

paradigm press presents:

HOW TO CHOOSE THE BEST BROKERAGE ACCOUNT FOR YOU



How to Choose the Best Brokerage Account for You

To take advantage of most of Paradigm Press' recommendations, you'll need an account with a stock brokerage to place the trades.

You might already have a brokerage account... but is it the best one for you? Or maybe you've never traded so much as a stock in your life... so where do you start?

That's what this report is all about. We're going to go through the basics of some of the most popular online brokers out there.

Keep in mind, this is for informational purposes only. There are lots of brokers out there and we won't be able to cover them all here. But you can use the criteria we suggest to evaluate other brokers on your own.

Finally, choosing the right broker for you can involve a lot of personal preferences. Objectively, there isn't a broker with the best trading software or the best research. It all comes down to your needs and how much you are willing to pay to have those needs met.

There are some objective considerations, however.

Let's break it down.

Commissions & Fees

In the old days, you'd need to call a broker to make a stock trade. And whether you were buying or selling, you'd have to pay an added fee called a commission.

These days, most trades can be done with a few keystrokes on the Internet. And you rarely have to pay a commission when you buy or sell stock shares.

That's right, most brokers charge \$0 commission to make a stock trade. Many brokers have also stopped requiring a minimum initial deposit to open an account.

You can choose exactly how much cash you want to deposit to start with. You just need enough money to cover your purchases.

That still varies by broker, though, and some may charge you a fee if your account balance falls below a set limit. So check the broker's requirements and ask questions before opening an account.

Even if the broker doesn't charge a commission for stock trades, be sure to check the fine print for other fees, too.

For instance, if you need to call your broker on the phone for help making a trade, you'll likely pay for the privilege.

And if you want to trade stock and index options, you'll likely pay a fee per contract.

There is also a chance you will need to apply for your broker's permission to trade options.

Levels and Tiers

Brokers have an obligation to make sure their clients don't get in over their heads. So they don't let you trade options willy-nilly. Instead, clients must apply for permission to trade certain kinds of options.

To simplify the process, brokers often break specific types of options trades into “levels” or “tiers.”

In general, the higher the level or tier, the riskier the activity.

You’ll encounter all sorts of different levels of options when you trade with us, so be sure to keep in mind your own risk tolerance when deciding which plays you add to your personal portfolio.

Levels and tiers are also not universal — brokers set their own levels and tiers, plus the criteria for each one. So what one broker considers a “level one” trade might be a “level three” trade at another broker.

Since you’ll need to jump through more hoops to make level three trades, it might make more sense to switch to a broker that allows our trades at a lower level.

Most of Paradigm Press’ services recommend simple options trades, so you’ll need permission to “buy puts and calls”... “trade long puts and calls”... or something similar.

A few of our services also recommend covered calls or cash-secured puts. These are some of the least risky options trades you can make.

So if you qualify for buying puts and calls, chances are good that you’ll automatically qualify for every type of trading we currently offer.

We’ll let you know if a service requires you to have permission to make other kinds of trades.

In general, you’ll need to fill out a quick three- or four-page form that your broker will provide you. It asks a few questions about your financial situation, investment background and what your interests are.

Be sure to check the boxes that match the kind of trading the service offers (usually “buying calls and puts” or “covered calls and cash-secured puts”).

Once you submit this form, your broker will typically give you approval within two or three days.

If for some reason your application is denied, contact your broker's customer service team to see what you must do to get approval.

But if you are approved to trade options, you just need to fund your account with enough money to buy our options recommendations.

A few of our services recommend more sophisticated trades that require you to have more cash on hand to make them. This is rare, however, and we'll let you know when this applies.

And remember, you only have to worry about permission or having extra cash in your account if you are trading stock options.

If you plan to stick to stocks, you can start buying as soon as you've deposited money in your account.

Above all else, remember that commissions, minimums, extra fees and permission levels are just top-level considerations for choosing brokers.

As we said, you should explore other factors, like the broker's ease of use, research tools or even customer service.

Those will always come down to personal preference. Many brokers offer free demo accounts to explore their services. You may find it's worth paying a little bit more for a software platform or research services you like.

As part of your research, make sure you know how to use the broker's software to make different kinds of buy and sell orders. The ones you're most concerned with are limit orders.

Types of Trades

When you buy or sell a stock or option, your brokerage site will ask you to choose the type of order you want to use. Before you make your first trade, make sure you know how to change the order type.

Most brokers default to a "market order." This is an instruction to the broker to make your trade immediately, paying whatever the going rate is. The danger is that if the stock or option's price is moving fast, your order could be executed for a price you're not happy with.

Other types of orders give you a bit more control, telling your broker not to take action until certain conditions are met.

The simplest kind of order — and the type we always recommend using when buying — is a limit order.

It simply tells your broker not to execute a trade if the stock or option is trading above a certain price. In other words, it's the most amount of money you're willing to pay for what you're buying.

Say, for instance, one of our analysts recommends buying a stock "up to" \$50... "no more than \$50"... or "with a \$50 limit."

These all mean to use a limit order with your broker set to \$50.

You may also have to choose how long you want the order to last.

Typically, there are day orders, which will expire at the end of the day.

There are also good-to-cancelled (GTC) orders, which will remain in effect until you contact your broker to cancel it.

Day orders are usually best for option recommendations, while GTCs are generally better for stock trades.

If the stock is trading under \$50 per share when you submit your order, your broker will begin buying the stock immediately.

If it's selling for \$48, you'll pay \$48 per share.

However, if the stock is trading for, say, \$51 when you submit the order, nothing will happen. The order will stay on your broker's books until it falls to \$50 or below again. It will not be considered an active trade until the order is triggered.

We try to set limit orders wide enough so everyone has a chance to get into a play, so you will rarely have unfilled orders.

If for some reason you can't get in at our recommended price, do not adjust your limit price. Either wait for further instructions from our analysts or cancel the order.

With that out of the way, let's see how some popular brokers stack up.

Brokers to Consider

As an independent financial research firm, we are not affiliated with any brokerage firms. We also do not believe one is necessarily better than another.

But we can share some basic information to serve as a jumping off point for you.

Robinhood — This online broker launched in 2013, and offers a streamlined interface and absolutely free trading. Zero commissions. Zero minimum balance.

Even \$0 per option contract.

And you can now open a retirement account with the company where they'll match 1% of every dollar you save.

The tradeoff? You get limited customer service with Robinhood. Plus, no trading mutual funds or bonds — which none of our research advisories currently recommend anyway.

But if you're a self-sufficient trader who doesn't need bells and whistles, Robinhood might be right for you.

Robinhood has two levels of options trading: Level 2 and Level 3. Level 2 trades are where new options traders will start, while Level 3 trades are much more advanced and have considerable risk.

Level 2 includes long calls, long puts, covered calls, and cash-covered puts — which is all that's required to make the options recommendations we currently offer.

Level 3 includes call credit spreads, put credit spreads, call debit spreads, put debit spreads, iron condors, calendar spreads, iron butterflies and box spreads — sophisticated strategies beyond our current scope.

Visit their website www.robinhood.com or call their informational support at 650-761-7789

Charles Schwab — The oldest discount broker, Schwab is a platform for all types of investors, with fees similar to other brokers.

The company requires \$0 commission per online trade and \$0 account minimum.

The basic online commission to trade options contracts is 65 cents per contract.

Charles Schwab has four trading levels, numbered zero to three. For most of the trades we recommend, you'll need Level 1, which allows you to buy calls and puts (long calls and puts).

Visit their site for details at www.schwab.com or call 1-800-435-4000.

E*TRADE — Easily one of the most well-known online brokers, E*TRADE also offers zero commissions per trade and no account minimum.

But it does tack on a 65-cent fee per options contract, or 50 cents if you make more than 30 trades per quarter.

E*Trade has four options trading levels, numbered one to four. Long calls and puts is part of Level 2.

You can contact E*TRADE at 1-800-387-2331 or www.etrade.com.

Interactive Brokers — Designed for experienced traders, it's a little less touchy-feely than other more retail-focused firms, but very good online.

For the basic level, there are no commission fees and no account minimums. And like the others, they charge just 65 cents per options contract.

Since they cater to experienced investors, they don't bother with levels or tiers. You just need to stipulate that you have more than two years of options trading experience.

Visit their website at www.interactivebrokers.com for more.

TD Ameritrade – Another classic discount broker, in the business since 1975.

We might sound like a broken record at this point, but the company is in line with the others with \$0 commissions on stock trades, \$0 account minimums and it charges 65 cents per options contract.

TD Ameritrade breaks its option approval into tiers. Writing covered calls and cash-secured puts are both Tier 1, while standard options trading is Tier 2.

Contact them at 1-800-454-9272 or www.tdameritrade.com.

Ally Invest – A relative newcomer to the online investing space, they've existed in the financial sphere since the '30s.

There is no minimum account balance and they charge \$0.50 per options contract.

Ally also does not charge commission fees on stock trades.

Ally Invest breaks its options approval into 6 levels.

While some levels require you to have a minimum annual income and options experience, all of the recommendations you'll find in Paradigm Press are covered under Ally's Level 1 and Level 2.

Check them out at www.ally.com/invest or call them at 1-855-880-2559.

TradeStation – Another broker that's competitive with others on this list, though some of our analysts praise their great charting software.

No commissions for stocks and no account minimum.

The company charges \$0.60 per options contract.

TradeStation has five levels for options trading. You'll need level 1 permission for covered calls, but level 4 permission to sell cash-covered puts. Simply buying and selling calls is also Level 2.

Contact TradeStation at 1-800-822-0512, or visit them at www.tradestation.com.

Let's Get Trading

In the end, you just want a broker who lets you quickly follow our recommendations without costing you too much in commissions and fees.

Any of these brokers is a great place to start.

Be sure to see if they offer free demo accounts, so you can try them out before staking real money.

And happy trading!



© 2023 Paradigm Press, LLC | 808 St. Paul St., Baltimore, MD 21202, United States of America | [Privacy Policy](#) | [Terms and Conditions](#) | No part of this report may be reproduced or placed on any electronic medium without written permission from the publisher. Information contained herein is obtained from sources believed to be reliable, but its accuracy cannot be guaranteed.

Paradigm Press allows the editors of publications to recommend securities that they own themselves. However, our policy prohibits editors from exiting a personal trade while the recommendation to subscribers is open. In no circumstance may an editor sell a security before our subscribers have a fair opportunity to exit. The length of time an editor must wait after subscribers have been advised to exit a play depends on the type of publication. All other employees and agents must wait 24 hours after on-line publication prior to following an initial recommendation. All other Paradigm Press employees and agents must wait 24 hours prior to following a recommendation. Signed articles represent the opinions of the authors and not necessarily those of the editors. Neither the publisher nor the editor is a registered investment adviser. Readers should carefully review investment prospectuses and should consult investment counsel before investing.