

## Understanding Your Brokerage Account Statement

Your brokerage account statement is the official document for complete information pertaining to your account's value, holdings, and activity. While account statements can look different from firm to firm, they all have this information in common.

- Account information
- Account summary
- Income
- Fees
- Account activity
- Margin
- Portfolio detail
- Disclosures and definitions

Brokerage firms are required to provide you with a statement at least quarterly. If your account has frequent activity, you may receive monthly statements. As with bank accounts, most firms provide you with the option to receive your statement (and other account-related documents) either electronically or through the mail. Either way, you need to understand the information your account statement provides.

***Note:** The brokerage firm you have your account with may not be the firm that generates your account statement. Your brokerage firm may be an "introducing" firm that takes orders from their customers and then "clears" or "settles" the trades through a "clearing" firm. Clearing firms finalize trades and hold the securities for the introducing firm. Typically it is the clearing firm that generates the account statement, not the introducing firm. To reduce the potential of you being defrauded through forged statements, the Financial Industry Regulatory Authority or FINRA requires that all brokerage account statements contain the clearing firm's name and contact information.*

### Account Information

The account information section shows:

- The statement reporting period
- Your account number
- Account type
- Titling on your account
- Your address of record
- Account investment objective (optional)

Knowing your account type is important. Most brokerage firms offer at least two types of accounts.

### A Quick Course on Account Types:

A "cash" account is generally coded as a Type 1 account and a "margin" account is typically coded as a Type 2 account. These codes are explained in the "Disclosures and Definitions" section of your statement. In a cash or Type 1 account you pay for your securities in full by the "settlement date" (generally three business days) either by depositing funds or with proceeds from the sale of securities.

In a margin loan account or Type 2 account, your brokerage firm can lend you funds to pay for the securities being purchased. The securities in your account serve as collateral for the loan. This is called

buying securities “on margin.” For example, if you purchase securities totaling \$20,000 and you pay \$10,000 and your brokerage firm lends you the other \$10,000, the borrowed amount of \$10,000 is your margin balance. Your brokerage firm charges interest on this balance as with any other type of consumer loan. You are liable for the margin balance and the interest incurred. Most brokerage firms have a minimum equity requirement before they allow you to trade on margin. The minimum amount is typically \$5,000 to \$10,000 depending on the firm.

**Note:** *There are special risks with margin accounts that are not associated with cash accounts. If the securities you purchased on margin decline significantly in value, and the percentage ratio between the value of your securities and your margin balance drops below the minimum ratio, you may be subject to a “margin call” or “maintenance call.” To cover the call, your brokerage firm will require you to deposit cash or securities into your account or sell securities in your account to cover the call. Your brokerage firm can, at their discretion, sell any security in your account to cover a margin call without notifying you in advance. It’s your responsibility to know what type of account you have. Confirm with your financial advisor that your account type (Type 1 “cash” account or Type 2 “margin” account) is appropriate for you.*

Many brokerage account statements show the investment objective of the account, for example, “Moderate Growth and Income” or “Long-Term Growth.” This information is important on two counts:

1. Allows you to re-confirm that the investment objective is consistent with the purpose of the account, e.g., “grow the value of my account over the long term” or “provide funds during my retirement.”
2. Confirm that the securities listed in the “Portfolio Detail” section are consistent with the investment objective and the investment strategy.

The account information section also shows:

- The name of your brokerage firm
- Your financial advisor’s name
- Office address and phone number, and
- The clearing firm’s name, address and phone number. (Required by FINRA)

## Account Summary

The account summary section typically shows:

- Beginning account value for the period (month or quarter)
- Summary of account activity including cash deposits, cash withdrawals, dividends and interest, fees charged, and
- Closing account value for the period.

It may also include a pie chart and a tabular summary of your account’s investments by asset class or investment type, such as mutual funds or annuities, and the estimated annual income generated from your holdings. Complete information on the individual investments in your account is provided in the “Portfolio Detail” section.

**Note:** *While a summarization of the beginning and ending value of your account is a quick and convenient way to see whether your account was up or down for the period, it may not tell you whether the securities in the account contributed or detracted from the ending balance. A closing balance that is higher or lower than the opening balance may be the result of deposits or withdrawals, or from interest and dividend payments being credited to the account. The “Portfolio Detail” section*

of your statement provides the ending value for each investment and the total value by asset class or investment type in your account. You, or you and your broker/adviser, can review the investments and their values in this section and compare them with the previous period statement.

## Account Activity

The categories of activity include:

- Credits and debits
- Interest and dividend income
- Charges and fees
- Transfers and journals
- Securities transactions

Many brokerage firms provide consolidated information on the account's income, credits and debits in the account summary section. As with a bank checking account, it is important for you to reconcile the flow of funds into, out of and within your brokerage account.

*Note: It's important that you review the trading activity in your account and reconcile the transactions with the trade confirmations you receive. Also, confirm that the transactions, and the frequency of transactions, are appropriate for the purpose of your account, the investment objective, and investment strategy. If you have questions on specific trades or need further clarification of the investment strategy, discuss the matter with your broker/adviser. He or she welcomes every opportunity to help keep you informed and in-the-know about the activity in your account.*

## Portfolio Detail

This section provides a complete inventory of the individual investments in your account. The inventory includes the investment's name, ticker symbol or CUSIP, share quantity/number of bonds, cost basis (if available), current price, current market value (quantity x market price), estimated annual income and percentage yield.

Typically, brokerage firms categorize investments by asset class, such as stocks/ETFs, fixed-income and cash. Mutual funds are typically listed separately by asset class, such as stock mutual funds and bond mutual funds. Annuities and alternative investments are typically listed separately. A summarization of the "Portfolio Detail" section is typically provided in the "Account Summary" section in the form of a pie chart or table.

*Note: Review your account's asset allocation, level of diversification and the individual investments on a periodic basis with your financial advisor to confirm that your account remains consistent with its purpose, the investment objective and investment strategy.*

## Disclosures and Definitions

This section helps you understand your statement by providing legal and administrative explanations about fees, penalties, and the terms and codes used in your statement. "Stuffers" and brochures (some mandated by regulators) may also be included in your account statement.

## Conclusion

It is your responsibility to check for inaccuracies or discrepancies in any of your statements. If they appear, contact your broker/adviser immediately. Use the "My Account Statement" checklist for this purpose.

# Checklist:

## My Brokerage Account Statement

**When to Use:** Upon receipt of your statement

Your brokerage account statement is the official document for complete information pertaining to your account's value, holdings, and activity. It tells you everything that's going on in your account. This checklist provides a handy way for you to confirm, know and review important information about your statement.

Use this checklist upon receiving your brokerage account statement.

- Confirm accuracy of account information including:
  - Account number
  - Account type
  - Account titling
  - Account investment objective (if provided)
  - Your contact information
  - Brokerage firm, clearing firm and financial advisor contact information
- Know why your account increased or decreased in value from the previous reporting period.
- Review account activity with special attention to fees and charges, deposits and withdrawals, transfers, journals and letters of authorization.
- Review trade activity.