

# MoneySense

## Canada's Best Online Brokers 2016

In our fourth annual survey, we focus on brokerages dedicated to continuously improving their services



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You've probably never bought a car without taking it for a test drive. Before plunking down your money, you want to know how the vehicle takes corners and whether the A/C works. But a brief spin around the block won't tell you how the car will behave in a skid on icy roads, or whether the interior will hold up to abuse by your kids and pets. Those important features will only become clear after you've driven the car for years.

Choosing an online brokerage puts you in a similar predicament. Sure, you can do your research and maybe even open a few practice accounts, but it's hard to anticipate the features—both good and bad—that will eventually become critical. How can you know if the customer service is helpful until you actually have a crisis? Or how good the record keeping is until it's time to prepare your taxes?

That's where Glenn LaCoste and Surviscor come in. For the fourth year in a row, MoneySense has partnered with the Toronto research analysis and business intelligence firm to tap its comprehensive database (the company also ranks banks in the online and mobile space) and its president's insights.

In the last couple of years, the gaps between offerings have narrowed, so this year we've focused on the brokerages that seem dedicated to continuously improving their services. In what follows, we'll help you decide on the right vehicle for your investing journey. (Click [here](#) for more detailed information on the individual companies ranked in the package.)

# Getting started

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**Top pick:** BMO InvestorLine

**Honourable mention:** Virtual Brokers

Moving your investments to a new brokerage can be a pain, and if you're new to online trading, it can be intimidating, too. So we started by looking for the ones which make the account opening process easy.

BMO InvestorLine gets top marks in this category, especially now that its website is responsive on mobile devices, making online account opening even easier. "BMO was the leader even before this change, and this just makes them better," says LaCoste.

One of the hassles inherent in online applications is verifying your identity and providing signatures. Virtual Brokers gets credit here for introducing "e-funding" verification: They send a small, random amount of cash to your bank account and you confirm by correctly telling them that amount. Virtual Brokers was also the first brokerage to introduce electronic signatures.

As technology improves, account opening should get easier. Look for other brokerages to eventually follow the lead of Credential Direct, Qtrade and Questrade, who now allow new clients to upload scans of their government ID.

# Ease of use

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**Top pick:** Scotia iTRADE

**Honourable mention:** Questrade

A well-designed website means you don't have to spend hours learning to navigate it. The main screens should allow you to easily move between accounts and view all your holdings, and order screens should be intuitive and clean.

While investors want detailed account information, research and market data, LaCoste points out that sometimes less is more. "Some brokerages now show too much information when all the user wants is a search feature or filtering capability." He looks for brokerages that allow investors to quickly find the specific information they're looking for.

Scotia iTRADE and Questrade stand out in this respect, as both offer a variety of customization options, such as "quick entry" default values (quantity, price, market) for traders who tend to place orders in standard blocks. Questrade continues to improve its look and feel and now offers some unique features, such as buttons that allow you to increase or decrease values—for example, going from 100 shares to 200—with a simple click.

Going forward, mobile apps will play an increasing role for online traders as devices continue to grow in size and sophistication. But for now most offerings just don't have the same functionality as web-based services. BMO InvestorLine is significantly ahead of the pack here, providing solutions for many mobile devices.

Once again Scotia iTRADE and Questrade are far better than most, with robust apps that are closing the gap between mobile and the web.

# Fees & commissions

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**Top pick:** Questrade

**Honourable mention:** Qtrade Investor

Gone are the days when a chasm separated the brokerages when it came to costs. The big banks have lowered commissions significantly, and \$7 to \$10 is now the norm almost everywhere for both equities (including ETFs) and options. Annual fees are also going by the wayside, except on very small and inactive accounts.

Before you're seduced by the promise of super-low fees, be aware there are always trade-offs. "You have to understand your own trading patterns," LaCoste says. For example, the lowest advertised fees often apply only to hyperactive traders or clients who pay additional fees for advanced platforms. "You should know what you're missing, as well as what you're getting, for that extra dollar or two per trade."

Overall we give the laurels to Questrade, especially for investors who plan to make an above-average number of small trades. Its base commission is one cent per share with a minimum of \$4.95 and a maximum of \$9.95. (Virtual Brokers, once the low-cost leader, recently ditched its penny-a-share commission structure.) Questrade also allows you to buy all ETFs for free: The usual commission only applies when you sell.

Qtrade Investor gets points for its lower-than-average commission of \$8.75, and you're not giving up anything in functionality or service level. A limited menu of commission-free ETFs is also a welcome bonus.

But buyer beware: Certain trades at both of these brokerages incur additional costs called network fees. These are only a fraction of a cent per share but they can be significant on large trades, and it's time the brokerages stopped passing them along to their clients.

Investors with at least \$15,000 to invest should have no trouble finding a brokerage that waives administration fees, which can otherwise add \$50 to \$100 to your annual costs. But watch for quarterly maintenance fees if your accounts are small and you don't trade much: Questrade, Virtual Brokers and RBC Direct Investing are among those who charge for inactivity.

# Customer service

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**Top pick:** Qtrade Investor

**Honourable mention:** Scotia iTRADE

When something goes wrong—whether you’re having trouble transferring cash, you entered an order incorrectly, or you need a missing tax slip—you want your brokerage to solve the problem efficiently.

Customer service is hard to quantify—anecdotes about the idiot you spoke to on the phone don’t mean much. So Surviscor has developed a process that looks at all channels and rewards brokerages for speedy email responses, efficient online message centres, availability by phone, and live chat. “It’s not always about speed,” says LaCoste, who likes to see brokerages offering help outside normal business hours.

“It’s like with convenience stores: you want them to be open when you need them. What’s the use of chat and click-to-call features if they are only available when I’m not?”

His top pick in this category is Qtrade Investor, which has earned a reputation for swift and helpful customer response for several years running. Scotia iTRADE also ranks high for its live chat service, an online message centre for routine requests, and above-average speed in email response time.

The other bank-owned brokerages are often disappointing in their service levels, but if your account is large you may get some perks: RBC’s Royal Circle is open to clients with \$250,000 and includes transfer fee reimbursements, richer market data and a dedicated support number. BMO InvestorLine offers similar bonuses to members of its 5 Star program (\$250,000 for Silver, \$500,000 for Gold), while TD Direct’s President’s Account (\$500,000) gets you a dedicated representative.

# Reporting & record keeping

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**Top pick:** Scotia iTRADE

**Honourable mention:** BMO InvestorLine

Savvy investors want a brokerage that will help them track their activity, measure performance, and gather all the slips and documents they need at tax time. Surviscor’s methodology looks at the variety and quality of the information each brokerage offers, and whether it’s available electronically. “Any piece of paper that can be mailed to me should be available online—and on a mobile device, for that matter,” LaCoste says.

Scotia iTRADE gets top marks for the variety of service requests you can make online, including checking the status of account transfers and ordering duplicate tax forms. Online availability of key reports—including year-to-date interest and purchase-and-sale reports—is also easy at iTRADE, as well as at BMO InvestorLine and Credential Direct. When it comes to tax-related document requests specifically, we give the kudos to Qtrade and Questrade.

Want to know how your portfolio is performing? Surprisingly, not all brokerages can properly calculate your rate of return. RBC Direct Investing excels here—clients can measure it across all accounts and compare it to over 20 predefined benchmarks—with BMO InvestorLine not far behind.

# Market data

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**Top pick:** TD Direct Investing

**Honourable mention:** Credential Direct

If you're an active trader or a stock picker, you need access to high-quality research, including company ratings, fundamental and technical analysis, and stock screeners to zero in on your best ideas. Online brokerages don't typically produce this research themselves—they use third parties such as Morningstar, Recognia and Lipper—and their offerings vary widely.

For the fourth straight year we hand this trophy to TD Direct Investing. "They simply have a more comprehensive design and richer data," says LaCoste, who says TD is among the best at "drilling down into industries and sectors." Credential Direct is a close second with its rich selection of research from Morningstar, including company analysis and ETF reports.

Even if you don't need detailed research, one feature to look for is Level 2 quotes, which show you how many shares are currently available at each price. Scotia iTRADE is one of the few to offer these for free: Most brokerages make them available only to active traders, those with large accounts or those who pay an additional fee.

# Best overall

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**Top bank-owned brokerage:** Scotia iTRADE

**Top independent brokerage:** Qtrade Investor

**Honourable mention:** BMO InvestorLine

**Honourable mention:** Questrade

This year we recognize Scotia iTRADE (last year's runner-up) as the top bank-owned brokerage in our survey, primarily for its devotion to make the trading experience truly online and mobile. Among the independents, we again give a fist bump to Qtrade for maintaining a consistently high level of service while staying true to its roots as a low-cost alternative.

BMO InvestorLine also deserves credit for its leadership among the banks, and Questrade is our runner-up among the independent brokerages, standing out for its steadily improving service.

But just like no single car is right for every family, no brokerage is ideally suited to every type of investor. Turn the page for a table comparing key features of Canada's 13 leading online brokerages—here you'll see how these firms really stack up to each other. Study the offerings and see which brokerage might be the right one for you.