How You Can Earn 100% of Your Income Each Year From Dividend Stocks

Description

Generating all of your income from dividend stocks could become an increasingly appealing option for long-term investors.

Certainly, spreading the risk across a variety of industries, sectors and geographies is important in keeping risk to a minimum. But with other asset classes potentially facing an uncertain period, the stock market could offer the potential to earn a rising passive income.

Through investing in stocks that have a solid track record of dividend growth, it may be possible to enjoy inflation-beating returns over the long run.

Relative appeal

With the prospects for the world economy being somewhat uncertain at the present time, interest rate cuts could be ahead for a number of major economies. The US, for example, is expected to cut its interest rate by the end of the year in order to provide a stimulus at a time when the prospect of a global trade war is intensifying.

As such, assets such as bonds and cash may become less appealing to global investors. Their returns could disappoint when compared to inflation, and it may become more difficult to obtain a generous income relative to dividend stocks.

Diversification

Obtaining a larger proportion of your income from dividend stocks could mean that your portfolio faces a more volatile future. By their very nature, stocks are riskier than cash or bonds. While this can lead to long-term growth, in the short run it may mean that a portfolio's valuation comes under greater pressure at times than if it was invested partly in cash and bonds.

As such, diversification may become increasingly important to investors over the medium term. This could entail holding a larger number of stocks from a wider range of sectors and industries. It may also be prudent to focus on companies that operate in a number of different regions, since the world economy faces localised threats such as Brexit that may impact more heavily on specific economies over the coming months.

Track record

While the past may not be a perfect guide to the future, buying stocks with solid track records of dividend growth could increase the chances of obtaining a more dependable passive income in the long run.

For example, companies that are relatively mature and which operate in industries that have stable demand could produce more resilient income returns in the long run. Buying such stocks could lead to not only a higher chance that dividends will be paid even during the most uncertain of periods for the wider economy, it may also mean that dividend growth is more robust over the long run.

Although any company can experience a difficult operating environment at any time, through looking at the past performance of a business in a variety of trading conditions it may be possible to reduce this risk to some degree. Doing so could lead to a more dependable passive income.

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