Forget Cash Deposits And Buy High-Yield Dividend Shares Today!

Description

Cash deposits are unlikely to improve your long-term financial future. Certainly, they offer minimal risk, as well as a high degree of flexibility. As such, it makes sense to have a limited amount of cash in case of emergencies. However, relying on cash deposits to provide a retirement nest egg, for example, could lead to disappointment.

A better idea could be to invest in dividend stocks. By focusing on a company's financial standing and track record of dividend payments, it may be possible to reduce overall risk. Furthermore, with dividend stocks also offering long-term growth potential, their total returns could be significantly higher than for other assets – including cash deposits.

Inflation impact

Even if interest rates were at higher levels than they are today, the return on cash deposits may lag inflation. A key reason for this is that interest rates are highly dependent on inflation. In other words, for interest rates to move higher, inflation would normally need to spike so that policymakers seek to cool the wider economy through a more restrictive monetary policy.

The end result of this over the long run is often a modest return from cash deposits once inflation has been factored in. There may even be a chance of recording a negative return after inflation, should savers obtain relatively low interest returns on their cash savings.

Dividend risks

Of course, the risks from investing in stocks often dissuades people from buying dividend-paying companies. While risks are inevitably higher than holding cash, through analysing a company's financial standing and its track record of dividend payments it may be possible to buy stocks that offer relatively robust income outlooks.

Furthermore, buying mature, defensive businesses could be a means of mitigating the risks involved in buying stocks. Certainly, they may not offer the stunning growth prospects that some cyclical businesses offer. But the chances of them declining severely in value may also be reduced. This could lead to a smoother return profile for an investor that is seeking to generate an income from their capital.

Growth potential

Dividend stocks can, of course, produce surprisingly high levels of capital growth. Since interest rates are at relatively low levels, many income-seeking investors are demanding high-yield stocks. This can increase their prices, thereby leading to capital growth for their shareholders.

In addition, dividend stocks can prove to be popular during uncertain periods for the world economy. Investors may view them as being more defensive than the wider index, as well as offering positive cash flow that can be reinvested during periods where there are a large number of buying opportunities.

Since the world economy currently faces a challenging outlook, dividend stocks could gain in popularity relative to the wider index. This may lead to strong overall performance relative to other assets. As such, now could be the right time to focus your capital on dividend stocks rather than cash, since they offer greater long-term return potential that could enhance your financial future.

CATEGORY

1. Dividend Stocks
2. Investing

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/26
Date Created
2019/10/18
Author
peterstephens