**Broker** - A broker is a person or firm who arranges transactions between a buyer and a seller for a commission when the deal is executed. A broker who also acts as a seller or as a buyer becomes a principal party to the deal.

**Brokerage -** A brokerage company’s main duty is to act as a middleman that connects buyers and sellers to facilitate a transaction. Brokerage companies typically receive compensation by means of a commission (either a flat fee or a percentage of the amount of the transaction) once the transaction has successfully completed. For example, when a trade order for a stock is executed, an investor pays a transaction fee for the brokerage company's efforts to complete the trade.

The real estate industry also functions using a brokerage company format, as it is customary for real estate brokers to collaborate, with each company representing one party of the transaction to make a sale. In this case, both brokerage companies divide the commission.

**How Brokerage companies work -** In a perfect market, where everybody had full information and could act quickly and correctly on that information, there would be no need for brokerage firms. In reality, however, there is less than perfect information, opacity, and asymmetric knowledge. As a result, buyers don't always know who the sellers are and which is offering the best price. Likewise, sellers are in the same position. Brokerage companies exist to help their clients match the other side of a trade, bringing together buyers and sellers at the best price possible for each, and extracting a commission for their services.

In the financial markets, several different types of brokerage firms offer a wide range of products and services. Here is a brief description of the three major types, starting with the most expensive option. We will go into greater detail on each below.

**Full-service brokerage**: A full-service brokerage company provides a professional financial adviser who manages all investment decisions and provides ongoing advice and support. Such brokerages, with their high-touch services, are the most expensive option.

**Discount brokerages**: Discount brokers were once brick-and-mortar operations, but are now most often online platforms that allow do-it-yourself (or self-directed) investors to make their own trading decisions for lower commissions. Recently, there has been a push toward zero trading commissions for ETFs or even all products on several self-directed online platforms. These brokerage companies may tout relatively low flat fees for trades in television, internet, and radio advertising.

**Robo-advisors**: Automated investment advisory platforms, or robo-advisors, are a relatively new form of a digital financial advisor that offers investment management services carried out by algorithms with minimal human intervention at a very low cost. Several robo-advisors offer zero commissions or fees, and you can start with as little as $5 in many cases.

Investors have a range of options when choosing a brokerage company. The type of services a person requires depends on their level of market knowledge, sophistication, risk tolerance, and comfort in trusting others to manage their money.

Brokerage commissions erode returns over time, so investors should select a company that provides the most economical fees for services provided. Before opening an investment account, a customer should compare fees, products, benefits, customer service, reputation, and the quality of services provided.

**KEY TAKEAWAYS**

- A brokerage company primarily acts as a middleman to connect buyers and sellers to facilitate a transaction.

- Brokerage companies typically receive one of two types of commission: a flat fee or a percentage of the transaction amount.

- Brokerage companies come in several types, offering a range of products and services at a range of costs and fees.

**Types of Brokerages**

The amount you will pay depends on the level of services you receive, how personalized they are, and whether they involve human beings rather than computer algorithms.

**Full-Service Brokerage**

Full-service brokerages, also known as traditional brokerages, offer a range of products and services including money management, estate planning, tax advice, and financial consultation.

These companies also offer up-to-date stock quotes, research on economic conditions, and market analysis. Highly trained and credentialed professional brokers and financial advisers work at these firms and may form personal relationships with their clients. Some traditional, full-service brokerage companies also offer discount brokerage services or robo-advisor platforms.

Traditional brokerages charge a fee, commission, or both. For regular stock orders, full-service brokers may charge up to $10 to $20 per trade, but many advisors are switching to a wrap-fee business model, in which all trades and advice come under an all-inclusive annual fee—typically 1% to 2% of assets under management (AUM). Many full-service brokers seek out affluent clients and establish minimum account balances required to obtain their services, often starting at six figures or more.

**Discount Brokerage**

A discount brokerage charges less than a traditional brokerage but may provide fewer comprehensive services and products, and lack the personal relationship found with a full-service advisor; the depth and quality of discount brokers' advice often depend on the size of an investor’s account.

Several full-service companies do offer a lower-cost discount brokerage arm, as well. These types of companies are able to charge a lower commission by having their clients conduct their own research and trades via computerized trading systems, either web-based or through a mobile app.

The first discount brokerage is often attributed to Charles Schwab in the 1970s and 1980s. Since the advent of online trading in the late 1990s, commissions for discount brokers have fallen dramatically, to where they now average around $4 to $5 per trade. Today, most discount brokerages are also online brokerages. A recent trend is for ETF trades executed through online brokers to carry zero commission. Other online brokerages such as Robinhood, which only offer access via a mobile app, are pioneering zero commissions on all trades.

**Robo-Advisors**

Starting in the 2010s, robo-advisors are a class of digital-only online investment platform that uses algorithms to implement trading strategies on behalf of clients in an automatic manner. Most robo-advisors subscribe to long-term passive index strategies that follow the rules of modern portfolio theory (MPT), although several robo-advisors now allow clients to modify their investment strategy somewhat if they want more active management.

The allure of robo-advisors is not only the automation but also the very low fees and low account balances needed to get started. In many cases, robo-advisors actually charge no annual fee, zero commissions, and you can start with just a few dollars.

Some robo-advisors have now started employing human advisors whom clients can consult, but these advisors often are unable to actually change the recommended portfolio allocation generated by their algorithms. Furthermore, access to an advisor will come with a higher fee, typically 0.25% to 0.50% of AUM per year—which is still far less than that of a traditional broker.

**Independent Versus Captive Brokerage**

It's also important to know whether your broker is affiliated only with certain companies or can sell you the full range of choices. You should also find out whether they hold to the fiduciary standard or the suitability standard.

**Independent Brokerage**

Independent brokerages are not affiliated with any mutual fund company, but function similarly to a full-service brokerage. Typically, these brokers can recommend and sell clients products that are more likely to be in their best interests because they are not tied to one company. Registered investment advisors (RIAs) are the most common type of independent broker found today. They are required to hold to the fiduciary standard, meaning that they must recommend the investments most in the client's best interest—and not their own (meaning, a fund with an especially good commission for the broker who sells it). It's best to choose an advisor who upholds the fiduciary standard and not the lesser suitability standard.

**Captive Brokerage**

Captive brokerages are affiliated with a specific mutual fund or insurance company and have contracts with specific providers to sell only their products. These brokers are employed to recommend and sell the range of products that the mutual or insurance company owns. Such products may not be in the client's very best interest compared with other options.

https://www.investopedia.com/terms/b/brokerage-company.asp

**Customs brokerage** - Customs brokerage firms facilitate the shipment and delivery of goods across geographical borders for individuals and organizations.

The general public is often unaware of the sheer magnitude of goods and raw materials that cross these international borders every single day and what is involved in clearing these goods through customs in different countries.

Each country operates under a different set of rules and regulations regarding the transfer of goods entering or leaving their borders. Customs regulations and laws concerning import and export of goods are constantly changing all over the world, sometimes even on a daily basis.

A customs brokerage firm is responsible for knowing all of these rules and regulations and ensuring that they are followed, in order to streamline the process of shipping goods as much as possible for the individual or organization. In effect, customs brokers alleviate the stress of dealing with customs officials and learning shipping regulations so that their clients can spend more time on what they are good at – managing their core business.

Customs brokers serve in effect as translators, communicating with agencies and government throughout the shipping process, to ensure that all of the proper procedures have been followed.

Customs Brokerage in a Digital Age

As quickly as the regulations regarding shipments are changing, so is the way people are doing business. It is clear that transactions regarding shipments and customs clearance procedures are being migrated online. Customs brokerage firms are constantly researching and developing their internal infrastructure to coincide with all requirements, so that procedures, electronic or otherwise, are followed properly.

Customs brokers ensure they have the most current technology, and that they stay on top of the various developments in this dynamic industry to provide the best quality service for their clients at all times.

<http://www.farrow.com/article-what-is-customs-brokerage>

**A freight forwarder, forwarder, or forwarding agent -** also known as a non-vessel operating common carrier, is a person or company that organizes shipments for individuals or corporations to get goods from the manufacturer or producer to a market, customer or final point of distribution.  
  
Firm specializing in arranging storage and shipping of merchandise on behalf of its shippers. It usually provides a full range of services including: tracking inland transportation, preparation of shipping and export documents, warehousing, booking cargo space, negotiating freight charges, freight consolidation, cargo insurance, and filing of insurance claims. Freight forwarders usually ship under their own bills of lading or air waybills (called house bill of lading or house air waybill) and their agents or associates at the destination (overseas freight forwarders) provide document delivery, deconsolidation, and freight collection services.

http://www.businessdictionary.com/definition/freightforwarder.html