No Savings at 50? I'd Buy Dividend Stocks to Retire on a Growing Passive Income

Description

Starting to plan for retirement at age 50 may be more common than you realise. The rising cost of living makes saving money on a regular basis more difficult. This means that having excess capital to invest in building a retirement nest egg may not be possible for many people before they reach age 50.

While starting to invest at a younger age is beneficial, since it allows compounding more time to positively impact on your portfolio, there may still be sufficient time at age 50 to build a portfolio which provides a growing passive income in retirement.

One means of doing that could be through dividend stocks, with them offering a potent mix of income and capital return potential.

Time horizon

At age 50, most people are likely to have a long-term time horizon from an investment perspective. In other words, they are likely to have at a least a decade before they will seek to retire. This means that they may be able to invest in riskier assets, such as shares, since there is likely to be sufficient time for the stock market to recover from a potential downturn over the coming years.

Certainly, buying shares can cause short-term losses. But, when compared to other popular assets such as cash and bonds, shares have a strong track record of delivering growth which could improve your prospects of retiring with a generous nest egg.

Income stocks

Many investors may determine that the most obvious segment in which to invest in the stock market is growth shares. After all, they are seeking to grow their capital to eventually provide a passive income in older age.

However, the track record of income shares shows that they can deliver impressive capital growth alongside their dividends. In fact, a large portion of the stock market's historic total returns has been derived from the reinvestment of its dividends.

Therefore, investors who wish to grow their capital may be better off buying income shares, rather than growth shares. At the present time, the risks facing the world economy are relatively high. Dividend shares may offer greater stability and resilience which leads to higher returns – especially for those companies that are able to maintain their dividend payments in a variety of operating conditions.

Passive income

Buying dividend stocks now also provides the potential to generate a passive income in retirement. Many dividend stocks have strong track records of growing their shareholder payouts at a faster pace than inflation. As such, buying them today while they offer relatively attractive yields could mean that you are able to obtain a highly impressive passive income in the long run.

By diversifying across a range of sectors and geographies, as well as focusing your capital on companies with strong balance sheets and resilient cash flow, you can build a retirement portfolio that offers a generous passive income in older age.

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