



## Retirement Savings: Why Quality Dividend Stocks Can Help You Make a Million

### Description

Many investors who are looking to build a seven-figure portfolio may view dividend stocks as being somewhat unappealing. They may consider income stocks to only be suitable for individuals who are seeking to generate a passive income from their portfolio, for example, or for those investors who are looking to adopt a relatively defensive stance within their portfolio.

However, dividend stocks can produce high total returns over the long run. They may be able to outperform a number of growth stocks through delivering rising dividends that make them increasingly popular among a wide range of investors.

In addition, [dividend stocks](#) may offer reduced risk compared to growth companies, which could provide a more favourable investor experience.

### Increasing demand

Since interest rates are expected to remain low across the globe as risks such as a US/China trade war remain high, dividend stocks could become increasingly appealing for many investors. With cash and bonds unlikely to provide improving income returns due to loose monetary policies being maintained by a variety of central banks, dividend stocks remain an obvious choice for anyone who is seeking to generate a passive income from their capital.

This could lead to increasing demand for dividend stocks that, in turn, pushes their valuations higher. For those stocks that are able to raise dividends at a brisk pace, investor demand may increase to an even greater degree. Investors may anticipate further dividend growth over the medium term, which could mean that selecting stocks with lower yields but higher dividend growth potential may be a shrewd move for investors who are seeking to make a million.

### Improving financial prospects

While some companies may increase dividends due to their shareholder payouts being highly

affordable compared to net profit, a rising dividend can suggest that a company's financial outlook is improving. Likewise, it may indicate that a company's management team is upbeat about its future prospects, and believes that a higher dividend is likely to become increasingly affordable.

As such, the dividend policy of a company can provide guidance on its future financial prospects. This could give investors an insight into its possible performance, and may mean that companies with generous dividend growth policies are able to eventually command higher ratings as their financial performance improves.

## Lower risks

While growth stocks may offer more exciting outlooks than dividend stocks, they can be relatively risky. They may, for example, be overpriced due to investors factoring in their expected growth rates. Should they fail to deliver net profit growth as expected, their valuations can fall significantly over a short period of time. Moreover, in many cases growth stocks are cyclical and may experience difficulties should economic conditions deteriorate.

By contrast, dividend stocks could provide better value for money and a more stable financial outlook than growth stocks. In many cases, dividend stocks are mature businesses with strong positions in their respective industries. As such, from a risk/reward perspective, dividend stocks could be the best means of making a million over the long run.

### CATEGORY

1. Dividend Stocks
2. Investing

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### Category

1. Dividend Stocks
2. Investing

### Date

2025/08/25

### Date Created

2019/08/24

### Author

peterstephens

default watermark