



Forget The Lottery! Dividend Stocks Could Be A Better Way To Get Rich

Description

While many people dream of winning the lottery, the chances of them doing so are incredibly slim. As such, it may be worthwhile to focus on tried-and-tested methods of getting rich, rather than spending time on a prospect which has very little chance of coming to fruition.

Investing in dividend stocks could therefore be a useful means of utilising capital, with it having a strong track record of high returns. While stock markets have experienced a volatile period in recent months, now could be a good time to start buying high-yield stocks that are trading at fair prices.

Track record

While many individuals may feel that seeking stocks which offer high levels of capital growth potential could be the best means of making a million on the stock market, this may not be the case. Various studies have shown that buying high-yield stocks, and reinvesting their dividends, can account for the majority of total returns over the long run.

This may be the case for a variety of reasons. For example, dividend stocks may offer more [stability](#) and greater defensive characteristics than their cyclical peers. This may mean that they are able to deliver consistent returns which, when compounded over the long run, lead to relatively high total returns.

Similarly, the reinvestment of dividends allows an investor to benefit to a greater extent from low points in the stock market, while dividend investing often equates to buying and holding for a longer period of time than growth investing. In other words, growth investors may look to sell at the top of the economic cycle, which could lead to timing issues. In contrast, dividend investors may be satisfied to keep buying stocks throughout a variety of market conditions.

Probabilities

While the lottery offers an opportunity to risk a fairly small sum of money in return for the chance to win

a huge sum, dividend investing can be undertaken by smaller investors, too. While in previous decades an investor may have required a large bank balance in order to access the stock market due to prohibitively high commission costs, today the increasing availability of online brokers means that the cost of buying and selling stocks has been cut dramatically.

This means that dividend investing is now potentially available to a broader range of people. As such, instead of buying a lottery ticket, that money may be better spent in buying a range of dividend stocks for the long term. Certainly, they are unlikely to deliver high returns in a short space of time, but the chance of producing a surprisingly large nest egg by retirement age is relatively high.

Therefore, while it may lack the excitement and instant life-changing impact that buying a lottery ticket could offer, dividend investing could prove to be a sound means of achieving financial freedom in the long run.

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Date

2025/08/27

Date Created

2019/03/20

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