5 Reasons To Use A Full-Service Broker

Don't turn up your nose. For some, time savings and extras like hard-to-find investment products are worth the higher commissions.

by Mike Robbins

Russ Maney doesn't like wasting money and considers himself a "thrifty" investor -- yet he has retained a full-service, full-price broker. The reason: He considers the extra commission cost a reasonable amount to pay for the market-tracking time that the broker saves him.

And he's far from alone. While it's easy to pay as little as $5 to $10 for a stock transaction these days -- online trades account for 27% of all retail stock activity this year, up from 17% in 1997 -- many serious, Web-savvy, self-directed investors can point to at least five reasons to keep an account at a full-service broker. This amounts to a contrarian point of view in today's price-sensitive investment world, but it's well worth consideration. Let's take a look.

1. Time savings

There's a ton of financial data available on the Web at Investor and elsewhere, but that doesn't mean that you want to spend your free time tracking it down. Maney didn't. He was busy starting a new business, Data Advantage, a publisher of health-care benchmark information, and had other plans for any hours he could free up. "I found that I was so busy that investment matters would just languish," he says. "I wasn't logging on and doing the research on my own."

5 Reasons To Go "Full"

1. Time savings
2. IPOs, foreign stocks and shorting
3. Planning and education
4. Financial services
5. Research and advice

So Maney switched to a full-service Merrill Lynch (MER, news, msgs) broker. This not only reduced the time Maney spent trading stocks, it freed him from all sorts of other time-consuming financial burdens. For example, his broker worked directly with Maney's previous employer to arrange the transfer of his retirement savings. Try asking your Internet broker to do that. "I think the time savings is the key reason that full-service brokers and investment advisers exist," says David Root, president of D.B. Root in Pittsburgh. "This isn't brain surgery. But a lot of successful, busy people just can't find the time."

That doesn't mean that investors working with full-service brokers are freed from all responsibilities. In fact, it's rarely, if ever, a good idea to hand total control over a portfolio to a broker. But at least the broker can help limit the choices and vet your ideas. "The fact that there are more investments and more information out there than ever doesn't make investing easier for the individual," says **Mark Langerman**, a Piper Jaffray (PJC, news, msgs) broker based in Scottsdale, Ariz. "It makes it that much more complex."

A full-service broker also frees investors up from some of the responsibilities of portfolio monitoring, which can be at least as time-consuming as picking the right stocks in the first place. That can be particularly important for investors who lean toward fast-moving stocks or sectors, or who invest in options or futures. In fact, a full-service broker can set and monitor stop-loss limits on fast-moving securities more accurately and conscientiously than working individuals can do on the Web.

2. IPOs, foreign stocks & shorting

There are still some investment products that you won't find on the Web in abundance. The phenomenal success of many recent Internet initial public offerings have once again focused considerable investor attention on new issues. And why not? When you can double or triple an investment in a few days, that's a powerful attention-grabber. It's also a powerful reason for certain investors to use a full-service broker.

Some discount brokerages, including E*Trade (EGRP, news, msgs) and Charles Schwab (SCH, news, msgs), now offer limited access to some IPOs. But if you want in on the hottest IPOs, and expect to flip out after a couple of days or hours, the best way to do it still is to have a significant-sized account with one of the underwriters involved -- and have a history of trading IPOs with that firm. "You definitely have a better chance at getting in on an IPO if you have an account with a Merrill Lynch, Bear Stearns (BSC, news, msgs) or Smith Barney," says Jordan Goodman, author of "Everyone's Money Book."