Preferred Stock: a Brilliant Investment Option by Julia Roger

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Yes, it is true that common stock brings loads of pecuniary benefits for the investor. However, when it comes to finding hybrid security of the form of fixed income investment, the preferred stock fit the bill the most. The greatest advantage attributed to this kind of stock stems from the fact that it has a definite amount of dividends associated with it.

The best part of it is that unlike the common stock, the preferred stock carry fixed rate dividend. This is one characteristic that makes it something very similar to corporate bond. This is the sole reason why financial experts recommend their clients to choose it. Whenever an instance of liquidation takes place, it is this type of stocks that have the first claim for dividends.

It is this yield to call of such stocks which has made it sell like hot cake. It may be recollected, at a time when the entire economy is witnessing turbulent inflationary trends, every investor is looking for avenues that can bring them loads of consistent returns on their investment. Since, because lots of companies are paying especial emphasis on cutting down their costs, they are increasingly feeling a need to eliminate or reduce such stocks. They contend it poses a financial hardship on them because they are increasingly struggling with their profitability.

Before you decide to choose this great yield to call stocks, there is something you need to keep in mind as far as these types of stocks are concerned. It is a common knowledge that not all stocks are similar in features. For instance, there are stocks that are callable which casts an additional burden on the investor. For, if there are any unfavorable market conditions due to a fall in prices, the company has the right to call the shares. Yes, you are entitled to receive the entire sum of money from the company. However, the massive drawback is you can reinvest only at new lower rates.

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