

## GLOBE INVESTOR

## PORTFOLIO STRATEGY

## Online broker survey: Seeking the 'wow' factor



ROB CARRICK  
rcarrick@globeandmail.com

This latest edition of The Globe and Mail's annual broker survey will help you see how each firm stacks up in a vastly more competitive landscape. Which firms are falling behind? Barely keeping pace? Excelling? **Rob Carrick** lays it all out before you, with 40 attributes that make a great broker

The 18th edition of The Globe and Mail online brokerage ranking finds this sector facing its greatest challenge ever. The old binary world of full-service and do-it-yourself investing is dead. Robo-advisers have created a midway point, and it's a safe bet that innovations to come will offer even more choice. This ranking is designed to highlight the brokers that are

most effectively adapting to a more competitive world. There are two sections to this year's survey, the first being a chart showing how each of the 12 firms scores on 40 attributes of a great broker. The emphasis here is on features that help people build and manage their portfolios effectively, notably user-friendly websites. The chart is designed to help

readers find brokers that meet their needs, and it's part of the analysis that goes into the final grades for each broker. The grades also reflect how well brokers make the case that investors should deal with them instead of competitors both in and out of the online brokerage business. Brokers offering some kind of "wow" factor rank ahead of those that simply offer a platform for

buying and selling investments. This year's co-winners are Qtrade Investor and Virtual Brokers, both of which have been strong performers for years. In an evolving world, they keep adapting to better serve clients. Some of the bank-owned firms are right behind, the most notable of them being TD Direct Investing. As ever, this ranking is

designed for mainstream investors needing tools for portfolio-building and researching investments. All brokers included here are members of the Canadian Investor Protection Fund (CIPF), which protects account assets of up to \$1-million if a firm goes under.

Follow me on Twitter:  
@rcarrick

## PART ONE: FORTY ATTRIBUTES OF A GREAT ONLINE BROKER

	BMO Investor Line	CIBC Investor's Edge	Credential Direct	Desjardins Online Brokerage	HSBC InvestDirect	National Bank Direct Brokerage	Qtrade Investor	Questrade	RBC Direct Investing	Scotia iTrade	TD Direct Investing	Virtual Brokers
<b>Life as a client</b>												
1 Offers paperless account setup								X			X	X
2 No minimum account size		X	X		X	X			X	X	X	X
3 Has a clean, modern, easy to use website for clients			X	X			X	X		X	X	X
4 Uses plain language online			X						X		X	X
5 Updates me when I log in with useful info about what's happening in my account	X		X	X		X	X				X	X
6 Offers an online security guarantee that clients won't lose money to unauthorized transactions	X	X	X	X	X	X	X	X	X	X	X	X
7 Is a member of the Canadian Investor Protection Fund	X	X	X	X	X	X	X	X	X	X	X	X
8 Offers practice accounts (virtual money)				X		X	X	X	X	X		X
9 Has call centre service beyond the usual weekday 8 a.m. to 8 p.m., or thereabouts					X					X	X	X
<b>Cost</b>												
10 Clients can generally trade for \$10 or less, no conditions	X	X	X	X	X	X	X	X	X	X	X	X
11 Has no ECN fees for mainstream investors	X	X	X	X	X	X	X		X	X	X	X
12 Offers commission-free ETF trading						If you trade 100+ shares Canadian listed	100 specific ETFs are commission-free	No buy commissions		Covers 50 specific ETFs		No buy commissions
13 Has clear and easily avoidable admin/inactivity fees on small accounts			X			X	X	X	X		X	X
14 Charges no commissions to buy all mutual funds	X	X	X		X		X		X	X	X	X
15 Charges nothing to send paper account statements and trade confirmations		X		X	X	X			X	X		
<b>The investing experience</b>												
16 Offers U.S.-dollar RRSPs	X	X		X		X	X	X	X		X	X
17 Offers U.S.-dollar RRIFs	X	X					X	X	X			X
18 Offers U.S.-dollar TFSA	X	X		X		X	X	X	X		X	X
19 Offers a variety of investment savings accounts that I can buy or sell cost-free		X	X	X	X	X	X			X		X
20 Offers third-party GICs online	X	X					X		X	X		X
21 Offers online bond trading	X	X	X	X	X	X	X		X	X	X	X
22 Offers D-series mutual funds (for DIY investors) from a variety of fund families	X	X	X	X		X	X	X	X	X	X	X
23 Offers low-cost Mawer mutual funds with no commission	X	X	X		X		X			X	X	X
24 Offers watchlists that provide info I can't easily get myself	X								X	X	X	
25 Sends e-mails to clients to confirm trades are filled	X	X		X	X	X	X	X	X	X		X
26 Offers DRIPs on a wide variety of Canadian and U.S. stocks		X			X	X	X	X	X	X	X	X
27 Offers Level II quotes (summary of recent trading) to all clients			X				X	X	X	X	X	X
28 Lets clients set up customized alerts about stocks and markets via e-mail	X	X	X	X	X	X	X	X	X	X	X	X
29 Offers apps with full mobile functionality – trading, account balances, market data	X	X		X		X	X	X	X	X	X	X
<b>Portfolio building</b>												
30 Offers a useful tool to help clients allocate money between stocks and bonds	X	X	X		X	X			X	X		X
31 Lets clients get a second opinion on stocks, ETFs with analyst research from multiple reputable sources	X	X		X		X				X	X	X
32 Offers useful tools to help clients choose ETFs		X					X	Portfolio IQ		X	X	
33 Offers a guided investing option for investors seeking guidance in portfolio building	adviceDirect			Disnat GPS		InvestCube						
<b>Account reporting and maintenance</b>												
34 Shows clients how their portfolio is doing without them having to dig for the info	X		X			X	X	X	X	X	X	X
35 Shows clients their current asset mix, i.e. percentage of portfolio in bonds, Cdn/U.S./intl stocks, sector concentration	X	X		X	X	X	X	X	X	X		X
36 If so, are bond ETFs included as equity or fixed income?	X					X			X			
37 Lets clients compare their results with benchmark stock and bond indexes	X						X		X	X	X	X
38 Offers intraday updating of individual account holdings and overall account value	X	X	X	X	X	X	X	X	X	X	X	X
39 Has an online transaction history going back at least seven years or since account inception			X	X	X		X	X	X	X	X	X
40 Offers secure e-mail so clients can get account-related questions answered	X	X		X		X	X	X	X	X		X

## PART TWO: ROB CARRICK'S GRADES AND COMMENTS

Based on the grid above and additional analysis

**B C+ C B- D C+ A B+ B B B+ A**

A good overall broker, but the website for clients dumbs you into a stupor. BMO, it's time to spend some money to revitalize a franchise that once led the industry. The wow factor at InvestorLine is near zero.

Nothing flashy here, just an awesome library of stock and ETF research, a flat stock-trading commission of just \$6.95 and, starting in January, 2017, U.S.-dollar registered accounts. An old-school website, but it somehow works.

The website is clean, clear and sensibly laid out, and there's also an \$8.88 flat commission for stocks and ETFs. A serviceable broker for the undemanding client.

A traditional, reasonably well-rounded broker with no spark or flair to speak of.

The broker that time forgot. Hasn't done much to shake things up since the mid-2000s, the last time it was a force in this ranking.

An improving broker that has demonstrated some innovative thinking by adding commission-free ETF trading (conditions apply). The next step is to fix the website – it's pretty bad.

Bulletin: Qtrade no longer charges electronic communications (ECN) fees in addition to trading commissions in some situations. This was one of few flaws in an otherwise fresh, clean and client-friendly package.

How can Questrade score well over all, while failing to tick a lot of the boxes on the list? For confident investors who know what they want to buy, this is a slick and ever-improving broker. The minimum \$4.95 commission is also a draw (watch out for ECN fees on some trades), as are commission-free ETF purchases.

The website has recently been refreshed to standards that would have been state of the art a decade ago, but over all this broker offers a lot of features investors will appreciate. A continuing irritation is that low-cost Mawer mutual funds are not offered.

Seriously? A global outfit like Bank of Nova Scotia can't offer its clients the choice of holding U.S. dollars in registered accounts? That's a way to change some small clients \$24.99 to trade stocks or ETFs. Lots to like if those issues aren't deal-breakers.

The lack of U.S.-dollar RRIF accounts is disappointing, given the attention to detail that went into last year's website redesign (TD says this feature is coming in 2017). The site feels like the comfy chair in those TD Bank ads. It might be the best out there.

The more polished 2.0 version of Virtual Brokers replaces the ultra cheap penny-a-share commission structure with a flat fee of \$9.99. Clients benefit from more stock research, and an improved website that breaks new ground in briefing them about what's happening in their portfolios.