that investors ranked high in importance.

Ancillary services such as banking, tax preparation tools and bonds also were low in importance. And despite the ubiquitous presence of social networks, investors don't feel a great need to use those when it comes to their trading.

Top Overall Customer Experience

| BROKER | STRENGTHS |
|-----------------------|---|
| Fidelity | Low Commissions & Fees, Trade Reliability, Site Performance, Equity Trading Tools, Customer Service, Research Tools, Investment Research, Portfolio Analysis & Reports, Educational Resources, ETF Choices, Options Trading Platform, Investment & Retirement Planning Tools, Mobile Platforms/Mobile Trading Opportunities |
| Charles Schwab | Trade Reliability, Site Performance, Equity Trading Tools, Customer Service, Research Tools, Investment Research, Portfolio Analysis & Reports, Educational Resources, ETF Choices, Investment & Retirement Planning Tools, Mobile Platforms/Mobile Trading Opportunities |
| TD Ameritrade | Trade Reliability, Site Performance, Equity Trading Tools, Research Tools, Investment Research, Portfolio Analysis & Reports, Educational Resources, ETF Choices, Options Trading Platform, Investment & Retirement Planning Tools, Mobile Platforms/Mobile Trading Opportunities |

Low Commissions & Fees

Online brokers compete fiercely on price. Low-cost – and even free – trades are available, depending on your account balance, typical transaction size and trading frequency. Still, you might pay more for other services, like a cash management account or margin trades.

- Interactive Brokers
- Fidelity
- Scottrade
- Charles Schwab
- E-Trade
- TD Ameritrade

Trade Reliability

Whether you're an investment pro or just learning to invest, you need confidence that your trade will go through quickly and at a price close to what you expect. The reliability of online brokers has grown markedly over the years, and top brokers know excellent execution is critical.

- Charles Schwab
- Fidelity
- TD Ameritrade*
- Interactive Brokers
- E-Trade
- Scottrade

Site Performance

When you're ready to buy or sell a stock, you don't want to wait for pages to load on your broker's website. Nor should you sit through delays as a stock screen runs – or as an outage prevents site access. The site must be fast, reliable and require few steps to get what you need.

- Charles Schwab
- Fidelity
- TD Ameritrade
- E-Trade
- Interactive Brokers
- Scottrade

Equity Trading Tools

Your trading platform is your connection to the stock market. You have to decide: Does a particular interface work for you? For example, are you clearly shown how much you've invested and how much is on margin? Buy and sell entries? It's all a matter of what works for you.

- TD Ameritrade
- Fidelity*
- Charles Schwab*
- Interactive Brokers
- E-Trade
- Scottrade

Customer Service

At an online broker, good customer service means not just telephone-based support and short hold times, but also the ability to chat live online with a customer service representative. You also want a firm whose representatives are responsive and knowledgeable.

- Charles Schwab
- Fidelity
- Scottrade*
- TD Ameritrade
- E-Trade
- Interactive Brokers

Research Tools

Do you like to dig up your own ideas? Look for the broker that lets you easily screen for stocks that match the technical and fundamental characteristics you're seeking. Also look at its tools for researching mutual funds, ETFs, bonds and other investments.

- Fidelity
- Charles Schwab
- TD Ameritrade
- E-Trade
- Scottrade
- Interactive Brokers

Investment Research

Brokers are endlessly improving their research offerings to win and retain customers. You can get stock reports, financial forecasts, Wall Street buy and sell ratings, and more, including research on mutual funds, ETFs, options and other investments.

- Fidelity
- Charles Schwab
- TD Ameritrade
- E-Trade
- Scottrade
- Interactive Brokers

Portfolio Analysis/Reports

Investors want information to help them manage their money. How is their asset allocation changing as one investment advances? How are they doing this year vs. the broad market? Are they overexposed to an industry? The top brokers help customers stay on top of their portfolios.

- Fidelity
- Charles Schwab
- TD Ameritrade*
- Interactive Brokers
- E-Trade
- Scottrade

Educational Resources

Online brokers now let you pick and choose among a dizzying array of educational resources. These resources can include web tools, downloadable software, online videos and even one-on-one consultations with advisors for qualified customers.

- Fidelity
- Charles Schwab
- TD Ameritrade
- Interactive Brokers
- E-Trade
- Scottrade

ETF Choices

Brokers often offer free ETF trading. Find out which funds are covered, the account requirements and if fees could kick in, such as for short-term trading.

- Charles Schwab
- Fidelity
- TD Ameritrade*
- Interactive Brokers
- E-Trade
- Scottrade

Options Trading

Options can be complex. Education is crucial. The best brokers in this area offer sophisticated, high-tech trading platforms and a focus on educating investors.

- TD Ameritrade*
- Fidelity*
- Interactive Brokers
- Charles Schwab
- E-Trade
- Scottrade

Planning Tools**

Are you investing enough to hit your goals? What income will you need to retire, given different inflation rates? Calculators and other tools can put you on track.

- Fidelity
- Charles Schwab
- TD Ameritrade
- E-Trade
- Scottrade
- Interactive Brokers

Mobile Platform

Phones and tablets can provide access to quotes, news, streaming charts, order entry and more. The best mobile platforms are some investors' preferred tool.

- TD Ameritrade*
- Fidelity
- Charles Schwab
- E-Trade
- Interactive Brokers
- Scottrade

*New to top five in overall list or category. **New category. Results are based on a study by Investor's Business Daily and TechnoMetrica in which 4,752 visitors to IBD's Investors.com website who use online brokers were surveyed from August to December 2016.

INVESTOR'S BUSINESS DAILY®

MONDAY, JANUARY 30, 2017

BEST ONLINE BROKERS

It's A 3-Peat: Fidelity Tops IBD's Best Online Brokers Survey Again



Ram Subramaniam, president of retail brokerage services at Fidelity, says the firm takes pride in its price-improvement feature.

(KAYANA SZYMCZAK/IBD)

BY DAVID SAITO-CHUNG

Without an iota of doubt, the folks at Fidelity know equity and bond markets.

The Boston-based money manager has decades of experience on “the buy side.” That is, Fidelity’s mutual fund managers and fleet of mutual funds have accumulated an enviable depth of knowledge in researching, buying and selling financial securities. It has done a staggering amount of business with major securities dealers on Wall Street that represent “the sell side.”

So is it any surprise to investors that Fidelity has capitalized on its unique history to also become one of the most respected players in the online brokerage field — so much so that in 2017, its clients participating in a major IBD survey gave it the highest Overall Customer Experience index rating for a third year in a row?

Likely no. But talk to Ram Subramaniam, the head of Fidelity Investments’ retail brokerage business, and you get the sense that it is hungry to stay atop the heap for years to come.

“We strongly believe in customer value, and 2016 was another banner year for Fidelity to bring a better customer experience,” Subramaniam, who joined Fidelity after stints in wealth management at **Morgan Stanley**^{MS} and brokerage operations at Fidelity rival **TD Ameritrade**^{AMTD}, told IBD.

The 2017 IBD Best Online Brokers standings are based on an annual survey of thousands of investors by Investor’s Business Daily and polling partner TechnoMetrica Market Intelligence. The investors were asked to

rate their experience with their primary online broker on 13 important service areas. (See a full explanation in our article on the best brokers survey methodology.)

Besides nabbing the top score in Overall Customer Experience, Fidelity held on to the top rung in four of the 13 categories — research tools, portfolio analysis and reports, investment research and educational resources. Plus, it garnered the highest rating in a new category, investment and retirement planning tools.

And Fidelity received the second-highest score in all eight of the other categories, spanning from ETF choices to trade reliability to mobile trading platforms.

One of the best examples of how Fidelity's vast knowledge of the capital markets translates into better value for its retail customers is perhaps its price improvement feature on all equity trades. Based on an independent study commissioned by Fidelity, over a 12-month period through November 2016, the average discount on equity trades involving a minimum 1,000 shares was \$10.97 for Fidelity customers vs. average savings of just \$1.90 per trade industrywide in the 12 months through Sept. 30, 2016.

That savings represents a better buy price than the national market system's best offer and a better sell price than the national best bid price at the time of the order. The average price improvement is also larger than the \$7.95 that Fidelity charges for each equity order. How does Fidelity pull this off?

According to Subramaniam, Fidelity has a capital markets group that specializes in order execution, and it actively seeks the best venues for executing customer trades. "We try to create competition among market makers," he said. "We take a lot of pride in that price improvement work."

A Fidelity investor, upon logging in, can easily track these trade execution savings on a month-to-date and year-to-date basis.

Here are other milestones that Fidelity hit in 2016 in its drive to be the No. 1 destination for retail investors:

More incentives to save for retirement: For customers who open a new IRA, Fidelity matches contributions of up to \$1,950 each year for three years, and the reason is simple. "We'd like people to save more for retirement," Subramaniam said.

Fidelity also now offers a Visa credit card with no annual fee and a 2% cash-back reward for all purchases. Subramaniam says that a family that spends between \$30,000 to \$40,000 per year can generate \$800 in cash back each year, enough money over time to pay a good deal of a child's college tuition costs for a year.

More commission-free investment vehicles: 91 ETFs are now commission-free, triple the number from four to five years ago. They include all 18 core iShares ETFs. Fidelity also offers 3,600 mutual funds with zero transaction fees.

More mobile services: Subramaniam says that the number of check deposits made by simply taking a smartphone snapshot of the check has jumped 250% over the past three years.

A completely overhauled research section: Its web pages are now fully responsive to the type of internet-enabled device being used, and contain more relevant data on specific stocks in a customer's account. Subramaniam calls it "personalized data." He adds, "It's really about driving well-informed decisions by the customer."

Lower bond commissions: According to Subramaniam, a study found that Fidelity can help customers save as much as \$14 for every bond with a \$1,000 face value traded. So a buyer of \$100,000 worth of corporate debt can save as much as \$1,400 in transaction fees.

More robust ETF screening: Last year, Fidelity debuted a thematic ETF screener, allowing customers to search exchange traded funds by category, such as international and fixed income.

A more useful platform for active traders: Fidelity enhanced its active trading platform's dashboard so that a user can quickly spot key macroeconomic news

and a heat map to spot unusual buying and selling across various industries and sectors in the equity markets.

Fidelity engaged with a group of active traders to co-create, test and improve the platform. It also launched a "strategy desk" in which customers can call in to receive one-on-one or one-to-many coaching on advanced trading such as options.

One more way that a retail customer benefits by having a Fidelity account is the immediate access to perspectives from Fidelity's seasoned team of money managers — or the buy side.

In the Jan. 4 article "Bonds 2017: A New Dynamic," found in the Investing Ideas section of "Fidelity Viewpoints," Ford O'Neil, who manages the Fidelity Total Bond Fund^{FTBFX}, singles out the financial and energy sectors as investing opportunities in the corporate bond space. Why?

He, like many Wall Street observers, sees the new Donald Trump administration as likely to take away some of the burdensome and costly regulations placed on companies in both fields during the eight-year term of former President Obama.

"Many companies have told me that regulatory burdens are among the largest challenges they've had to deal with in the last eight years," O'Neil was quoted as saying. O'Neil is not related to William O'Neil, IBD's founder and chairman.

O'Neil stresses caution in agency mortgage-backed securities because they "are trading at valuations that are closer to Treasuries than what is typically seen. In other words, the yield spread between these two categories of bonds has tightened," according to the article.

A potential rise in inflation is a key theme for 2017. O'Neil suggests not just TIPS (Treasury inflation-protected securities) but also floating-rate loans, while holding credit risk, offer relatively high yields and could counter the effects of higher prices.

"If the Fed raises rates more aggressively than expected, floating-rate loans probably won't be hurt as much as traditional bonds because floating rate payments are indexed to interest rate levels," Fidelity wrote.

Free commission offer applies to online purchases of select iShares ETFs in a Fidelity brokerage account, which may require a minimum opening balance of \$2,500. The sale of ETFs is subject to an activity assessment fee (from \$0.01 to \$0.03 per \$1,000 of principal). iShares ETFs are subject to a short-term trading fee by Fidelity if held less than 30 days.

ETFs are subject to market fluctuation and the risks of their underlying investments. ETFs are subject to management fees and other expenses. Unlike mutual funds, ETF shares are bought and sold at market price, which may be higher or lower than their NAV, and are not individually redeemed from the fund.

For iShares ETFs, Fidelity receives compensation from the ETF sponsor and/or its affiliates in connection with an exclusive long-term marketing program that includes promotion of iShares ETFs and inclusion of iShares funds in certain FBS platforms and investment programs. Additional information about the sources, amounts, and terms of compensation can be found in the ETF's prospectus and related documents. Fidelity may add or waive commissions on ETFs without prior notice. BlackRock and iShares are registered trademarks of BlackRock Inc., and its affiliates.

Options trading entails significant risk and is not appropriate for all investors. Certain complex options strategies carry additional risk. Before trading options, contact Fidelity Investments by calling 800-544-5115 to receive a copy of Characteristics and Risks of Standardized Options. Supporting documentation for any claims, if applicable, will be furnished upon request.

Investing in bonds involves risk, including interest rate risk, inflation risk, credit and default risk, call risk, and liquidity risk.

You will earn 2 points per dollar in eligible net purchases (net purchases are purchases minus credits and returns) that you charge. Credits, returns, adjustments, and certain transactions do not earn points. The 2% rewards value applies only to points redeemed for a deposit into an eligible Fidelity account. The redemption value is different if you choose to redeem your points for other rewards such as travel options, merchandise, gift cards, and/or a statement credit. Other restrictions apply. Full details appear in the Program Rules new card customers receive with their card. Establishment or ownership of a Fidelity account or other relationship with Fidelity Investments is not required to obtain a card or to be eligible to use points to obtain any rewards offered under the program other than Fidelity Rewards.

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Before investing in any mutual fund or exchange-traded fund, you should consider its investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus, an offering circular, or, if available, a summary prospectus containing this information. Read it carefully.

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