

# Preferred vs. Common Stock: What's the Difference?



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## Preferred vs. Common Stock: An Overview

There are many differences between **preferred** and **common stock**. The main difference is that preferred stock usually does not give shareholders voting rights, while common or ordinary stock does.

Both types of stock represent a piece of ownership in a company.



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STOCK**



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## Key Takeaways

- **Preferred stock** gives **no voting rights** to shareholders while common stock does.
- **Preferred shareholders have priority over a company's income**, meaning they are paid dividends before common shareholders.
- **Common stockholders are last in line when it comes to company assets**, which means they will be paid out after creditors, bondholders, and preferred shareholders.





## Preferred Stock

Preferred stock resembles bonds, **offering investors a fixed dividend** akin to bond coupons until maturity.

The dividend yield of a preferred stock is calculated as the dollar amount of a dividend divided by the price of the stock.

In a liquidation, preferred stockholders have a greater claim to a company's assets and earnings.



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STOCK**

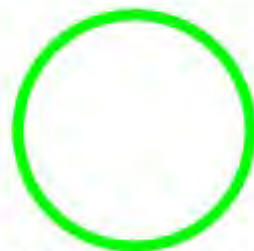
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## Common Stock

Common stock signifies ownership in a corporation and is the primary type of stock in which most investors engage. It entitles shareholders to profit shares (dividends) and voting rights.

**Common stock tends to outperform bonds and preferred shares**, it provides the biggest potential for long-term gains.



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