Preferred Stocks - Certain Pros and Cons by Julia Roger

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Investment in prefered stock has many pros and cons. Investing money in preferred stock, apparently, assures you a continuous flow of income in the form of prefered stock dividends. This means a preferred stock investor can be assured of an income from dividends which is not available for a common stock holder. For an investor, it is necessary to be familiar with two kinds of stocks â€“ common stocks and preferred stocks.

Preferred stocks are an amalgamation of both common as well as equity. However, these kinds of stocks can be converted to common stocks, upon the ratio fixed by the company. There are a certain advantages of using these kinds of stocks:

â€¢ In case of these stocks, the investor has the right to a dividend income, which has to be paid before any dividends have been paid to a common stock holder.

â€¢ In case of liquidation, the holders of these stocks shall get the preferences in the issues of asset payments, rather than the common stock holders.

â€¢ Each time a dividend is being declared by the company, the preferred stock holders get paid first than the common stock holders.

However, there are a few disadvantages of investing in these types of stocks, as listed below:

â€¢ The most crucial one is that one does not get a right to vote in these kinds of stocks. In certain cases, companies issue these kinds of stocks for preventing hostile takeovers. However, a common stock holder has the right of voting.

â€¢ Another major disadvantage of these stocks is that, the company can call them after certain days. Due to this reason, preferred stocks are not largely traded as compared to common stocks.

Since, pros and cons are there in every business transaction, it is better to invest in these stocks as they ensure a flow of income.

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For more information on a prefered stock, check out the info available online; these will help you learn to find the a yield to call!

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