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The Income Secret That Lets You Use the Bear Market to Your Advantage

-- By Andy Obermueller

As stock prices have fallen dramatically this year, one critical barometer of the market has been rising. Dividend yields are at historic highs -- only two stocks in the S&P 500 showed yields above 6% near the height of last year's rally; that number now stands at 48. And individual stocks and funds have seen dramatic gains in their yields -- one year ago the Alpine Total Dynamic Dividend Fund (NYSE: AOD) yielded 10.8%; today it sits at 27.2%.

In today's issue, we'll take a look at the difference locking in these abnormally high yields can make on your portfolio. We'll also feature a rock-solid utility that has seen its yield jump from 8.5% to 14.3% in a matter of months, and show you how a group of savvy investors took advantage of a downturn to lock in 17.4% yields in shares of Altria (NYSE: MO). (*Full Story Below*)

Also in Today's Issue...

Your Chance to Join StreetAuthority's Inner Circle of Investors

Our LIFETIME WEALTH ALLIANCE sets you up for the best deal we've ever offered. It provides you with profit opportunities from stocks that are virtually forced to rise. But of all the benefits of our LIFETIME WEALTH ALLIANCE, one towers above the rest: ALLIANCE members get every issue of every advisory we publish -- plus all future publications -- for as long as we publish them.

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One Stock a Month is All You'll Ever Need

For the entire 2009 calendar year 100% of Amy Calistri's Stock of the Month picks have been winners. ALL of her picks are up -- as much as +58.4% in just a few months. And her subscribers are making money hand over fist alongside her. One has made \$10,272... another is up \$46,002.

[Click here to get her latest pick.](#)

Income Notes

The ratio of debt to net worth of non-financial corporations is at a 22-year low. Businesses have more than \$1.2 trillion in cash and liquid assets. Relative to their liabilities, corporations have more liquid assets on hand than they have had in more than 30 years. Because of this, the default rate on corporate bonds remains very low, at only about 2 percent, and though they could more than double, to near 5 percent, that is still half the 2002 default rate.

-- Lord Abbett

The news is less rosy for holders of junk bonds, though. Bain predicts that between 4.8% and 5.9% of high-yield issuers will default this year. That is a substantial increase. Last year, the high-yield default rate stood at just 0.9%.

-- GDO Research Staff

How to Build a Safe Income Portfolio with Yields up to 12.5%

High-Yield Investing
Editor Carla Pasternak goes out of her way to bring income investors the safest and highest-

The Income Secret That Lets You Use the Bear Market to Your Advantage

There aren't many truly ironclad rules on Wall Street, but the relationship between yield and price is unbreakable. They always move in opposite directions. When price falls, yield rises -- always, period, amen.

For instance, if a \$100 stock pays a \$5 dividend, then its owner receives a nice 5% yield. But if that same stock drops to \$50, its dividend yield rises to 10%. And right now, there are literally hundreds of stocks in this exact situation. The Dow and S&P are each off about -35% on the year, and dozens of dividend-paying companies have seen panicky traders push their shares to fire-sale prices -- lifting yields to historic marks. Smart investors are locking in those high yields right now.

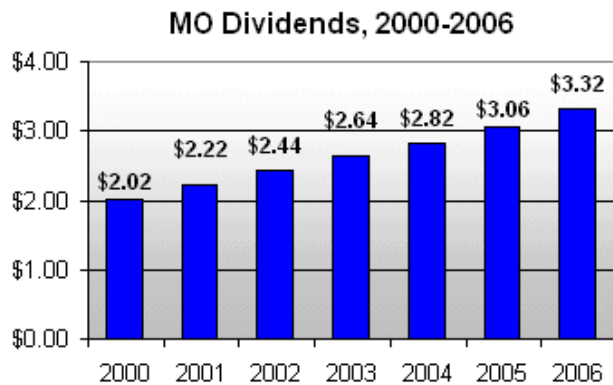
How to Calculate Your Dividend Earnings

Let's review what it means to lock in a yield, because most investors assume that yields change. And, indeed, they do. They rise every time a firm's share price falls, and vice versa. But the price you paid for a stock doesn't move -- it's locked in. Because of this, you can use depressed share prices to lock in some mouth-watering yields.

Take our previous example -- a \$50 stock that is yielding 10% based on a \$5 dividend. Even though shareholders all receive the same payments each year, the investor who bought their shares at \$100 is earning only 5% on what they invested -- and the investor who bought at \$75 is seeing a 6.7% return on their money. But those who bought at \$50 can continue enjoying 10% yields on their original investment -- even as the share price rises, decreasing the yield.

While this concept is simple to follow, what most often gets overlooked is how large an impact it can have on your portfolio. Let's examine the performance of a company with a long history of rewarding shareholders with a rich dividend stream: Altria (NYSE: MO), the company many investors knew for years as Philip Morris.

Here are its actual dividend payouts from 2000 through the end of 2006:



As you can see, investors have been showered with rising dividends for years. But those smart enough to buy in when the stock was trading at an abnormally low share price were able to lock in a higher yield -- a yield they're still enjoying today.

Let's assume you bought 1,000 shares of MO on Feb. 11, 2000 -- a roughly five-year low. At a price of \$19.06 a share, dividends totaling \$2.02 in 2000 worked out to a 10.6% dividend yield.

In 2001, MO paid \$2.22 in dividends, and investors who bought at \$19 earned 11.6% in dividends on their investment. The next year, 2002 saw a 12.8% dividend payout, which rose to 13.9% in 2003. By the end of 2006, the shares were yielding 17.4% based on your original purchase price. An investor who bought at \$19.06 would have collected a total \$17.94 in dividends, a +94.1% return based on dividends alone.

paying stocks, bonds, and funds on the market. And her diligence is paying off! All 20 of her picks are up -- 14 of them with double-digit returns. Meanwhile, they're yielding up to 12.5%.

[Click here to see what you're missing.](#)

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By Amy Calistri
October 8, 2008

Legendary investor Warren Buffett has been on a buying spree -- pouring billions into preferred stocks. Learn why they are one of the best places to shelter a portfolio during these rocky times.

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[How to Add a Margin of Safety to Your Stock Portfolio in a Tumultuous Market](#)

By Andy Obermueller
October 1, 2008

You don't have to worry about major U.S. market swings -- unless you want to. Investing in international companies that pay rich, double-digit dividends is a strong defense against domestic market upheaval, whether it comes from Wall Street or Washington.

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[The One Sure Way to Find a Healthy Company in an Unsafe Market](#)

Now that's a great investment ... but not everyone fared so well. Why? Because as dividends rose, so did the share price. When prices go up, yield goes down. So investors who bought at a higher share price locked themselves in to a lower yield.

Our table below shows how dramatic a difference buying near a high can make on your yields compared to using a market sell-off to lock in above-average yields. Investors who bought MO just over a year later -- well after the shares had rebounded from their low -- locked themselves into significantly lower yields.

Dividend yields as a percentage of original investment were 11.8 percentage points higher for investors buying Altria at its low (Feb. 11, 2000) vs. its high (May 31, 2002).

	Yield for investment made 2/11/00	Yield for investment made 5/31/02
Purchase Date	10.6%	4.3%
2001	11.6%	N/A
2002	12.8%	N/A
2003	13.9%	4.6%
2004	14.8%	4.9%
2005	16.1%	5.3%
2006	17.4%	5.6%

In other words, even though the investor who bought at the low in 2000 is getting the exact same dividend payment per share as the investor who bought at the high in 2002, they are earning *drastically* different yields on their investments because they locked in at different prices.

Again, the lower the buy price, the higher the yield. The higher the buy price, the lower the yield. In the end, that added up to a huge difference: Investors who bought at \$19 in 2000 were earning 17.4% in 2006, while investors who bought in 2002 earned only 5.6%.

But wait, there's more!

We haven't factored in any capital gains yet. At the end of 2006, the shares were worth \$85.82, an increase of +350% from their 2000 price. So the 1,000 shares bought for \$19,060 sold for \$85,820, a gain of \$66,760, plus the \$17,940 in dividends collected along the way.

That's the awesome power of locking in a yield for the long term at depressed shares prices. And that's where we are in the current market. Many are fearful of this volatile market -- and caution is warranted. But If you want to earn a rich yield and collect a positively gargantuan capital gain, the time to buy is now.

Where to Find the next Altria

The question, of course, is how to determine which companies out there will mirror MO's historical payout.

Nick Lanyi, editor of [High-Yield International](#), has been scouring the globe for its best dividend payers. His premium newsletter is full of yields that have been juiced thanks to the global sell-off:

Here are two of Nick's favorites:

Rich dividends and strong capital appreciation potential are making foreign markets more attractive than ever in light of the U.S. financial mess.

[Read On...](#)

We're Putting \$100,000 into These Picks

We're so pleased with the performance of Amy Calistri's \$50,000 real-money Stock of the Month portfolio that we're doubling down. We're giving her a total of \$100,000 to put to work using her simple investing strategy. So far her results are astounding. 100% of her picks are up -- as much as +43.0% in just a few months.

Don't be left on the sidelines. [Go here to get Amy's strategy now.](#)

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[Escape the U.S. Financial Turmoil](#)

By Andy Obermueller

[How to Add a Margin of Safety to Your Stock Portfolio in a Tumultuous Market](#)

By Andy Obermueller

Special Offers

[The Next Way the Government Will Make Investors Rich](#)

A Brazilian telecom that is paying a 14.3% yield based on payments over the last 12 months. This company, one of the most respected corporations in the fast-growing economy of Brazil, has seen a -14% drop in its share price, less than a third of the -48% decline posted by Brazil's benchmark Bovespa in the last year. A year ago these shares were yielding closer to 8.5%.

A French communications company with an 11.3% yield. A year ago, this stock was paying out 8.5%. Now, obviously, the company's board didn't intend to pay out 11.3% to shareholders, but it's not going to cut the dividend to reduce the yield -- and it doesn't need to, as nothing is wrong with its business. You have, right now, the chance to lock in a solid double-digit yield that simply wasn't available a year ago -- and to receive it for as long as you want to keep cashing the checks.

These Bargains Won't Last

Not to be overly dramatic, but you're running out of time. The markets won't stay at these depressed levels for long -- there's just too much value to be had at too cheap a price. Investors have tons of cash on the sidelines, and many are waiting for Wall Street's dark mood to lift (we already saw this yesterday with the Dow's +10.9% gain). That's important, because all of these foreign companies actually trade on the New York Stock Exchange. *You can buy them -- and start collecting these dividends -- using the same brokerage account you have now.*

So while everyone else is stymied by fear, readers of [High-Yield International](#) are taking advantage of this rare buying opportunity. *Some checks have already been cut.* [Follow this link](#) to make sure your name is on one of them.

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



-- Andy Obermueller
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