

Excerpt from the following Globe and Mail Article:

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Alternative paths in the search for yield

ROB CARRICK takes a look at six overlooked income plays that offer a good alternative to bonds and GICs

The reason that income trusts are so beloved is that many investors see them as the only thing standing between them and guaranteed investment certificates and bonds paying a penurious 3 to 4 per cent.

That would be wrong....

Split shares (preferred share version)

Overview: Split shares are all about packaging. An investment management firm will take a basket of stocks -- banks or insurers, for example -- and then split them into two investable products. One is a capital share, which allows investors to benefit from any price increases in the basket of shares. The other is a preferred share, which siphons off dividend income from the basket and thus caters to income-seeking investors.

The good: You can get yields of 4 to 6 per cent from exposure to reliable blue-chip stocks, and you can often (but not always) use the dividend tax credit to lower the amount of income tax you'll pay in non-registered accounts.

The bad: These are just for income -- you have little chance of seeing your preferred split shares rising in price.

Availability: They're TSX-listed, but low trading volumes mean you may have to pay a bit over the current market price.

Risk level: Barring catastrophic losses in the underlying stocks, you should get your upfront investment back at the end of a set lifespan.

How to use them: Like any preferred share, which means like a bond with a higher level of risk than you'd get with provincial or federal government debt.

More info: Go to Globeinvestor.com and type "split" into the search box located on the top right of the home page.

Five preferred split shares listed on the Toronto Stock Exchange

Fund	Symbol	Price* (\$Cdn.)	Yield
BNN Split Corp.	BNA.PR.A	\$26.00	6.00%
Dividend 15 Split Corp.	DFN.PR.A	10.47	5.1
Financial 15 Dividend Split II	FFN.PR.A	10.85	4.8
Brompton Split Banc	SBC.PR.A	10.75	4.9
Cdn Life Companies Split	LFE.PR.A	10.95	4.8

SOURCE: GLOBEINVESTOR.COM