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You already do your banking there, so why not your share trading, too? Patrick Commins looks at what's on offer.

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Ten years ago, investors who wanted to trade online had only a handful of providers to choose from. Today, the number of options runs into double digits, facilitating the evolution of Australians from passive shareholders, through compulsory super, to a country of active investors.

Despite the fact that there are more options, online investors tend to cluster around CBA's Commsec, which serves around half the market; ANZ's E*Trade with a 20 per cent market share; and Westpac's online offering, which claims another 10 per cent.

That's four fifths of the market sewn up by three providers. And it's not by chance that each is part of one of the big banks. According to E*Trade's boss, Stuart Sayers, convenience is the watchword for many online investors.

Investment Trends' research backs that up. Of the almost 1400 online broking customers surveyed by the research house, close to 40 per cent said that an existing relationship was the motivation for choosing one online broker over another. So when it comes to choosing the online broker that's right for you, the ability to have all your banking and trading accounts - including, potentially, your margin loan account - in the one place and behind a single log-in may be the be-all and end-all.

The next most popular reason to go with an online broker, according to Investment Trends, was cost and value, although only 30 per cent of respondents said this was a determining factor.

That fairly small proportion may help to explain the wide spread in brokerage rates. CommSec's basic offering charges close to \$30 to place a trade, and E*Trade even more at \$32.95, while the likes of Bell Direct and Amscot Discount Stockbroking charge half that. International discount broking powerhouse Interactive Brokers charges a mere \$6 (see case study).

If you plan to make five trades a year, don't get too hung up on price. It becomes a much bigger issue if you plan on pressing the buy or sell button 500 times over the next 12 months.

Other than price and the convenience of doing all your banking in one spot, for infrequent traders not interested in buying and selling derivatives or overseas shares, there's not a huge amount separating the online brokers.

Almost all offer some analyst research and company information. Beginners may be attracted to such things as online educational tools and newsletters - something CommSec is keen to promote and does well. But be sure not to pay a monthly fee for services you're not actually going to use.

If you're an active trader, the tools and features of your online broking service have to be considerably more sophisticated and many providers offer different levels of accounts to cater to the various needs of investors.

For example, how fast the prices of securities are updated on your screen varies between accounts. "Dynamic" pricing means prices refresh automatically; "live" means you need to click a button to get the latest figures; "delayed" means just that.

It's the same with details on market depth and momentum, which measure the volume of buyers and sellers of a stock and can help determine your entry into a trade based on the observed demand and supply dynamics.

Generally, the more frequently you trade, the less you'll pay for brokerage.

In the end, saving money on brokerage is pointless if you find that your account doesn't meet your needs. Paying too much for a bunch of features isn't ideal, either. The best approach is to work out how often and what you plan on trading, what tools you need to do that, and find a broker that best fits your profile.

Case study

Michael Hamm is a man with a plan. The 27-year-old Sydneysider thinks it will take him at least 5000 trades to hit the big time. And with fewer than 300 trades completed so far, he has a lot of trading ahead.

Michael recently opened two accounts with lesser-known online providers that suited his frequent trading; one with global discount broker Interactive Brokers and another with CFD provider GFT.

He chose Interactive Brokers because at \$6 a trade it offers the lowest brokerage. It also offers cheap and easy access to the buying and selling of overseas shares.

"The more frequently you trade, the more brokerage you want to save because that's basically the only cost you're facing," Michael says.

He chose to open an account with GFT so he could trade in derivatives and gain access to currency markets.

Michael, who says he learnt everything he needs to know about risk management from playing online poker, says he also considered how quickly the various trading platforms could place his order. Live information is "pretty good, but not critical" he says, adding that while research is definitely important, almost all online brokers provide a similar amount.

But not all brokers offer a feature he considers crucial: live charting tools with the ability to make a trade from the chart.

You can follow Michael's journey to fortune at 5000trades.blogspot.com.

Special offers

Online brokers are keen to attract new customers by dangling special offers in front of them. Don't let these be the determining factor in your choice but if you're undecided between two or more providers, a few hundred dollars in free brokerage could be just the cherry on top that you're looking for. But watch out that you follow the rules when you apply — if it says "internet offer", don't sign up over the phone. And don't forget to read the fine print.

Amscot Discount Stockbroking A standard offer aimed at day traders (called its Online DayTrader rate) is structured around total dollar value rather than on a per-transaction basis. All trades on one stock are collated at the end of the day and issued as one transaction, for a flat fee of \$33 up to a total \$200,000 trade value.

Bell Direct If you're a member of a motoring association, such as NRMA or RACV, you get \$200 in your trading account to spend as you like after your first trade settles (compared to the offers below, which only rebate brokerage for a limited time). You'll then receive every 10th trade brokerage free. Just make sure you quote your member number when applying.

CommSec If you open a new CommSec trading and cash account before the end of April, you receive \$600 free brokerage for trades that settle directly from your CommSec cash account (which also gives you access to the "internet preferred pricing" of \$19.95 a trade). But you only have until June 30 on the current offer to use your free brokerage.

E*Trade Open a new account with E*Trade before June 30 and you get free brokerage of up to \$550 on your first 10 ASX-listed equities trades executed within the first 60 days of the account being opened. Any individual trade value can't be more than \$50,000.

NAB OnLine Trading This deal is similar to E*Trade's but it gives you up to \$750 free brokerage where the bank rebates up to \$29.95 a trade into your NAB OnLine trading cash account. You get 60 days to use it.

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