



Cash Savings Can Hurt Your Retirement Prospects! This is a Better Way to Make a Million

Description

Having cash savings can be a good thing in moderation. They can provide peace of mind, as well as cover emergency expenses such as house repairs.

However, having too much cash can be detrimental to your financial future. It can lead to relatively low returns which could reduce your chances of making a million.

As such, investing your retirement fund in the stock market could be a better idea. It has a strong track record of delivering growth, with many companies currently trading on appealing valuations due to the risks facing the world economy.

Low returns

With the world economy having faced an [uncertain period](#) over the last decade, interest rates continue to be relatively low. This situation could persist over the coming years, with risks such as a global trade war and a weak Eurozone economy potentially causing policymakers to maintain a dovish stance on monetary policy.

The end result of this may be that the returns on cash savings fail to beat inflation. While this may not cause major challenges in the short run, in the long run it can lead to a reduction in spending power. As such, savers may find it difficult to make a million from their cash holdings given the likely future path of interest rates.

Impressive track record

Of course, investing in shares instead of holding cash does not guarantee a higher rate of return. The stock market has experienced major setbacks throughout its history. After a decade-long bull market since the global financial crisis, a bear market seems likely to strike at some point in the coming years.

However, investors who have a long-term time horizon have generally been rewarded for focusing their capital on the stock market. It has produced superior returns to cash, as well as other mainstream assets, over the long run. This trend seems likely to remain in place, and could mean that buying a diverse range of stocks provides a more appealing risk/reward ratio over the coming years.

Buying opportunities

The present time may not appear to be the best moment to buy stocks. After all, there are geopolitical risks facing a range of major economies. They could ramp-up in severity in 2020 and produce a weak period for global stock markets.

However, in many cases those risks appear to have been factored in by investors. The valuations of many stocks seem to include wide margins of safety which suggest that they could be worth buying now while they offer better value for money than they have in the past.

Certainly, shares are more volatile than cash. And it is always worth having some cash in case of emergency. But for anyone who has a long-term time horizon and is seeking to make a million, the stock market is likely to offer a higher chance of achieving that goal versus cash.

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