Forget Gold and Bitcoin! Here’s How I’d Invest in 2020 to Get Rich and Retire Early

Description

It is perhaps unsurprising that many investors are becoming more optimistic about the prospects for gold and Bitcoin. After all, they have made strong gains over the past year. Investors may, therefore, surmise that further gains could be ahead.

However, gold and Bitcoin could face more challenging outlooks than many investors realise. As such, now could be the right time to avoid them, and instead focus your capital on the stock market to improve your financial future and increase your prospects of retiring early.

Investment risks

Gold’s price gained around 15% in 2019 due in part to an uncertain outlook for the world economy. Risks such as a global trade war and political uncertainty in Europe contributed to a desire among many investors to protect the value of their portfolios. Since gold has a track record as a store of wealth, it experienced rising demand.

However, history shows that investor sentiment has always improved following periods of uncertainty. As such, gold’s defensive appeal may become less attractive, and investors may begin to favour riskier assets. This could mean that the precious metal’s capital growth prospects are somewhat limited – especially while it trades close to a seven-year high.

Likewise, the investment risks associated with Bitcoin may be higher than many investors realise. Its 90% price rise in 2019 does not help investors to ascertain whether it now offers good value for money, since it lacks fundamentals. Its price is determined by investor sentiment, which the virtual currency’s track record shows can change quickly.

With regulatory risks continuing to be high and there being a threat from other virtual currencies which may become more popular, the performance of Bitcoin could disappoint investors in the coming years.

Investment potential

The risk/reward opportunity currently on offer via the stock market could make it a better place to invest than Bitcoin or gold. It may have experienced a volatile 2019, but many stocks currently trade on wide margins of safety which factor in the uncertain outlook for the world economy. History shows that buying during such periods can lead to capital gains, with the stock market having always recovered from its lows to post new record highs.

Looking ahead, the performance of the world economy could be stronger than investor sentiment currently suggests. Global GDP growth is expected to be higher in 2020 than it was in 2019, while the 'phase one' trade deal struck between the US and China could mean that trade tensions decline over the coming months. This could produce higher profit growth for global businesses, as well as catalyse an improvement in investor sentiment.

Therefore, while gold and Bitcoin may have delivered encouraging performances in 2019, now could be the right time to invest in shares. They could boost your long-term financial prospects and help you to retire early.

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