



Introduction to

Preferred Stock Investing

Characteristics

- Higher priority than common stock but below bonds & creditors
- No voting but liquidation preference
- Dividends can be either fixed, floating, or fixed-to-floating after specified period
- Perpetual or term limited
- Some are redeemable (*watch par value*)
- A few are convertible
- Cumulative or not

Tax Status

- Usually awarded Qualified Dividends status (same as long term capital gains rates)

Maximum Capital Gains Rates

2025 Projected Tax Brackets

Filing Status	Maximum Zero Rate Amount:	Maximum 15% Rate Amount:
Single Taxpayers	\$48,350	\$533,400
Married Filing Jointly & Surviving Spouses	\$96,700	\$600,050
Married Filing Separately	\$48,350	\$300,000
Heads of Household	\$64,750	\$566,700
Trusts and Estates	\$3,250	\$15,900

Table: Kelly Phillips Erb • Source: Bloomberg Tax • Created with Datawrapper

Exceptions to Qualified tax status

- Trust preferreds issued by banks
- Majority of REIT preferred dividends from real estate (or portion)

Additional considerations

- Most have \$25 or lower par value
- Par values of \$50, \$100 or \$1,000 trade infrequently (illiquid, held mostly by long term investors)
- Can be issued by any industry, but most by banks, insurance companies, utilities & REITs (Real Estate Investment Trusts)
- Banks & insurance are mostly non-cumulative
- Utilities & REITs tend to be cumulative

Additional considerations

- Ocean shipping has offered high yields over the past 2 decades
- Yield tends to move with interest rates & pay higher than bonds (on top of tax advantage)
- Preferreds tend to be redeemed when interest rates are low
- Usually issued for a 30 year term
- Dividends paid mostly quarterly, but some are monthly, a few semi-annually

Industry averages for preferred stocks

Industry	Discount	Yield
Business services & equipment	-14.21%	22.66%
Hotels, lodging, restaurants & travel	-62.04%	21.73%
Television & radio	-62.08%	21.10%
Consumer goods	-13.27%	19.94%
Water utilities	-39.16%	14.46%
Other utilities	-15.88%	13.67%

Industry averages for preferred stocks

Industry	Discount	Yield
Airlines	-30.20%	11.46%
Technology	-36.48%	11.41%
Real estate	-30.00%	10.89%
Diagnostics	-10.05%	10.48%
Travel & entertainment	-29.82%	9.77%
Air services	3.13%	9.08%

Industry averages for preferred stocks

Industry	Discount	Yield
Industrial	40.56%	8.95%
Banking & savings	-4.18%	8.80%
REITs	-26.65%	8.54%
Transportation	4.28%	8.11%
Shipping	-0.23%	8.06%
Credit services & lending	-14.52%	7.87%

Industry averages for preferred stocks

Industry	Discount	Yield
Insurance	-11.83%	7.41%
Agriculture & farm products	7.08%	6.96%
Energy	0.80%	6.96%
Financial	-6.36%	6.50%
Drugs & pharmaceuticals	-24.62%	6.18%
Metals & mining	-12.00%	6.00%

Industry averages for preferred stocks

Industry	Discount	Yield
Materials	-29.88%	5.70%
Oil & gas equipment & services	-2.03%	5.43%
Closed end funds (CEF)	-8.31%	5.40%

Preferred screener example

▼ Screener Criteria (4): [Cumulative: Yes](#) [Last Close Price: None Selected](#) [Stated Call: No](#) [Current Yield: 6% - 8%, > 8%](#)

18 Screen Results [Pop-up Screener](#) [Print](#) [Export To CSV](#)

Symbol	Description	Current Yield ¹	Stated Call	Regular Call Price	Last Close	Convertible	Cumulative	S&P Global's Credit Rating	Moody's Rating	Sector
<input type="checkbox"/> GTLS/PRB	CHART INDS INC 6.75DP CNV PFD B	6.86%	No ⓘ	--	\$49.17	Yes	Yes	NA	NA	Industrials
<input type="checkbox"/> KTH	CORTS TR PECO ENERGY CAP TRIII CORTS 8.00%	6.83%	No ⓘ	--	\$29.30	No	Yes	BBB-	A3	--
<input type="checkbox"/> KTN	CREDIT-ENHANCED CORTS TR FOR A CORTS 8.205%	7.51%	No ⓘ	--	\$27.33	No	Yes	BBB	Baa3	--
<input type="checkbox"/> ET/PRI	ENERGY TRANSFER L P 9.250% FXD PFD I	7.11%	No ⓘ	--	\$11.88	No	Yes	BB+	Ba1	Energy
<input type="checkbox"/> EPR/PRC	EPR PPTYS PFD C CV 5.75%	6.91%	No ⓘ	--	\$20.80	Yes	Yes	B+	NA	Real Estate
<input type="checkbox"/> EPR/PRE	EPR PPTYS CONV PFD 9% SR E	7.75%	No ⓘ	--	\$29.02	Yes	Yes	B+	NA	Real Estate
<input type="checkbox"/> EQC/PRD	EQUITY COMWLTH 6.5% CNV PFD D	6.50%	No ⓘ	--	\$25.00	Yes	Yes	NR	WR	Real Estate
<input type="checkbox"/> EQC/PRD	EQUITY COMWLTH 6.5% CNV PFD D	6.50%	No ⓘ	--	\$25.00	Yes	Yes	NR	WR	Real Estate
<input type="checkbox"/> FIISO	FINANCIAL INSTNS INC 8.48% SRB1 PFD B	7.85%	No ⓘ	--	\$108.01	No	Yes	NA	NA	Financials
<input type="checkbox"/> HPE/PRC	HEWLETT PACKARD ENTERPRISE CO 7.625 MAND CONV	6.59%	No ⓘ	--	\$57.81	Yes	Yes	NA	NA	Information Technology
<input type="checkbox"/> LBRDP	LIBERTY BROADBAND CORP CUM PFD SR A	7.37%	No ⓘ	--	\$23.75	No	Yes	NA	NA	Communication Services
<input type="checkbox"/> LXP/PRC	LXP INDUSTRIAL TRUST PFD CONV SER C	6.34%	No ⓘ	--	\$51.25	Yes	Yes	NA	NA	Real Estate
<input type="checkbox"/> SLMNP	LYONDELLBASELL ADVANCED POLYME CUM SPE ST CON 6	7.27%	No ⓘ	--	\$825.00	No	Yes	NA	NA	Materials
<input type="checkbox"/> PCG/PRA	PACIFIC GAS & ELEC CO PFD 1ST 6%	6.08%	No ⓘ	--	\$24.67	No	Yes	NR	WR	Utilities
<input type="checkbox"/> PCG/PRC	PACIFIC GAS & ELEC CO PFD 1ST 5%	6.13%	No ⓘ	--	\$20.40	No	Yes	NR	WR	Utilities
<input type="checkbox"/> PPWLM	PACIFICORP PFD 7%	6.03%	No ⓘ	--	\$116.10	No	Yes	BBB-	Baa3	Utilities
<input type="checkbox"/> RC/PRC	READY CAPITAL CORP 6.25 CNV PFD C	8.33%	No ⓘ	--	\$18.75	Yes	Yes	NA	NA	Financials
<input type="checkbox"/> RLJ/PRA	RLJ LODGING TR CUM CONV PFD A	7.54%	No ⓘ	--	\$25.86	Yes	Yes	NR	NA	Real Estate

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DJIA

NASDAQ

S&P 500

Russell 2000

Time (ET)

Closed End Funds

- * Closed end funds avoid year end redemptions
- * Some sell below NAV yet have par value redemptions with time limits
- * Can have preferred class for CEF

Conclusion

- For income generation portion of your portfolio consider some preferred stocks, particularly CEFs instead of bonds
- Q&A?