1 Simple Step to Boost Your Chances of Making a Million With Dividend Stocks

Description

Timing the stock market is incredibly challenging. It is almost impossible to know how the market will move – especially over the short run – since there are a wide range of variables which cumulatively can impact significantly on investor sentiment.

For example, at the present time the outcome of the trade dispute between the US and China looks set to have a significant effect on stock prices. If the news is positive, stocks could soar. But, at the same time, further tariffs could feasibly push the world economy into a recession that leads to declining stock prices.

As such, investors may wish to adopt a simple strategy when buying stocks. Instead of trying to time the stock market, they may be better off buying high-quality dividend stocks at regular intervals. Doing so could reduce their costs, maximise the impact of compounding and ensure they buy during a variety of market conditions.

Reduced costs

Regular investing can lead to lower commission costs. Although this may sound counterintuitive, since regular investing may lead to a larger number of purchases than investing infrequently, many sharedealing providers across the world offer lower charges for regular investors.

Certainly, using a regular investment service may mean that an investor has less control over when a trade is executed. For example, they may have a specific day when the purchase is made, which could mean they obtain a stock's price during any point in a specific trading session.

However, the reality is that for long-term income investors the fluctuations in a stock's price during the course of one day is unlikely to significantly impact on their long-term prospects of making a million. By contrast, saving money on commission costs could lead to higher returns in the long run, and mean that dividend returns are diluted to a lesser extent by trading costs.

Market timing

As mentioned, market timing is a challenging pursuit. Regular investing means that an investor does not need to spend time trying to second-guess the short-term movements of the stock market. They can therefore spend more time focusing on the stocks they intend to buy, which may lead to them unearthing the best dividend payers within a particular industry or sector.

Moreover, regular investing forces an investor to buy stocks during a variety of market conditions. Although this may mean they buy at the top of a bull market, they will also buy during the darkest days of the worst bear markets. History shows that many investors find it easy to buy during booms, but struggle to do likewise during busts. Regular investing could, therefore, increase your chances of obtaining high dividend yields during low points for the stock market.

Long-term outlook

Regular investing could increase the length of time you are invested in stocks. It means that you are not waiting for the right time to buy, which reduces cash drag on a portfolio. In other words, spare capital is invested quickly and therefore has the chance to earn a higher return from dividend stocks than it would from holding cash.

As such, the return potential of regular investing seems to be relatively high. It could offer a simple and effective means of helping you to make a million.

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Date
2025/08/26
Date Created
2019/08/23
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