

## INSIGHTS

# It's Not Shocking to See Schwab Buying TD Ameritrade



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According to the [2018 FDIC Schwab Bank Resolution Plan](#), as of 12-31-17, it has \$169.7 billion in deposits.



## The following breakdown the deposits and income (\$millions)

- Deposits swept from brokerage accounts \$148,212
- Investor Checking \$13,388 Investor Savings/other \$7,264
- Non-interest-bearing deposits \$792
- Total bank deposits \$169,656
- Current 1-month Fed Funds 158bp
- Current Schwab credit rate (11-25-19) 18bp
- Schwab keeps the spread 140bp
- Projected spread income to Schwab \$2.375 Billion

A Forbes 10-7-19 article states that Schwab is estimated to lose up to \$400 million in revenue by eliminating its trading commissions. Using above assumptions, if Schwab gains \$28.57 billion in cash deposits from TD Ameritrade, it would gain the lost revenue back. This is just a BandAid. Imagine if we are in a 0% interest environment, Can Schwab survive?

The pending merger is a move for scale and market share. If the past was tough, the future is more challenging for middle size players. TD would likely need to merge or acquire to stay relevant.

This is shaping up to be a Schwab vs. Fidelity world battling for the retail space with and without adviser; may be until Amazon or Google enters the financial services industry in a serious way.

