



## Want to Retire Early? 3 Reasons Why Now is The Perfect Time to Buy Dividend Stocks

### Description

Investing in dividend stocks could improve your retirement prospects. When compared to other mainstream assets, for example, their income and capital growth potential appears to be high.

In addition, risks facing the world economy means that in many cases they currently offer wide margins of safety. And since [dividends](#) can provide an insight into a company's financial strength, they may offer less risk than other stocks.

### Low valuations

The world economy's uncertain outlook means that many dividend stocks presently trade on low valuations. Of course, if economic data weakens over the coming months then dividend shares could become even more attractively priced. But in many cases they trade below their intrinsic values on earnings multiples that are lower than their long-term averages. As such, they could provide appealing risk/reward opportunities for long-term investors.

Buying during periods of economic uncertainty can lead to paper losses in the short run. However, the strategy of aiming to capitalise on the cyclicity of the stock market has been successful over many years. Therefore, now could be the right time to follow it.

### Relative appeal

Low interest rates seem likely to remain in place over the medium term. Fears surrounding the global economic outlook could mean that policymakers determine that a supportive monetary policy is required to encourage growth.

This could mean that dividend stocks maintain their income appeal relative to other mainstream assets. For example, the interest rates on cash could remain modest, while bond yields may be suppressed by high prices. Furthermore, with direct property investing often requiring large amounts of capital and it

having risks such as a lack of liquidity, dividend stocks may provide the most appealing risk/reward ratio out of mainstream income-producing assets right now.

## Financial strength

Dividends can provide investors with guidance on the financial strength of a business. For example, a company that has a solid track record of making payouts to its shareholders and which has a large amount of headroom when making dividend payments may have a solid financial future.

Therefore, investing in dividend shares may reduce the risk within an investor's portfolio. This could improve the reliability and resilience of income payments, as well as lead to more consistent overall returns. This may be especially relevant at the present time, since risks such as geopolitical uncertainty across many regions of the world could realistically cause a slowdown in economic growth that puts many companies' financial outlooks under pressure.

## Takeaway

Investing in dividend stocks could provide you with a relatively high income, as well as attractive capital returns, in the long run. The risks facing the world economy could offer buying opportunities, with dividend stocks potentially offering more stable financial outlooks than the wider stock market. This could improve your portfolio's risk/reward ratio and help to bring your retirement date a step closer.

### CATEGORY

1. Dividend Stocks
2. Investing

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