

Building a High Yield Portfolio to Supplement Income with Preferred's, REITs, BDC's and MLP's

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The stock market has been very volatile for the last 12 months. So, what is a nice safe investment to add to your portfolio that will provide high yield income?

Preferred Stocks

Preferred Stocks can generate a very nice yield and still have a margin of safety.

Most investors don't understand preferred stocks. Preferred stocks are positioned between common stocks and bonds. Most commonly preferred shares carry no voting rights but have a higher claim to earnings than common share and are usually less volatile than common. When the S&P 500 fell 37% in 2008, for example, the iShares preferred fund fell only 24%.

Preferred shares are next in line to bond holders in the capital chain of any company. Investors can easily choose from preferred stock ETF's or individual stocks. Preferred's can look as being "similar to bonds"

I happen to like the safety of bank preferred stocks.

Here are my favorite preferred stocks:

- American Capital Per B (AGNC-B) REIT Preferred 7.79% Quarterly
- Nuveen Preferred Income (JPC) Closed End Fund 8.11% Monthly
- Blackstone GSO Closed End (BSL) 7.77% Monthly
- Oxford Lane Preferred (OXLCN) 8% Monthly
- iShares Preferred (PFF) 5.61% Monthly
- PrivateBancorp Preferred (PVTBP) 9.26% Quarterly
- Ladenburg Thalmann Financial Services (LTS-PA) Bank Preferred 9.53% Monthly
- Barclays Bank (BCS-PD) Bank Preferred 7.7% Quarterly
- Wells Fargo (WFC-PL) Bank Preferred 6.02% yield, AND a convertible option Quarterly

Great web site: <http://www.quantumonline.com/Index.cfm>

REIT's – Real Estate Investment Trusts

A REIT is a company that owns and operates income generating real estate. REITs can own commercial properties from office and apartment buildings to hospitals, retirement homes, warehouses, hotels, shopping centers, hotels and timberlands. REITs are also a major factor in financing housing. REIT, similar to BDC's pay little or no corporate income tax and must distribute at least 90 percent of taxable income as dividends to investors. This results in many cases in both capital growth and high-yields.

There are a lot of different types of REIT's, agency and non-agency etc., I won't get into all of these here. I'll also warn you that like all other high-yielding investments that are subject to the volatility of changing interest rates.

W P Carey (WPC) 6.33% yield
Hospitality Properties Trust (HPT) 7.90% yield
American Capital Agency (AGNC) 13% yield Monthly
HCP, Inc (HCP) Healthcare 6.70%
Realty Income Corp 3.92% Monthly ***** Great Capital Appreciation *****

Great web site: <http://www.dividendyieldhunter.com/>

BDC – Business development Corp

BDC's are companies that function like Venture Capital or Private Equity funds however they allow smaller investors like you and me to invest in their companies. VC and PE funds are often closed to all but wealthy investors. BDCs, on the other hand, allow anyone who purchases a share to participate in the open market.

BDCs have become popular since they pay little or no corporate income tax and must distribute at least 90 percent of taxable income as dividends to investors. Many BDC's distribute 98 percent of their taxable income to avoid all corporate taxation. This results in many cases in both capital growth and high-yields. Returns to the stock holder matches the on the type of income earned by the BDC. Ordinary income to the BDC is taxable to us as ordinary income and their capital gains is generally taxable to us as capital gains.

Main Street Capital (MAIN) 6.18% yield Monthly
Horizon Tech (HRZN) 12.64% yield Monthly
Ares Capital Corp. (ARCC) 9.81% yield *** Largest BDC***
Hercules Technology Growth Capital (HTGC) 10.37% yield

Web Site: <http://bdcbuzz.blogspot.com/2014/08/general-bdc-research.html>

MLP – Master Limited Partnership

A MLP is a partnership that generates income from real estate, natural resources and commodities. MLP's are a major factor in the transportation and storage of oil and natural gas. MLP's, similar to REIT's and BDC's pay little or no corporate income tax and must distribute at least 90 percent of taxable income as dividends or return of capital to investors. This results in many cases in both capital growth and high-yields. When you buy stock (units) in an MLP you become a "partner" in that MLP. The distributions are not taxed when you receive them, instead, they are considered reductions in the investment's cost (return of capital), and you don't have a tax liability until you sell the MLP. Your income from the MLP is reported to you on a K-1 each year.

If you are looking to get into the booming energy market and don't want to worry about the volatility of oil and low prices of natural gas, the MLP's that provide the pipelines and storage facilities might be your best choice. You see, these MLP's charge for distribution and storage they aren't effected by the price of the commodity

