

Are you looking to hit target retirement goals and don't want to bother with any of the details? If the answer is yes then a full-service brokerage may be up your alley. If however you're the type of investor who is willing to put in some research and elbow grease, perhaps a discount brokerage like E-Trade would suit you better.

## ETRADE IRA Choices

Retirement is a big deal and no doubt E-Trade has a variety of individual retirement accounts (IRAs) to help you get there. However, just as important as the number IRAs available is the number and types of investment options that you can choose from within each IRA. The table below provides a summary breakdown of the different IRA types and investment options E-Trade offers.

	Traditional IRA	Roth IRA	Rollover IRA	E-Trade OneStop Rollover IRA	E-Trade Complete IRA	Beneficiary IRA	IRA for Minors
<i>Stocks</i>	✓	✓	✓		✓	✓	✓
<i>Bonds</i>	✓	✓	✓		✓	✓	✓
<i>Options</i>	✓	✓	✓		✓	✓	✓
<i>*Mutual Funds</i>	✓	✓	✓	✓	✓	✓	✓
<i>**ETFs</i>	✓	✓	✓	✓	✓	✓	✓
<i>All Star Mutual Funds</i>	✓	✓	✓			✓	✓
<i>All Star ETFs</i>	✓	✓	✓			✓	✓
<i>Target Date Funds</i>	✓	✓	✓			✓	✓
<i>No-load No-tx fee Mutual Funds</i>	✓	✓	✓			✓	✓

\* 8000 mutual funds choices, of which about 1300 of them are no-load, no-transaction fee

\*\* 1800+ ETF choices, many of which are commission free

From this table it's clear that there is an IRA suitable for just about any goal. Moreover, the choice of investment options within each IRA is very comprehensive. The two IRA types that don't offer as many investment choices (OneStop and Etrade Complete) are IRAs that are

managed by E-Trade Capital Management, a team of investors that pick a diversified portfolio and take care of all the management details for you. More on Capital Management in a moment.

Choices are great, and this is definitely one of the strengths that E-Trade offers. However, for a beginner investor sometimes all the choices can be overwhelming. Yes, the company markets itself as being a solid brokerage choice for all types of investors, but when the rubber meets the road, the core market for E-Trade is an investor that is comfortable with investing, relatively independent, and willing to do some legwork.

So we've established that E-Trade has a solid IRA selection, but what about the fees?

## E-Trade IRA Fees

The table below compares the E-Trade fees with those of a few of its major competitors for similar investment types.

	Stocks	ETFs	Options	Mutual Funds	Bonds
<i>E-Trade</i>	9.99	9.99	9.99	19.99	1.00
<i>TD Ameritrade</i>	9.99	9.99	9.99	49.99	25.00 or net yield basis
<i>Charles Schwab</i>	8.95	8.95	76.00 buy / 0 sell	76.00	1.00
<i>Scottrade</i>	7.00	7.00	7.00	17.00	

Perhaps one of its biggest downsides is E-Trade's relatively high commissions on stocks, ETFs and options. E-Trade competes pretty well with TD Ameritrade, but then loses ground with other brokerages like Charles Schwab and Scottrade. It does tend to make up for this downside with the sheer breadth of its investment offerings; it looks like all the choices do come at a bit of a cost.

In the mutual fund category E-Trade does quite a bit better, with its mutual fund commissions coming in at \$19.99. Compared with TD Ameritrade this is roughly 60% savings, and with Charles Schwab, 72% savings.

## E-Trade Capital Management

E-Trade Capital Management is a team of professional investors who will completely manage a client's investment portfolio, so for the investor who does want to go with E-Trade but really wants more involved assistance including investment choice and maintenance, then this is certainly an option. The client fills out a questionnaire, a risk profile is established, and the

investment team then hand picks all the funds, completes all the required trades, and rebalances the fund time.

The obvious benefit of this is that the client gets to be completely hands off and can rest assured that the portfolio is being managed by people who know a lot about investing. However it is wise to consider the costs of this before deciding that this is the best option. Here's a quick analysis of how Capital Management fees can potentially affect an investment. First, a summary of Capital Management fees:

Balance	Fees
< \$100K	0.90
\$100K > x < \$250K	0.80
\$250K > x < \$500K	0.75
\$500K > x < \$1M	0.70
\$1M > x < \$2M+	0.65

Now, suppose an investor has \$150K to invest over 10 years with a hypothetical 6% return. Plugging these numbers into a simple calendar found online yields the following figures:

Investment Fee Calculator	
Initial Investment Amount:	\$ 150000
Sales Load:	0 %
Annual Operating Fee:	.8 %
Redemption Fee:	0 %
Investment Annual Rate of Return:	6 %
Number of Years Held:	10
<input type="button" value="Calculate"/> <input type="button" value="Reset"/>	

Calculator Results	
Fund Value Without Fees	\$268,627.15
Total Fees	\$20,732.80
Annual Operating Fees	\$16,113.05
Opportunity Costs	\$4,619.76
Redemption Fee	\$0.00
Fund Value With Fees	\$247,894.35
Reduction of Future Value Due to Fees	7.72 %

As shown in the **Calculator Results** above, after 10 years the fund value without fees would have been \$268K, and with fees it is \$247. This is close to an 8% loss. Running the same calculation again over 20 years yields a return without fees of \$481K versus with fees of \$409 for a 14% loss. A 30 year investment yields a return without fees of \$861K versus with fees of \$677 for a 21% loss.

The moral of the story: an investor can probably weather “higher” fees for short periods of time, but would want to minimize them as much as possible for investment periods over many years. The bottom line: E-Trade Capital Management may be a good service but it comes with a price tag.

## Education and Tools

When it comes to education and tools E-Trade really shines. The company knows who their bread-and-butter investors are (savvy, relatively independent, research oriented) and they’ve done a good job providing those investors with good tools and information. Here are some highlights.

## Education

E-Trade educational offerings are comprehensive, including full courses, live events, videos, many of which are completely free. Just about every investment topic is covered, and each educational item includes a description of its target audience (i.e. beginner, intermediate, advanced) and displays any ratings that it's received from other investors. Here is a sample of educational resources around the topic of retirement and IRAs.

TOP RATED

MY BOOKMARKS

MY VIEWED

INVESTING

TRADING STRATEGIES

MARKET COMMENTARY

RETIREMENT

Planning For Retirement

Retirement Planning

Retirement Accounts

Investing for Retirement

Retirement Income

Retirement: Planning For Retirement - Retirement Accounts

Display All

TITLE		TYPE	LEVEL	RATING
<a href="#">Give the Gift of a Roth IRA</a>	E*TRADE	Article	Intermediate	★★★★★ (1)
<a href="#">Thinking About a Roth IRA Conversion?</a>	E*TRADE	Article	The Basics	★★★★★ (9)
<a href="#">How to Choose Between a Traditional &amp; Roth IRA</a>	E*TRADE	Article	Intermediate	★★★★★ (30)
<a href="#">Avoiding Retirement Account Mistakes</a>	E*TRADE	Article	The Basics	★★★★★ (3)
<a href="#">The Benefits Of Starting An IRA For Your Child</a>	Investopedia <sup>2</sup>	Article	The Basics	No Rating

## Tools

The number of tools investors have access to on E-Trade is incredible. Here is a sample list from the website.

<b>Stocks</b>	<b>Planning Tools</b>	<b>Options Tools</b>
<a href="#">Charts</a>	<a href="#">Online Portfolio Advisor</a>	<a href="#">Options Chain</a>
<a href="#">Stock Screener</a>	<a href="#">Retirement Planning Calculator</a>	<a href="#">Strategy Optimizer</a>
<b>Mutual Funds</b>	<a href="#">Portfolio Analyzer</a>	<a href="#">Options Analyzer</a>
<a href="#">Mutual Fund Screener</a>	<a href="#">Risk Analyzer</a>	<a href="#">Probability Calculator</a>
<a href="#">Mutual Fund Comparison Tool</a>	<a href="#">Income Estimator</a>	<a href="#">Options Screener</a>
<b>Exchanged Traded Funds</b>	<b>Bonds</b>	
<a href="#">ETF Screener</a>	<a href="#">Bond Screener</a>	<a href="#">All Tools</a>
<a href="#">ETF Comparison Tool</a>	<a href="#">Bond Ladder Builder</a>	
	<a href="#">Bond Fund Selector Tool</a>	

Two tools, the Retirement Planning Calculator and the Online Portfolio Analyzer, are particularly helpful for beginner investors. The retirement calculator can be used to identify retirement goals

including the target retirement balance, monthly budget, risk profile, and retirement age. Once this information is calculated, the investor then moves on to the portfolio analyzer, which takes the previous retirement calculations and recommends a diversified investment portfolio. This kind of analysis can be done easily in an hour or less.

Below is an example of a recommended ETF investment portfolio for an investor in her 40s that has \$230,000 to invest and has a moderate growth risk profile.

#### Alternative Portfolio



## Final Comments

E-Trade's strengths clearly lie in its broad range of investment choices, and its comprehensive, friendly and easy-to-use suite of tools and educational resources; its IRA choices are no exception. The downside is that the IRA fee structure is not the most competitive and the target client is an investor who is comfortable with the details of investing and willing to do some homework. However, E-Trade makes up for this with its tooling, where even beginner investors can setup diversified IRA portfolios in just a couple hours time if not less.