Preferred Stocks â€“ Know the Fundamentals !!

By Chris Adam

Article published on June 6th 2012 | Finance

Preferred stocks offerings provide an organization with alternatives to borrow money from several financial institutes like banks as well some other capital lending agencies. What is the most common scenario? In most of the situation, companies may well defer or even cut some substantial dividends or go into the arrears without facing any penalty or undue risk to their personal credit ratings. This may well be the reason why so many companies choose this procedure of financing over issues related to corporate debts.

preferred stocks are considered to be totally hybrid investments. It is because they can act both as bond as well stocks. In most common cases, they are considered senior debts to the common stock. However, they are much subordinate to every corporate bond.

In case of liquidation events, it is the shareholders who will be considered frontliners to receive payment beneath bond holders. Rating is provided by top level credit organizations like Poorâ€™s & Moodyâ€™s, standard, etc. Those who are looking for the highest yields, they can approach towards the local bank. This will allow them to believe that stock market as well economy will definitely recover on its continuity state.

There are several benefits of preferred stocks. They can be easily convertible to income stock. The stockholders will have option to turn their shares into income stock depending on stock issuance factor. Also, higher preference will be given to dividends. The chances are higher for owners to receive dividends that the common shareholders will be deprived of.

However, there are certain drawbacks also. These are totally nonvoting stocks. Stockholders will not have any sort of voting rights. Also, stocks can be called in by issuant when faced with some emergency situation.

Article Source:
http://www.articleside.com/finance-articles/preferred-stocks-know-the-fundamentals.htm - Article Side

Chris Adam - About Author:
For more information on a income stock, check out the info available online at http://www.epreferreds.com/

Article Keywords:
income stock,preferred stocks

You can find more free articles on Article Side. Sign up today and share your knowledge to the community! It is completely FREE!