

# ASK THE ADVISERS

The views and opinions expressed in "Ask the Advisers" are solely those of Keith Singer.



## Singer Wealth

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in value since 2022 due to rising interest rates.

Investors who like the high yield of preferred stocks but do not want the interest rate risk should consider private preferred stock. These preferred stocks are generally redeemable back to the issuing company, upon the request of the investor, at par. That means the price never changes. Therefore, if interest rates rise, investors can simply redeem for the price that they paid and reinvest the proceeds at a higher rate. Conversely if interest rates drop, investors can continue to hold the private preferred stock and enjoy relatively high dividends.

Currently, there are private preferred stocks that are yielding about 8% or more. Because investors can redeem whenever they want for the price that they paid there is no interest rate risk. Additionally, investment risk, which is already low because the preferred stockholders have priority over the common stockholders, is even further mitigated by the right of redemption at the option of the investor. Private preferred stock can be a great alternative for high yield with low volatility.

Source: Yahoo Finance

## Private Preferred Stock

Income seeking investors have often utilized preferred stocks for higher levels of income.

Preferred stocks are a type of investment that combines characteristics of both common stocks and bonds.

Preferred stockholders receive fixed dividend payments, which are usually higher than common stock dividends. These dividends take priority over common stock dividends and are paid out before any dividends are distributed to common stockholders. In the event of a company's liquidation or bankruptcy, preferred stockholders typically have higher priority than common stockholders when it comes to the distribution of assets. This means the risk of investment loss is less than owning the common stock.

However traditional preferred stocks are often perpetual meaning there is no set maturity date which makes the price of the preferred stock very sensitive to interest rates and the value will go down if interest rates rise. iShares preferred stock ETF (PFF) is currently yielding about 7% but it has also dropped about 25%