Fund X INVESTOR GUIDE

Broker Guide
for Fund Investors

How to find a broker that's right for you

Most investors trade funds through a brokerage firm because it's an efficient and usually low-cost way to invest. Using a broker like Charles Schwab or Fidelity gives you access to funds from many different fund companies. It makes it easy to keep track of your investments, and it consolidates your paperwork.

In this guide, you'll learn:

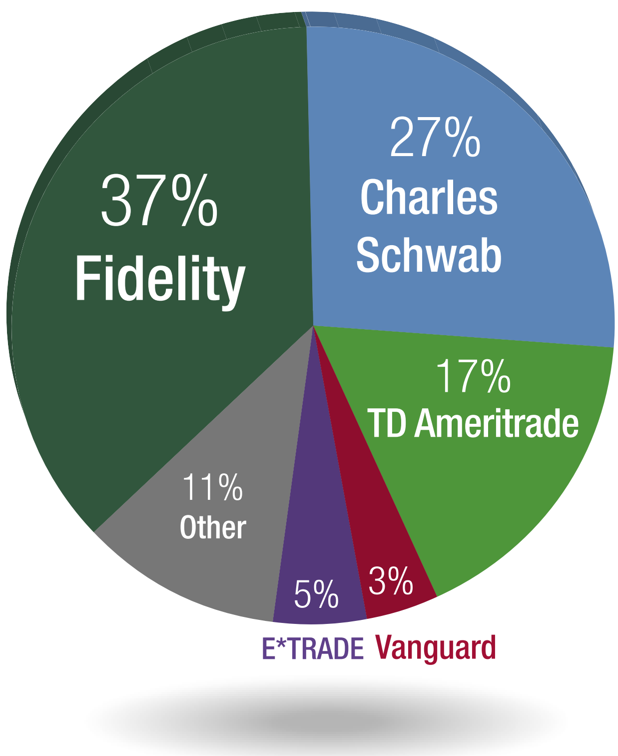
- What investors like and don't like about common brokers
- Six factors to consider when choosing a broker
- Common fund trading fees
- Tips for changing your broker

WHICH BROKER
do you use to trade funds?

That's the question we asked FundX members, and more than 500 fund investors responded.

The majority of investors use Fidelity and Charles Schwab. A smaller percentage use TD Ameritrade, E*TRADE and Vanguard. Most investors have been using their particular brokerage firm to trade funds for many years and would recommend it.

Other brokers mentioned included Firstrade, Merrill Edge and Wells Fargo. A handful of respondents used two or more brokers (usually including either Schwab or Fidelity). In fact, 90% of investors said they planned to stay with their broker.



In March 2018, FundX invited 5,000 individual investors to share their experiences using a broker to trade funds. About 540 investors partcipated in the online survey, a response rate of about 10%.

WHAT INVESTORS LIKE
(and Don't Like) about 5 Brokers

Investors shared what they liked (and didn't like) about their brokers, which may be particularly useful if you are considering changing your broker.

Fidelity, Schwab and TD Ameritrade users appreciated having an easy-to-use website, while Vanguard and E*TRADE investors were happiest about low fees.

Most Fidelity investors appreciate their fund choices, which makes sense since they can buy Fidelity funds without transaction fees.

Investors often had no complaints about their broker; TD Ameritrade investors, however, weren't happy about having to hold funds 180 days before trading.

Broker Survey Results Fidelity, Schwab, TD Ameritrade, E*TRADE & Vanguard

	Fidelity	Schwab	TD Ameritrade	E*TRADE	Vanguard
% investors using to trade funds	37%	27%	17%	5.0%	3.0%
Best features	Website (63%) fund selection (57%)	Website (58%) Low fees (54%)	Website (40%) customer service (36%)	Low fees (79%) Website (66%)	Low fees (94%) Website/customer service (77%)
Worst features	Nothing	Nothing	Redemption fee period	Nothing	Nothing
% very satisfied	73%	80%	30%	75%	72%

SIX FACTORS TO CONSIDER
when choosing a broker

1. Website: *How is the online or mobile experience?*

Most investors trade funds online these days, so they really appreciate a broker that has an easy-to-use website.

It's hard to judge a broker's site until you've got an account there, so it may help to know that one FundX reader found that *"TD Ameritrade's online trading platform is not as user-friendly as Schwab's."* Another investor reported that *"Schwab's website design is not as user-friendly as Fidelity; however, the information is better."*

Schwab makes it *"easy to get annual fund data for Turbo Tax"* an investor noted, while a Fidelity investor pointed out that the broker has a *"great mobile app."*

2. Fees: *What are the trading costs?*

All brokers charge some trading fees, including transaction fees and redemption fees. Most of the investors who took our broker survey were OK with these costs.

Vanguard and E*TRADE investors were particularly happy with their broker's low fees. TD Ameritrade users, however, were unhappy with their broker's 180-day redemption fee.

Investors disliked that they typically had to pay transaction fees to buy Fidelity or Vanguard funds. In fact, a handful of investors told us that they've opened accounts at three or four firms and then, when buying a fund, they'll "*use whichever one is free."*

3. Fund selection: *Are most funds available, and how many are no transaction fee (NTF)?*

Fund investors appreciate that most brokers have a good selection of funds that are available NTF or no transaction fee. *"I use Fidelity and Vanguard for their diverse, in-house and mostly NTF fund selections,"* one investor reported.

4. Customer service: *Can you get help when you need it?*

Courteous customer service matters and some of you also value having a local office in case you need to talk to someone in person.

"Vanguard is fabulous to deal with", one investor said. *"Somehow, Fidelity has assembled very relaxed, knowledgeable, patient, likable employees answering phone questions,"* another investor said.

"Answers phone 24/7 about anything. Local representative available by phone or in person if needed," a Schwab investor noted.

5. Sales pitch *Will your broker try to sell you additional services?*

"When I became a 'high worth investor,' TD Ameritrade assigned a senior account counselor to me, and he pesters me. I don't like that there is somebody looking into my portfolio," one investor noted.

However, another TD Ameritrade investor said, *"When TD suggested that I use them for advice, I told them that I wanted to manage my money myself and they did not get pushy to use them."*

Other investors were happy to have additional help. One E*TRADE user reported that the *"assigned broker knows me from dealing with my account and has waived fees, cut red tape and done whatever possible to keep me happy… it has worked!"*

6. Attention to detail *It's the little things that matter.*

"I like Fidelity," one woman wrote, however: *"When I email, I frequently get my broker's assistant answering my questions. He or she always assumes I'm a man, and refers to me as 'Sir' or 'Mr.' when responding. You would think they would take the time to actually view my profile."*

FUND TRADING FEES

All brokers charge some fees, and you'll want to get up to speed on the fees your broker charges, and then decide whether you'll pay these costs or try to avoid them.

The most common trading costs are transaction fees and redemption fees (shown in the table below).

Most brokers have some funds you can buy without paying a transaction fee (NTF, or no transaction fee) and other funds that require a transaction fee. So it's worth learning how your broker identifies transaction-fee funds and no transaction-fee funds (NTF).

Transaction fees have a significant impact on smaller positions, so decide if and when you'll pay these fees. This is what we do in the client accounts we manage. At Fidelity, for instance, you'll pay $75 to buy a Vanguard fund. If you invested $7,500 in fund that cost you $75, you'd have paid 1% before the fund made a dime for you.

You'll also want to know how long you need to hold a fund to avoid redemption or short-term trading fees (most brokers require a 60-180 day hold). We typically avoid funds with a redemption fee period longer than 90 days.

Mutual fund fees and restrictions

	Fidelity	Schwab	TD Ameritrade	E*TRADE	Vanguard
Transaction fee	$49.95 - $75	$49.95 - $74.95	$49.99 - $74.99	$19.99	$20
Redemption fee (for NTF funds)	$49.99	$49.95	$49.95	$49.99	$50.00
Redemption fee period (for NTF funds)	60 days	90 days	180 days	90 days	60 days

CHANGING YOUR BROKER:
What to keep in mind

Are you thinking about moving your accounts to a different broker?
Here are a few things to keep in mind:

1. Open your new brokerage accounts FIRST

Once you've chosen a new broker and established your new accounts, your new broker will reach out to your previous broker and transfer your assets.

2. Assets should be moved in-kind (so there won't be tax consequences)

Your fund shares should be moved in-kind so you don't have to sell them at one broker and then buy them again at another broker. Beside saving transaction costs, this method avoids triggering taxes.

Occasionally, though not often, you may find a particular fund or share class of a fund that is not accepted by your new broker. In that case you'll have no choice but to sell the fund prior to transfer. Contact your new broker to ask if each of your funds are carried on their platform.

3. If the broker has a local office, consider opening accounts in person

If you have many accounts that you're looking to move, it's probably worth going into the local office and opening the accounts in person, if possible. You'll need to bring copies of your most recent statements. They'll be happy to help.

4. Ask about special offers for new accounts

It's worth asking a prospective broker if there are any deals they can offer you as a new customer. Brokers want your business, and many have special offers. This can help offset the fees that you may face for leaving your current broker.