



Carla Pasternak's

Dividend Opportunities

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Your Chance for a 10.6% Yield is Closing Fast

-- By Carla Pasternak

I've pinpointed an opportunity for investors to capture double-digit yields... but I'm afraid the chance is closing fast.

You see, a select group of insurance securities are paying out spectacular yields, but they're also going up in value by the day. If you act quickly, there's still time to lock in this and other yields -- while also setting your portfolio up for capital gains. *(Full Story Below)*

Also in Today's Issue...

Capture 14% Yields and Total Returns up to +185.6%

On the last trading day of 2009, 94% of the picks in this high-yielding portfolio were up. Most of them have returned more than +10%, and several have returned +100% or more. But the best part is that these picks carry stable yields of up to 14.3%!

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Your Chance for a 10.6% Yield is Closing Fast

What the mind can conceive and believe, it can insure (my apologies to Napoleon Hill).

You already know from personal experience about insurance on your life, your house and your car. But maybe you didn't know you could insure your wages, a business can insure its directors and officers, and you can even insure your pet dog against illness or injury.

More importantly, after much research, I can assure you that in today's markets, select insurance securities can ensure you lock in high, safe yields for years to come while also offering capital gains potential. But there's a catch -- this chance isn't going to be around forever.

How quickly is this opportunity closing? The KBW Insurance Index (KIX) covers 75% of the market capitalization of U.S. insurance stocks across the industry. It includes household names such as AFLAC (NYSE: AFL), Allstate (NYSE: ALL) and Chubb (NYSE: CB). The index peaked at just over 150 in May 2008. When it hit its low of around 42 this past March, it had fallen more than -70% -- far worse than the roughly -50% decline in the S&P 500.

Income Notes

State Treasurer Bill Lockyer said ratings agency Standard & Poor's took California's general obligation bonds off credit watch status.

The action means the state-issued bonds are not under imminent threat of a negative downgrade.

"S&P's action is a positive development for the state and taxpayers. It reflects confidence that the budget solution adopted by the governor and legislature gets us on the right track and improves our cash position," Lockyer said.

-- Sacramento Business Journal

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.](#)

Since then, however, the S&P has recovered about +50% of its value off its lows, but insurance stocks have rebounded an astounding +125%. Even so, with a little digging you can unearth select insurance securities that are still dirt cheap, as measured by forward P/E ratios as low as 5 and 6 times next year's projected earnings (versus about 15 times for the broader S&P 500).

Not All Insurers Are Ripe for the Picking

That's not to say you can throw all caution to the wind in picking insurance stocks. It's far too risky to rush willy-nilly into the sector, buying anything that has had a price recovery since this March. Simply put, there are two main problems with investing in just any insurance company... but I've found solutions to both.

First is that insurers can and do run into trouble -- especially in tumultuous markets.

AIG is the best-known story of how the money-making potential of insurers can fail miserably. When the subprime mortgage crisis hit, AIG had to make good on insurance contracts issued on mortgage-backed securities and credit default swaps. Since its last profitable quarter about two years ago, the company has reported losses of about \$100 billion, losing \$62 billion in the fourth quarter of 2008 alone.

In fact, some blue-chip bellwethers held such fragile balance sheets that in April the U.S. government felt compelled to step in and make \$22 billion available to insurers under the Capital Protection Program, a subsection of TARP. The care package was made to some of the best known names in the industry -- Prudential, Principal Financial Group, Lincoln National, Hartford Insurance Group, Allstate and Ameriprise.

Even the best of the breed saw large investment income declines last year as interest rates and the stock market plummeted. Still, the strongest insurers remained profitable while the storm raged and are now poised for continued gains as the economy starts to stabilize. These names include companies like Delphi Financial (NYSE: DFG), MetLife (NYSE: MET), and Unum (NYSE: UNM). That's where I'm focusing my attention.

How to Squeeze Out Higher Yields

Which brings up the second issue... dividend yields. Insurance stocks as a group carry an average dividend yield of only around 2.4%. I only bite on yields about three times that level.

Luckily, I get a little more creative when it comes to finding yields. That's why I'm looking into the debt securities and preferred stocks of some of the stronger insurers... instead of their common stocks.

So far I've found yields as high as 10.6% from the senior exchange-traded bonds (they are bonds, but trade just like a stock on the NYSE) of the strongest insurers. I've also uncovered 8.4% from their preferred stocks.

But if you plan to get in on these high yields, I would do it with some urgency. Many of the yields are still higher than normal thanks to the market's big sell-off. As things get back to normal, I'm seeing them shrink almost by the day. Your window of opportunity is closing quickly.

Good Investing,



Carla Pasternak's Dividend Opportunities

P.S. -- I brought my best insurance picks to [High-Yield Investing](#) readers in my most recent issue. Based on my research, I presented seven of my favorites... including the 10.6% and 8.4% yielders I highlighted above.

If you want to get into these picks at a good price, I can't urge you enough to hurry. That 10.6% yielder has already appreciated +15.4% since my August issue was published. To receive my August newsletter, simply [subscribe](#) to *High-Yield Investing* today.

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