

AAll Survey: How Many Brokerage Accounts Do You Have and Why?

If you want to buy and sell individual stocks and other investments, you pretty much need to have at least one brokerage account.

However, one question many investors ask is whether they need or should have more than one brokerage account. Diversification is an important investment concept—spreading your money across different investment types, styles, etc. But does the same apply when it comes to financial services providers?

While there isn't always a compelling reason to have multiple brokerage accounts, there are some situations in which having multiple brokerage accounts is warranted.

The primary advantage of having a single brokerage account is simplicity. Rather than having to keep track of different accounts separately, you can consolidate all of your holdings in a single place. That also makes it easier to analyze your overall portfolio, assessing its risk level and potential return and making necessary adjustments to stay in line with what you're comfortable doing with your stocks and other investments.

On the other hand, there are also compelling arguments for having more than one brokerage account. For one thing, because account insurance under the Securities Investor Protection Corporation (SIPC) amounts to \$500,000 per broker, dividing assets across different brokerage companies can help you protect a larger overall portfolio more effectively. While SIPC protection won't prevent you from taking losses on your investments if they drop in value, but if your broker goes out of business, the SIPC will step in to replace stocks and other eligible securities up to those limits.

There is a common situation where you really have no choice but to have multiple brokerage accounts. If you want to keep some of your money freely available but also want to invest your retirement savings with a broker, you really can't do a good job of that with a single regular brokerage account.

For instance, many people who are saving for retirement have IRA brokerage accounts. These accounts give you the tax advantages of an IRA, including being able to deduct contributions to a traditional IRA as well as getting tax-deferred growth of the assets in the account for as long as you keep your money within the IRA. The problem with IRAs, though, is that you can't get complete access to the assets inside the account before you reach a certain age, otherwise you'll have to pay a

penalty on top of any other tax consequences if you take early withdrawals. Because of that, most investors like to keep both a regular taxable account and an IRA brokerage account.

Depending on the types of securities you are trading, you may have a brokerage account with specific firms to take advantage of better tools or research related to the securities you are investing in or trading. Some brokerage firms are better-equipped at handling options and futures trading while others offer the lowest commissions for stocks, mutual funds or exchange-traded funds (ETFs). Others differentiate themselves with the research tools they provide.

AAll Weekly Survey Question

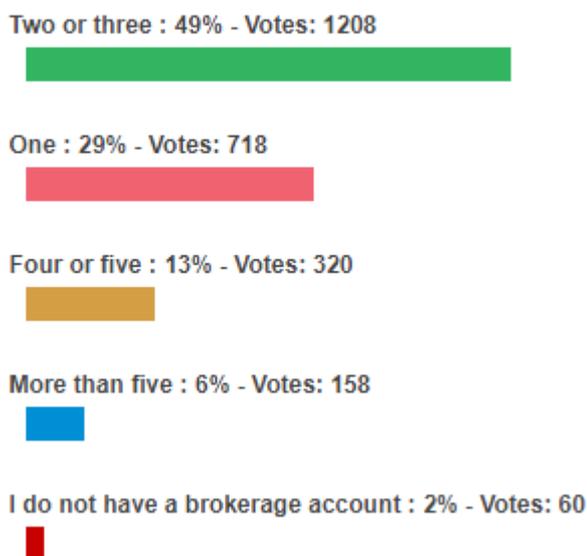
Everyone's financial situation is different. So while it may make sense for one person to have a single brokerage account, someone else may need several.

This led me to last week's survey question:

How many brokerage accounts do you have?

Here are the results:

How many brokerage accounts do you have?



In all, 2,464 votes were cast.

Nearly half of our respondents (49%) say they have two or three brokerage accounts.

Twenty-nine percent say they have only one brokerage account.

Thirteen-percent of our readers say they have four or five brokerage accounts. while 6% say they have more than five accounts.

Only 2% of those responding say they do not have a brokerage account.

Weekly Special Question

As I pointed out in the introduction of this post, there is a myriad of reasons why someone would have more than one brokerage account. To get a feel for why our readers may have multiple brokerage accounts, our follow-up special question asked:

If you have more than one brokerage account, why?

In all, we received 434 responses.

Nearly one-third (31%) of those responding to the special question said the reason why they have multiple brokerage accounts is that they manage multiple IRA accounts. By a wide margin—nearly four-to-one compared to the second most popular reason—this was the primary reason our readers cited for having multiple brokerage accounts.

Almost 13% of respondents say they have multiple brokerage accounts focused on specific securities or strategies.

Nearly 12% of responses stated that diversification is the reason why our readers have more than one brokerage account. Without a follow-up to that response, I assume it is for the SIPC protection I mentioned earlier. It's worth mentioning that only two readers specifically cited the SIPC protection limit as a reason for having more than one brokerage account.

Having access to different tools and services was cited by 9.2% of respondents as a reason for having more than one brokerage account.

Rounding out the top five, nearly 8% of readers said they have multiple brokerage accounts tied to different 401(k) accounts.

Here is a sampling of the responses from our readers as to why they have multiple brokerage accounts:

- “Separate and commingled funds with my spouse.”
- “I preferred Vanguard but they didn’t provide all the services I needed, so opened a Fidelity account as well.”
- “Access additional embedded research and trading platform resources. I don’t find a single brokerage that has everything I need.”
- “Ensure (hopefully) at least one brokerage is online and accessible during a web site outage.”
- “To spread out account asset concentration and reduce brokerage default risk.”
- “One for my company 401(k), another for investing any extra money not added to 401(k), a health savings account (HSA), yet another brokerage where my company’s stock bonuses were managed.”
- “Cybersecurity risk mitigation.”
- “Different sites provide unique analysis for a particular investment purpose.”
- “With one account I can trade stocks at no cost, but the firm is extremely poor at trading bonds and does not offer new issues. The second firm is excellent at trading bonds with low costs and offers new issues.”

***Everybody has an opinion! Why not give us yours?
Participate in our weekly member poll, updated
every Monday, and see the results online
at www.aaii.com/memberquestion.***