If you like the thought of investing in stocks, but value the income that a bond offers, then preferred stocks might be right up your alley. Like common stocks, preferred stocks represent partial ownership of a company. Although preferred stocks do not come with voting rights, they do provide investors with fixed income from dividends paid on a regular basis. Similar to the interest on a bond, preferred stocks generally carry with them a set dividend, unlike dividends of common stock which may rise, fall, or be omitted completely. Another attractive feature is that they are considered “preferred” over common stocks because any dividends must be paid to holders of the preferred stock before common shareholders are paid.

Some preferred shares also carry with them a conversion privilege, thus making them *convertible preferred stocks.* This means the stock can be exchanged for shares of the company’s common stock at a predetermined price or rate. An investor may want to hold a convertible preferred stock in order to participate in the potential growth of a promising company, while lowering his or her risk should the company not perform as well as expected. As no investment is without risk, preferred stocks are subject to market risk, and an investor’s shares, when redeemed, may be worth more or less than original cost.