



## Why you need at least \$7,000-\$10,000 to consider an online broker account?

This has to do with a minimum balance you need to keep in your account to avoid monthly / quarterly account fees.

But don't take at face value the minimum balance as advertised. You'll need a bit of a buffer above it to avoid a surprise.

There could be a market correction and the value of your investment declines. It's okay in the short term, you'll wait it out. But if your account balance falls below the minimum required for the fee waiver, you'll be charged an account fee. That's not good.

How do you know how much more above the stated minimum you need? Let's look at an example where your online broker has a \$5,000 minimum to avoid account fees.

1. If your portfolio consists only of ETFs and all your ETFs are in this online account...
  - Let's say that you want to be safe even if there is a 40% market correction, which means that the value of your ETF holdings declines by 40%. Historically, this would be a very large decline, which means that you're creating a large buffer against surprise account fees.
  - If you start with \$9,000 and there is a 40% market correction, your balance will fall to \$5,400 (9000 times 60%) and you're still above the \$5,000 minimum.