



The Most Obvious Retirement Mistake You Could be Making Today

Description

Retirement may seem to be a long way off, but for many people it will come along much quicker than they expect. As such, building a retirement portfolio that can generate a generous passive income in older age is of great importance.

However, it can be difficult to invest for retirement while there are major risks facing the world economy. For example, at the present time there are uncertainties regarding protectionist trade policies, political challenges in the US and Europe, and downgrades to the growth forecasts in major economies in Asia.

All of those risks could dissuade investors from buying stocks. But as the growth track record of the stock market shows, being bullish can pay off in the long run. As such, avoiding the mistake of being bearish on stocks during periods where [buying opportunities](#) abound could improve your retirement prospects.

Uncertain future

The world economy could experience a period of slower growth over the near term. As mentioned, there are a variety of risks that could combine to cause investor, business and consumer confidence to come under pressure.

The end result could be a bear market, or even a recession. After all, the world economy has enjoyed strong growth since the financial crisis, and history shows that no 'boom' period has lasted in perpetuity. This means that it is somewhat inevitable that a 'bust' will occur at some point over the coming years.

Investor attitudes

The natural response by all investors to an uncertain future is to become increasingly risk averse. This may mean that they seek to build a cash pile, rather than invest in stocks. Or, it could even mean

selling stocks in order to move into lower-risk assets such as bonds.

This, though, could be a major mistake. The track record of the stock market shows that it has always recovered from even the most severe bear markets and depressions. Therefore, it is very likely to do the same when it comes to the challenges it faces at the present time.

In fact, adopting a bullish attitude towards the stock market could pay off handsomely in the long run. Indexes such as the S&P 500 and FTSE 100 have a long-term track record of generating a high-single digit annualised return. Therefore, simply holding a diverse range of stocks could lead to a growing retirement portfolio in the long run.

Buying opportunity

Of course, for those investors who are able to buy stocks during periods of uncertainty, they could significantly outperform the wider index over the long run. Buying while other investors are fearful takes courage, since paper losses may be severe in the short run. But by going against the investment 'herd', it may be possible to boost your chances of enjoying a financially-free retirement.

As such, avoiding the mistake of becoming bearish on the stock market's prospects during potential buying opportunities could be a highly worthwhile move for all investors.

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