



Carla Pasternak's

Dividend Opportunities

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One of the Best Dividend Payers Ever Just Got Better

-- By Carla Pasternak

Few investors realize a key sector for income investors is in the middle of a monumental change. If a recent trend I've spotted continues gaining steam, you can bet one of the best income investments ever is going to become even sweeter. (*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%!

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

Turn a \$200 investment into \$1 Million

There's a reason penny stocks have been Wall Street's favorite hidden investment for years now: they give the best shot at winning it big.

[Click Here to get in on these Hidden Investments!](#)

Income Notes

Two and a half months away from the end of the year and the average dividend yield of the Dow 30 has continued to fall since the market lows back in March. At the end of 2008, the average yield on the Dow was 3.9%. By the market lows of early March, that number rose to roughly 4.5%. Now, with two new components and a 6+ month rally, that number is 2.8%.

According to data from Thomson Reuters, Verizon (NYSE: VZ) is now the highest yielding stock on the Dow, passing AT&T (NYSE: T)

-- CNBC

One of the Best Dividend Payers Ever Just Got Better

Longtime readers of *Dividend Opportunities* know I'm a big fan of [master limited partnerships](#) (MLPs). There's not much to dislike.

The partnerships don't have to pay corporate income taxes as long as they earn 90% of income from operations relating to natural resources or commodities -- and they must pass on the bulk of that income along to investors.

The result is high yields, usually approaching double-digits. Moreover, most MLPs operate in energy infrastructure like pipelines and processing facilities. These partnerships usually earn a fee for processing or delivering products like oil, ammonia, or natural gas. They are essentially toll collectors on the energy highway, a consistent business model that leads to steady and generous distributions.

MLPs are also famous increasing their distributions to partners. For example, well-known MLP Kinder Morgan (NYSE: KMP) paid quarterly distributions of \$0.475 per unit in 2001. That amount has since climbed all the way to \$1.05 per unit today.

But I'm seeing a monumental shift in the MLP space, and I think it could lead to even sweeter payments for income investors.

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.](#)

Breaking News

A High-Yield Shift in Corporate Structure

You see, behind every good master limited partnership is a general partner (GP). General partners manage the day-to-day business of master limited partnerships. The MLPs are like silent partners. They receive cash flow from the pipeline assets, but aren't involved in running the business.

That's the job of the general partner (which usually also trades on a major exchange). The general partner, for instance, identifies potential acquisitions, arranges financing, oversees operations, and even sets dividend policy.

In return, GPs are amply rewarded for their efforts. They typically own a 2% equity stake in the MLP, but that's not all. They receive a special management fee in the form of incentive distribution rights (IDR). These additional distributions are paid out according to a pre-set formula that's given in the prospectus when the MLP is formed.

Typically, the GP receives an initial 2% of the MLP's distributable cash flow to reflect its 2% equity interest, while MLP unitholders get the remaining 98%. As the limited partner's distributions increase, however, the percentage take of the GP also increases, often to a maximum of 50%.

You can take a look at my table to see how it works: Say the latest quarterly distribution for an MLP totaled \$1.00 per unit. Of that, GP investors in my example receive 2% of the first \$0.29, 15% of the next \$0.04, 25% of the next \$0.06, and 50% of everything above \$0.39.

Example Distribution Rights		
Quarterly Distribution	MLP	GP
Up to \$0.29	98%	2%
From \$0.29 to \$0.33	85%	15%
From \$0.33 to \$0.39	75%	25%
Above \$0.39	50%	50%

In other words, as the distribution grows for the MLP, the general partner receives a larger piece of the distribution pie. Many GPs have grown to claim an enormous stake on payments, sometimes a third or more of a limited partner's total distributions paid.

But quietly, a few MLPs are making a ground-breaking move. They've opted to merge the general partner and the limited partner.

For example, MarkWest Energy Partners (NYSE: MWE) and its general partner merged operations last year, which eliminates the need for incentive distribution rights. Eliminating this drag on distributions has created a new form of MLP that should pay larger distributions in the long run.

In fact, MarkWest's distributions increased +16% in the year following the merger, despite the the partnership issuing new units to acquire the outstanding shares of the general partner (as is usually the case).

Eliminating the distribution rights and simplifying the partnership structure also reduces the cost of capital needed for expansion. Since MLPs must pay the lion's share of their income to partners, they're reliant on the capital markets to grow the business.

Lowered costs allow MLPs to be more competitive in future acquisitions and expansion projects. The result should be an increased growth rate for the partnership, paving the way for further distribution hikes.

If investor sentiment toward merging partnerships is any indicator -- in one recent merger, 97% of votes were in favor -- I expect the trend pick up steam. And I think that's good news for income investors and a sign that MLP could continue being one of the most attractive income investments on the market.

Good Investing!

[Ever-Growing Yields from Post-Crisis Winners](#)

These high-yielding goliaths are seeing an earnings boom in the post-crisis world. Discover these little known winners before the smoke clears and everyone gets wise.

[Read On...](#)

[Finding Double-Digit Yields in Today's Market](#)

Last year, you could find junk bonds with 20%-plus yields. Locating a double-digit yielding REIT wasn't a problem back in March, either. The yields on these income investments have since dropped. But there is still one investment out there that has your double-digit income needs covered.

[Read On...](#)

[We're Finding Stocks Paying \\$26,500 a Year in Dividends](#)

Now is a great time to invest. Every dollar we're investing is giving us two, three, four even five times as much income as it did just a year ago -- it's as if a giant "multiply your money" certificate has dropped into our laps.

[Click here to learn more.](#)



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