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Research for individuals can cost a bundle

By Matt Krantz, USA TODAY

As if individual investors haven't suffered enough, here's yet another indignity: They either can't have or can't afford some of the best stock research.

Some of the most accurate research comes from independent firms that don't do investment banking and are free of pressures to issue positive research. Unlike large brokerages that hand out stock research to customers large and small, many independent firms often don't deal with the masses. Some of those that do deal with individuals charge thousands if not hundreds of thousands of dollars a year for their stock research.

Critics say that underscores how Wall Street, despite changes made the past two years, is still a place where professionals and the well-heeled get the best information while most individuals are left in the dark. "If people want independent research, they have to find a way to pay for it," says Marc Gerstein, head of research at Multex.com.

Independent work is often superior. Four of the five top-performing research firms over the past year have been those that don't do investment banking, says Kei Kianpoor, CEO of Investars, which measures the performance of research.

Independent research that individuals can get comes at a steep price. Consider Market Profile Theorems. Anyone who followed the company's research on the more than 2,500 stocks it tracks would have been up 0.5% during the past 12 months, according to Investars. Had someone followed research from Salomon Smith Barney or Merrill Lynch, they'd be down 6% and 7.6%, respectively, the same period, Investars says.

But Market Profile Theorems charges customers from

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$25,000 to $100,000 a year. Michael Painchaud, the firm's director of research, says he's not trying to be exclusive — but that's the price. An investor with a $100,000 portfolio would have to post a 25% annual gain just to cover the low end of what Market Profile Theorems charges.

Other realities of independent research for individuals:

- Sometimes the research is not only expensive but also complicated. Callard Asset Management's research has generated returns of 3.0% during the past 12 months, Investars says. But its research, which costs individuals $5,000 a year, is so complicated that Callard discourages small investors from buying it. It's urging small investors to invest in its investment management fund.
- There are some less expensive options. For $300 a year, individuals can access up to 10 stock and mutual fund reports a month from Standard & Poor's. S&P's research has been strong, resulting in the highest returns over the past 12 months among firms rating more than 500 stocks, Investars says.

S&P's ratings are based on company-specific research by 45 analysts as well as economic and market forecasts from its strategists, says Ken Shea, managing director at S&P. "We want to give investors reasonable price targets," he says.

- There are some sources for free independent research. Parenteau, which was the top-performing provider of research tracked by Investars, puts much of its brutally honest research on its Web site. However, it rates only about 19 risky stocks, including Amazon.com, TheStreet.com and Palm.
- Independent research also is available through brokers. Charles Schwab charges $32.95 a trade and a $10-a-month fee for accounts of $10,000 to $50,000, but investors get free access to independent research from S&P and Argus.

Schwab also has a computerized service that rates stocks on factors such as a company's track record in generating cash to its valuation, stock momentum and risk, says James Burton, vice president of research strategy.

Sanford C. Bernstein, which has been widely credited as being a standout because of its independence, isn't an option for individuals. It provides its independent research only to institutions. Some critics say the firm is subject to the same conflicts as investment banks' research arms because it co-managed several big IPOs.

Besides, not all independent research is necessarily better, says David

Lichtblau, vice president at StarMine.

"There are excellent and poor analysts at the global investment banks and at the independents," he says. "The investor is much better off following the track record of the individual analyst than putting all eggs into a whole firm's recommendations, independent or not."
