



Carla Pasternak's

Dividend Opportunities

STREETAUTHORITY

About Us

DividendOpportunities.com

Issue Archives

Premium Content

Research Reports

Subscribe

Wednesday, June 18, 2008



[Printer-Friendly](#) | [PDF Version](#) | [Whitelist Us](#) | [Trouble viewing images?](#)

The Secret to Secure Dividend Yields up to 15.3%

-- By Carla Pasternak

While banks like Citigroup, National City and Washington Mutual are cutting their dividends in the wake of the credit crunch, there's one bank out there continuing to pump out dividends like clockwork at a rate of 14.2%. And they have no intention of changing that policy -- until, of course, they raise their dividends again (just like they've done four out of the last five years)

With turmoil in the financial sector and a less-than-healthy economy, income investors are rightly concerned about the security and dependability of high-yielding investments. But once they know the secret, they'll find dozens of companies, like the bank above, that will continue to pay outstanding double-digit yields like clockwork. *(Full Story Below)*

Also in Today's Issue...

Collect up to 51 Dividend Checks a Month

Read Amy Calistri's 3-step guide to the "Daily Paycheck" strategy and see 8 picks to start your own daily income machine. One man is already using this strategy to collect more than \$3,000 a month.

[Click here to start reading...](#)

An +18.2% Gain in Only 13 Days

This analyst keeps picking winners. She has an 87% win rate and her latest pick made her +18.2% in just 13 days. All told, her portfolio of closed trades is up +30.3%.

Her next pick will be out soon -- [go here now to make sure you don't miss it.](#)

The Secret to Secure Dividend Yields up to 15.3%

Finding a dependable high-yielding investment these days is a little like learning to choose a fine wine. From the outside, one bottle of wine looks much like another. But grapes from some regions always produce better wine than others.

Some dividend yields may also look alike at first glance. But, like grapes, better quality dividends come from a certain financial region -- they come straight from the company's earnings.

A Tale of Two Yields

To illustrate the strength of earnings-backed dividends, let's look at two different high-yielding funds. Although these are actual examples of real funds, we'll call them "Fund A" and "Fund B" for the purposes of this demonstration.

Why I Buy Every Stock This Analyst Recommends

First, every month she puts out her single best pick for today's market. Next, she keeps picking stocks that make money. (She has an 85% win rate, and July's pick shot up +18.2% in just 13 days.)

[Go here to see for yourself.](#)

Recent Articles

[Double-Digit Yields Abound Where 74% of the World's Business Takes Place](#)

By Nick Lanyi
June 11, 2008

If you're investing exclusively in the U.S. markets, then you're missing out on 74% of the world's economic activity. More importantly, you're also missing out on the highest-yielding securities on the planet. New Zealand companies pay an average of 8.3%.

[Read On...](#)

[Triple Your Dividends with Rare Preferred Stock Opportunity](#)

By Nick Lanyi
June 4, 2008

The recent credit crunch has created an

Fund A enjoys a staggering 15.3% yield. But Fund B's 17.4% yield looks downright tempting. Both funds invest in dividend-paying stocks and dish out monthly distributions, which they have kept at a steady rate since their inceptions.

So which fund can you count on to deliver the steady income you need to pay your monthly bills? If you're looking for a secure high-yielding investment, the answer should depend on the underlying source of each fund's distributions.

Fund B paid distributions of \$1.35 a share to shareholders in 2007. But according to the company's latest annual report, it only earned \$1.31 per share. Worse yet, after payouts to preferred shareholders, the fund had just \$1.20 per share remaining to distribute to shareholders. They literally had to pay out more money than they made to foot their dividend bill!

Robbing Peter...to Pay Peter?

So where did the money come from?

It turns out that if you were a Fund B shareholder, over half of your dividend distribution came right out of your own pocket.

To meet its dividend payment, Fund B had to siphon off money from the fund's original investment capital. In effect, much of the dividend you received came out of the very same money you invested -- and you now own a fund that has less investment dollars at work.

The less money Fund B keeps in the fund, the more likely they are to have an earnings shortfall when they have to make their next dividend payment. Eventually they may have to dig even deeper to pay their distributions.

That starts a dangerous cycle for income investors looking for dependable income. Sooner or later, something's got to give -- and chances are it will be your high yield.

Compare that with Fund A's distribution. In 2007, its first full year of operations, the fund raked in earnings of \$2.60 per share. It gave shareholders \$1.98 of that amount in dividends, saving the rest for a rainy day. The distribution consisted entirely of investment income earned from dividends and interest from the fund's portfolio holdings.

Fund A paid out only what it earned, retaining a little cushion to ensure they could continue paying the high yield investors were counting on.

And depending on how the earnings are generated, earnings-driven yields also can be tax-advantaged. In Fund A's case, almost all the dividend income qualifies for the reduced federal tax rate of up to 15% on dividends.

Special Distributions Aren't So Special

Another thing income investors should be wary of is advertised high yields that include irregular capital gains distributions or a return of capital.

Although these capital gains payouts can sometimes be huge, you can't count on them as part of your regular income stream. They're generally paid out only once or twice a year, if the firm or fund has profited from selling assets like stocks, real estate, options or other derivatives.

And like capital gains, a return of capital isn't generated from a firm's regular recurring earnings either. Sometimes, it is simply cash flow in disguise. For example, income trusts or master limited partnerships (MLPs) may include a return of capital in their distribution so as a means of passing along cash flow that's not part of their reported earnings.

extraordinary opportunity for income investors. Safe, investment-grade preferred stocks are currently offering about three times the yield of CDs and Treasuries.

[Read On...](#)

[High Yields from the Land of the New Gold Rush](#)

By Nick Lanyi
May 28, 2008

South Africa, the world's largest producer of gold and platinum, has delivered gains of +310% over the past few years, and it's up +11.8% already in 2008. But huge capital gains are just a small part of the story.

[Read On...](#)

Reader Favorites

[My Secret to Lasting Dividend Income](#)

By Amy Calistri

[How to Hide From the Dividend Tax Increase](#)

By Carla Pasternak

Special Offers

[+127.7% Gains In Less Than 6 Months!](#)

The *StreetAuthority Investor Update* is a free weekly newsletter designed to help you track down the market's most profitable stocks, funds, and ETFs. But don't be fooled by the 'no-cost' price tag: You're moments away from receiving a steady

Make Sure Your Dividend Growth Is the Real Deal

Usually, it's a good sign when a company or fund raises its dividend. Investors naturally assume that the firm or fund must be doing well. But sometimes this is a false signal.

For instance, Fund B's payouts nearly doubled from \$0.72 per share in 2006 to \$1.35 in 2007. But the fund's total investment income dropped by almost a third from \$1.91 per share in 2006 to \$1.31 the following year. Returns of capital, not earnings, accounted for the lion's share of the distribution growth.

It's good to find an investment that continues to grow its dividend, but only if earnings are growing right along with it. If you're counting on a steady income stream, you have to be sure the company can continue to support it -- and they can only do that with earnings.

Earnings are the Secret to Dependable High Yields

The bottom line is earnings are one of the more reliable sources of sustainable dividend income over the long-term.

I currently own Fund A in my "10%-Plus Portfolio" -- a model portfolio that I reserve exclusively for subscriber to my premium newsletter, [High-Yield Investing](#). And in a recent issue, I profiled a number of other high-yielding investments that passed my rigorous earnings test. For example, I highlighted a foreign bank that offers an outstanding yield of 14.2% - and has the earnings to easily cover its generous dividend distribution. In fact, this rock-solid bank has a large enough earnings cushion to let you sleep at night, knowing your income stream is safe -- and likely to increase.

If you'd like to learn the name of Fund A, which is currently paying a staggering 15.3% yield, plus the name of my favorite bank stock, plus receive a steady stream of stocks, funds, and other investing ideas with abnormally high dividend yields each and every month -- then I'd like to extend you a personal invitation to try my premium newsletter . . . [High-Yield Investing](#). [Visit this link to learn more.](#)

Thanks for joining me on my search for today's highest-yielding securities!



C. Pasternak

-- Carla Pasternak

Co-Editor

Global Dividend Opportunities

GlobalDividends.com

839-K Quince Orchard Blvd.

Gaithersburg, MD 20878-1614

P.S. -- Don't miss a single issue! Add our address, Editors@GlobalDividends.com, to your Address Book or Safe List. For instructions, [go here](#).

flow of high-quality investment ideas... including triple-digit winners.

We sincerely hope that you benefit from your subscription to this newsletter, and we're willing to do whatever it takes to keep you as a satisfied customer. However, if at any time you wish to discontinue your complimentary subscription, you can do so by simply [visiting this link](#) and confirming your request, or by calling (301) 216-2005.

Please note that StreetAuthority, LLC is not a registered investment firm or broker/dealer. Readers are advised that the material contained herein should be used solely for informational purposes. StreetAuthority does not purport to tell or suggest which investment securities members or readers should buy or sell for themselves. Site users should always conduct their own research and due diligence and obtain professional advice before making any investment decision. StreetAuthority will not be liable for any loss or damage caused by a reader's reliance on information obtained in this newsletter or on our web site. Our readers are solely responsible for their own investment decisions.

The information contained herein does not constitute a representation by the publisher or a solicitation for the purchase or sale of securities. Our opinions and analyses are based on sources believed to be reliable and are written in good faith, but no representation or warranty, expressed or implied, is made as to their accuracy or completeness. All information contained in this report should be independently verified with the companies mentioned. The editor and publisher are not responsible for errors or omissions. StreetAuthority receives no compensation of any kind from any companies that may be mentioned in our newsletters or on our web site. Any opinions expressed are subject to change without notice. Owners, employees and writers may hold positions in the securities discussed in this report or on our web site.

**(C) Copyright 2001-2010. StreetAuthority LLC All Rights Reserved.
Unauthorized Reproduction or Distribution is Strictly Prohibited.**