

Preferred Securities

preferred stock is equity while bonds are [debt](#).

- Preferred stocks are equity securities that share many characteristics with debt instruments.
- Preferred stock is attractive as it offers higher fixed-income payments than bonds with a lower investment per share.
- Preferred stock often has a callable feature which allows the issuing corporation to forcibly cancel the outstanding shares for cash.
- Corporations that receive dividends on preferred stock can deduct 50% to 65% of the income from their corporate taxes. Discuss with tax advisor before purchase
- Many, but not all Preferred dividends are treated like common stock dividends, with a max tax rate of 15%

Key phrases, details

Cumulative: If the dividend is suspended, when (IF) they re-instate it they have to pay you back all the missed dividend payments

Callable

Convertible: into common stock at a rate detailed in the prospectus

Adjustable rate: usually fixed for a period of time, then can vary... not unlike an adjustable mortgage

WHO: BANKS, FINANCIALS UTILITIES, TELECOM, certain TRUSTS

Aside: Symbols. Seems that every site uses slightly different symbols: SCHW preferred D

Yahoo finance SCHW-PD

CNBC SCHW'd

Schwab site SCHW+d

QUANTUMONLINE.COM

You have to register, there is no charge (though they email you occasionally)

Security look up: find related securities

Income list

Stock list

Special list

IPO's preferred and income securities

EXAMPLES

ALL-G Allstate preferred G 5.625% = 1.41/25.00 quarterly 15% tax rate max.

Callable 04/15/2023 @ 25.00 current price 24.85

T-A ATT preferred A 5.00% =1.25/25.00 quarterly 15% tax rate max

Callable 12/12/2024 @ 25.00 current price 20.81... cy 6.00% YTC. 29.12% , if called

GUT-C Gabelli Utility trust preferred C 5.375%= 1.34/25.00 tax rate unknow

Callable 05/31/2021 @25.00 current price 25.14

Preferred issued from a trust. Trust common GUT yielding 8.5%

PCG-A Pac Gas & Elec preferred A 6.00% =1.50/25 15% max tax rate

NEVER callable, current price 24.25

Common stock has suspended it's dividend

ZIONO (note unique symbol) Zion bank prd. O 6.30%= 1.58/25 15% max tax rate

Callable 3/15/2023 @25.00 current price 25.25

USB-S NEW ISSUE, CNBC understating dividend 4.5% =1.125/25

Current price 19.60

BAC-s NEW ISSUE CNBC OVERstating the dividend

PSA-s REIT preferreds are NOT eligible for 15% tax rate . see list of preferreds see price 18.20

AGNCO fixed to float

What to watch out for

Liquidity, daily volume

Bid/ask spread