

Consumer Reports rates 13 brokerage services

By Editor Test Wed, Jan 4, 2012

A trusted source for information on a wide array of products, Consumer Reports decided to investigate online and full-service brokerage services by polling their readers and sending mystery shoppers to brokerages. Here's how 13 services measured up.

A *Consumer Reports* survey of its readers, published in the February issue of the magazine and posted on its website, showed those readers to be “very satisfied” with 10 of 13 major brokerage organizations.

The brokerage arm of USAA, a members-owned insurance company that mainly serves current and former servicemen and women, led in overall satisfaction. Scottrade, an online broker, and Vanguard, tied for second place.

The broker satisfaction ratings were based on a 2011 Consumer Reports National Research Center online survey of 7,327 ConsumerReports.org subscribers reporting on their experiences with brokerage firms between October 2010 and October 2011.

Consumer Reports Ratings for Brokerage Services	
Discount/Online Brokerages	Score*
USAA Brokerage	93
Scottrade	89
Vanguard Brokerage	89
Charles Schwab	84
TD Ameritrade	83
E*Trade	82
Fidelity Brokerage	81
WellsTrade (Wells Fargo)	74
Merrill Edge (Bank of America)	72
Full-Service Brokerages	
Edward Jones	83
Raymond James	82
Ameriprise	80
Morgan Stanley Smith Barney	71

*Based on overall satisfaction with quality of customer service, financial advice, phone service and website usability. Source: *Consumer Reports*, Feb. 2012, p. 26. Based on a 2011 survey of 7,327 CR subscribers.

Besides surveying its online subscribers about their experiences with their brokers, the organization sent staff members into brokerage offices in New York and Washington State to experience how clients seeking advice were served. And the organization asked major financial-services companies to prepare investment plans based on the profiles of five of those staff members.

Two independent financial planners and their teams evaluated the appropriateness of the advice in the companies' plans. They analyzed 20 investment plans created for the Consumer Reports staffers by Citibank, Fidelity, Schwab, and T. Rowe Price, and judged them about equally good. Citi and T. Rowe Price earned somewhat higher marks for the appropriateness of investment recommendations. Citibank's approach toward planning was deemed more comprehensive than the others' approach.

But Consumer Reports' financial advice judges found "inappropriate advice in several plans. They also found most of the documents to be filled with boilerplate language and short on real, actionable advice," according to a press release.

In a Consumer Reports field test, participants encountered some questionable sales tactics, the company said. "One CR staff member was shown a chart on a portfolio's performance that omitted the significant impact of fees. Another tester was pitched a complicated annuity product though the adviser knew little about her," the release said.