Why I'd Rather Get Rich Slowly With Dividend Stocks Than Gamble n Bitcoin

Description

While many investors focus on the potential to generate a high return on capital, considering the chances of successfully receiving a return *of* capital may also be worthwhile. In other words, assets such as Bitcoin may offer the potential to generate a high level of reward in the short run. However, significant volatility and uncertainty may lead to sizeable losses in the long term.

Given how challenging it can be to generate the capital required to invest in any asset, it may be prudent for investors to focus on smaller, consistent returns rather than assets that could lead to significant losses. With that in mind, here's why it may be a better idea to take a long-term view with dividend stocks, rather than seek stunning returns with Bitcoin in the short run.

Investment principles

While investing in dividend stocks may not sound like an exciting idea, it is built on a variety of investment principles that have proven to be highly effective in the past. For example, a variety of studies have shown that the compounding of reinvested dividends can contribute a significant portion of an investor's total returns.

Similarly, companies which pay dividends may have relatively sound finances. A growing dividend could suggest optimism among a company's management in terms of their view on the future of the stock. And, with a higher yield indicating that a stock may be cheap relative to its peers, dividend investing can allow an investor to produce a well-balanced portfolio which offers a rewarding risk/return ratio over the long run.

Furthermore, with there being a range of global dividend stocks that offer high yields at the present time, it is possible to build a diverse portfolio. This could further reduce risk, and leave an investor with very low company-specific risk. This may lead to more stable returns during challenging periods for the world economy.

Shaky foundations

In contrast, trying to generate high returns within a short space of time from an asset such as Bitcoin does not seem to be a shrewd idea. It goes against investment principles such as diversification, which could lead to a highly volatile portfolio should the virtual currency continue to struggle.

The long-term utility of Bitcoin is also difficult to accurately estimate. Various regulators have been negative in their assessment of Bitcoin, which could limit its real-world usage appeal and mean that traditional currencies remain in place for some time. Similarly, concerns about its infrastructure and the potential for demand to fall should the world economy's risks come to fruition also mean that the chance of making a quick return could be somewhat limited.

As such, from a risk/reward ratio, Bitcoin seems to lack investment potential. Investors looking to generate high returns may be better off sticking to a well-trodden path of investing in dividend stocks, with them being capable of surprisingly high returns in the long run. After all, it pays to consider risks just as much as potential returns when it comes to investing an individual's hard-earned cash.

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