



## How You Can Earn an 8% Yield From Potash Corp./Saskatchewan Inc

### Description

Most investors don't realize it, but **Potash Corp./Saskatchewan Inc** (TSE:POT)(NYSE:POT) is one of the highest-yielding stocks in the country right now.

Last year, the company paid shareholders an 8% cash yield. But even though this is one of the biggest payouts around, it's hidden from most investors. You won't find Potash Corp.'s big yield on *Yahoo! Finance*. You won't see it posted on any stock screener. You certainly won't read about it in the newspaper.

And Potash Corp. isn't the only one. There are dozens of these hidden high yielders sitting around if you know where to look. If you want to tap into the market's secret stash of giant payouts, then you need to read this.

### The stock market's secret source of huge, safe yields

Picture this...you're starving and you can only have one slice of pie. Would you rather have a slice from a pie that has been cut into six or eight pieces?

It's an easy call. A slice from the pie cut into six pieces will be bigger than a slice from the pie cut into eight pieces. So, unless you're counting calories, you should always choose the pie with the fewest slices.

The same is true in business. When the ownership of a business is cut into fewer slices, each piece is worth more. Needless to say, you want to own bigger pieces of wonderful businesses, rather than smaller pieces.

### If you're a dividend investor, you have to read this

Businesses can reward their shareholders in two ways. First, with dividends, and second, with buybacks.

You're probably familiar with dividends. Dividends provide you with a regular cash return on your

investment. What can be better than getting paid just for owning a stock?

The second way a business can reward investors is by buying back its own shares. This is when a company takes the cash it has earned and buys its own stock in the open market. This reduces the total number of shares outstanding.

Why is this good for investors? When a company reduces its share count, it's like cutting the investor pie into six slices instead of eight slices. That means going forward, you're entitled to a bigger share of the company's profits.

Share buybacks are also great from a tax standpoint. You have to pay taxes on dividends, but you *don't pay taxes* when a company buys back its stock. You could think of stock buybacks like a non-cash dividend that's not taxable until you sell your shares.

### **How to earn an 8% yield from Potash Corp.**

If you're not watching share buybacks, you could be missing out on the stock market's hidden source of huge, safe yields.

Take Potash Corp., for example. At the start of 2014, the company had a market cap of about US\$28.1 billion. During the year, Potash Corp. paid out a combined US\$2.2 billion in dividends and share buybacks. That's a roughly 7.8% cash yield based on the market value at the start of the year.

No, you can't immediately collect a buyback in cash, but it does make your shares more valuable. You get your regular 3.9% yield in quarterly dividends. The rest is like a non-cash distribution that's not taxable until you sell your shares.

### **Do you make this beginner investor mistake?**

Dividends are important. However, they don't provide a full tally as to how much money a company pays out to shareholders.

That's why you can't look at dividend yield alone. If you want the full picture as to how much cash a business is returning to investors, factor in buybacks, and use that information to buy hidden, high yielders like Potash Corp.

### **CATEGORY**

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

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