



Scottrade Sees Explosive Takeup of IRP New Constructs

A few weeks ago, discount broker Scottrade provided free access to independent research firm, [New Constructs](#), to all its retail customers. Unexpectedly, the adoption of this new service outstripped everyone's expectations.

New Distribution Deal

Late in August, Scottrade quietly rolled out its newest independent research firm – forensic accounting research provider New Constructs. Within seconds of launch, Scottrade clients flocked to the New Constructs service, outstripping management's expectations for the adoption of this new service.

New Constructs' founder, David Trainer attributes the robust appetite for their service to the lack of deep research and analysis that is currently being provided by most of the Wall Street investment banks. Trainer also feels that his products' ease of use is a factor boosting adoption. "We spent a lot of time trying to package sophisticated forensic and cash flow analysis into a simple to use format. Put simply, we provide the Carfax for stocks – a service that is so easy and inexpensive to use that everyone will want to access this before making investment decisions," explained Trainer.

As a result of the new redistribution deal between Scottrade and New Constructs, all Scottrade clients gained free access to New Constructs Gold membership service, which includes:

- Forensic accounting, investment ratings, tracking and alerts on up to 25 securities per quarter;
- Screening capabilities across more than 3,000 stocks 450 ETFs and 7,000 mutual funds that New Constructs covers;
- Model portfolios for the "Most Attractive Stocks" and "Most Dangerous Stocks";
- New Constructs' proprietary Long Ideas; and
- Free research and education opportunities via podcasts and webinars;

Scottrade® clients will also have access to New Constructs' Platinum and Pro Level memberships at a 50% discount.

About New Constructs

New Constructs leverages proprietary software, enabling a team of qualified forensic accountants and financial analysts to regularly analyze the SEC filings and footnotes for

thousands of companies in order to identify material accounting anomalies that distort these companies' income statements.

This analytic process allows New Constructs to create adjusted fundamental data, earnings quality and valuation models, company ratings and research reports for more than 3,000+ stocks, 400+ ETFs and 7,000+ mutual funds.

Currently several hundred top wealth management firms, hedge funds, mutual funds, accounting and consulting firms use New Constructs' research and data, paying anywhere from \$50 to \$3,000 per month.

About Scottrade

Founded in 1980, Scottrade is a discount broker with both a large online presence and branch network of over 500 offices to support its millions of retail investor clients. Scottrade provides clients a wide suite of financial services including brokerage services, banking services, investment education, and various online trading platforms.

As part of its services to support its investor clients, Scottrade provides access to a number of independent research firms including Morningstar, Zachs, Recognia, Learning Markets, and now New Constructs.

Our Take

While it is still too early to tell whether the rapid adoption rate of New Constructs will continue, it must feel encouraging to Scottrade management that they decided to license Trainer's research – particularly given the fact that New Constructs provides a very different perspective on the financial health of a company than is provided by most research services.

The real question we have is whether Scottrade, and their competitors, will see the financial benefit of providing various independent research services to their customers, and will grow this part of their business. As long as the adoption rates are this strong, the answer could be yes. Clearly, New Constructs and their peers are hoping this is the case.