



## Stop Saving, Start Buying Dividend Stocks: 1 Simple Step to Make a Million

### Description

Making a million is never going to be a quick or easy task. However, the chances of you achieving that goal could be increased by making one simple decision when it comes to investing your hard-earned capital.

While holding it as cash may seem to be a good idea due to its low risks, in the long run it can fail to improve your spending power. By contrast, [dividend shares](#) have historically offered significantly higher returns which may continue in the coming years.

Therefore, now could be the right time to pivot from cash to dividend stocks. It may not make you a million in the short run, but could provide a boost to your chances of achieving that ambition in the long run.

### Low cash returns

Interest rates may be at low levels at the present time, but cash has a history of disappointment when it comes to returns. Certainly, interest rates have been higher in the past. But cash has failed to offer high returns due in part to its lack of risk compared to other assets. In other words, for an asset to offer higher rewards, it must come with a higher degree of risk. As such, the low-risk nature of cash means that its rewards are unlikely to be attractive on a relative basis – even in the long run.

Looking ahead, interest rates could stay at relatively low levels in the coming years. There are concerns held by many policymakers regarding the growth prospects for the world economy. Political risks in the US, China and Europe may mean that a loose monetary policy continues. This may mean that capital held as cash fails to offer a substantial return after inflation is factored in.

### Dividend prospects

By contrast, investing in dividend shares has historically proved to be a sound move. The stock market has a solid track record of high-single digit total returns that are likely to continue in future. Even after a

decade-long bull market there are high yields and low valuations on offer across major stock indices. This suggests that they have the potential to post improving total returns.

Although growth stocks could be attractive purchases, the reinvestment of dividends received has contributed a large portion of historic total returns for indexes such as the S&P 500 and FTSE 100. With the outlook for the world economy being unclear, dividend shares that offer a degree of defensive characteristics could prove to be popular among investors. They may offer favourable risk/reward ratios compared to growth stocks, as well as relative to other asset classes.

## Time to buy?

Switching from cash to dividend stocks may seem like a risky move. In the short run, this could be the case. Share prices could experience a difficult 2020 as global economic risks are high. However, in the long run dividend shares could offer higher returns than cash. They could, therefore, increase your chances of making a million.

### CATEGORY

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2. Investing

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peterstephens

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