



## Forget Lottery Jackpots! I'd Buy Dividend Stocks to Get Rich and Retire Early

### Description

Winning the lottery jackpot would be a life-changing event. However, the chances of it happening are exceptionally slim. Therefore, it may be a better idea to instead invest your spare change in dividend stocks.

Not only do they offer [superior return potential](#) compared to other assets, they trade on low valuations at the present time in many cases. As such, there may be a buying opportunity not only for income investors, but for investors who are seeking to generate capital growth from their portfolio. This could help to bring your retirement date a step closer.

### Return potential

Dividend stocks are, by their very nature, likely to appeal to income-seeking investors. They offer a regular dividend that provides a passive income. However, they also offer significant capital growth potential in the long run.

The past performance of the stock market shows that a significant proportion of its total returns are derived from the reinvestment of dividends. Certainly, growth stocks can generate strong returns in bull markets. But the dependency of dividend stocks, and their defensive characteristics in many cases, means that they generate relatively robust returns that can add up when compounding is factored in.

### Relative appeal

Dividend stocks offer significantly higher return potential compared to assets such as property, cash and bonds. Low interest rates mean that cash and bonds may fail to generate substantial returns when inflation is factored in. Meanwhile, investing in property can lead to a concentrated portfolio that lacks the diversity offered by the stock market.

As such, dividend stocks could become increasingly popular among investors. Continued low interest rates may mean that income-seekers are pushed towards dividend stocks due to low returns being

available elsewhere, while house price growth over the last decade may mean that income shares offer better value for money relative to property investments. Higher demand for income shares may act as a catalyst on their prices over the coming years, and could enable them to produce improving capital returns.

## Investment opportunity

While dividend stocks are unlikely to be immune from global economic risks such as a trade war, their long-term investment potential appears to be high. The track record of the stock market shows that while it rarely offers short-term price growth that can compete with the returns available on the lottery, it has always recovered from its lows to post higher highs. This could mean that the high yields and low valuations on offer from a range of stocks makes them highly appealing at the present time.

With investing in a diverse portfolio of shares being cost-effective and simple due to the prevalence of online sharedealing, dividend stocks offer a straightforward means of improving your financial future. Even investing modest sums of money on a regular basis can produce a portfolio that, in the long run, helps to bring your retirement date a step closer.

### CATEGORY

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### Date

2025/08/25

### Date Created

2019/12/31

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