



TOP INCOME IDEAS FOR 2023

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As investors navigate the current market environment, with interest rates at higher levels and inflation a big concern, financial planning strategies that focus on income-producing investments have become increasingly important. These strategies can offer a sense of stability and predictability for investors, helping them to generate income and preserve capital in a challenging market. Here are some examples of income-producing investment strategies and vehicles that investors can consider:

Cash Alternatives:

Cash alternatives refer to investments that provide a similar level of liquidity and safety as cash, such as money market funds or short-term bond funds. These investments can be used as a way to preserve capital or as a short-term holding before deploying it into more aggressive investments. They are typically considered to be low-risk and low-return investments, and are suitable for investors who prioritize capital preservation and liquidity over returns. An example of a cash alternative investment is a money market fund, which invests in short-term, highly liquid debt securities such as Treasury bills and commercial paper.

Preferred:

Preferred stock is a type of equity security that gives shareholders priority in terms of dividend payments and asset liquidation, but usually does not come with voting rights. Preferred stock is considered to be less risky than common stock, but it also typically offers lower returns. Preferred stock can be used as a way to generate income, as it typically offers higher dividend payments than common stock. An example of a company that issues preferred stock is a utility company, which may offer steady dividends to preferred shareholders while reinvesting profits back into the business to fund growth.

Convertibles:

Convertible bonds are bonds that can be converted into a specified number of shares of common stock. These securities offer the potential for both income and capital appreciation. Convertible bonds can be used as a way to generate income while also participating in the potential appreciation of the underlying stock. An example of a convertible bond is a bond issued by a technology company that can be converted into shares of the company's stock at a certain price.



High-Yield Corporate Bonds:

High-yield corporate bonds are bonds issued by companies that have a lower credit rating and therefore offer higher yields than investment-grade bonds. These bonds can be used as a way to generate income while also participating in the potential appreciation of the underlying stock. High-yield bonds can be used as a way to generate higher returns than investment-grade bonds, but they also come with higher credit risk. An example of a high-yield corporate bond is a bond issued by a retail company that offers a higher yield than a bond issued by a more financially stable company.

Treasury:

Treasury bonds are debt securities issued by the U.S. government and are considered to be among the safest investments available. Treasury bonds can be used as a way to generate income and preserve capital. They are considered to be low-risk and low-return investments, and are suitable for investors who prioritize capital preservation and liquidity over returns. An example of a Treasury bond is a 10-year U.S. Treasury bond, which offers a steady stream of interest payments to bondholders while also preserving the principal invested.



BDCs:

Business development companies (BDCs) are a type of publicly traded company that provides financing to small and medium-sized businesses. BDCs can be used as a way to generate income while also participating in the potential appreciation of the underlying assets. BDCs typically offer higher yields than other types of investments, but they also come with higher credit risk. An example of a BDC is a company that provides loans to small businesses and earns income through interest and fees.

Private Credit:

Private credit refers to investments in non-publicly traded debt or equity securities, such as loans to private companies. Private credit can be used as a way to generate income while also participating in the potential appreciation of the underlying assets. Private credit typically offers higher yields than other types of investments, but it also comes with higher credit risk and limited liquidity. An example of a private credit investment is a loan made to a private company that is not publicly traded.



Investment Grade Bond:

Investment-grade bonds are debt securities issued by companies or governments that have a high credit rating and are considered to be less risky than high-yield bonds. These bonds can be used as a way to generate income while preserving capital. Investment-grade bonds are considered to be low-risk and low-return investments, and are suitable for investors who prioritize capital preservation and liquidity over returns. An example of an investment-grade bond is a bond issued by a large, financially stable company such as a blue-chip corporation.

REITs:

Real estate investment trusts (REITs) are companies that own and operate income-producing real estate properties. REITs can be used as a way to generate income and participate in the potential appreciation of real estate assets. REITs typically offer higher yields than other types of investments, but they also come with higher volatility than bonds. An example of a REIT is a company that owns and operates a portfolio of commercial properties and generates income through rent and property appreciation.

MLPs:

Master limited partnerships (MLPs) are publicly traded partnerships that own and operate energy infrastructure assets such as pipelines and storage facilities. MLPs can be used as a way to generate income while also participating in the potential appreciation of the underlying assets. MLPs typically offer high yields, but they also come with complex tax implications and limited diversification. An example of an MLP is a company that owns and operates a network of oil and gas pipelines and generates income through the transportation and storage of energy commodities.

If you are interested in learning more about income-producing investment strategies or want to discuss your current financial situation, contact StrategiQ Financial Group, LLC. Our financial professionals can provide you with a complimentary portfolio checkup and stress test, and discuss how these strategies can align with your current situation and goals.

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