



Can You Retire With ZERO Savings And Only Your Dividend Stocks?

Description

Having all of your capital invested in dividend shares may be a means of maximising your passive income in retirement. After all, the yields on dividend stocks are significantly higher than the income return on cash, while dividend growth could widen their difference over the coming years.

However, having some cash can be a good idea. It can provide peace of mind and help to smooth out the volatile performance of the [stock market](#). As such, relying on your shares for an income and having an emergency cash fund could prove to be the best means of utilising your capital in retirement.

Return prospects

At the present time, interest rates are relatively low. They could move even lower in the near term as a result of the uncertain outlook for the world economy. As such, seeking to generate a passive income from cash savings is unlikely to provide you with financial freedom in older age. It would require a large amount of capital to generate only a modest income, for example.

Dividend stocks, meanwhile, appear to be highly attractive at the present time. The recent pullback in the stock market due to ongoing fears surrounding the spread of coronavirus means that many shares now offer higher yields than they have done in recent months. This may make them more attractive to income-seeking investors – especially since in many cases they offer the prospect of long-term dividend growth due to improving financial outlooks.

Therefore, focusing the majority of your capital on income shares seems to be a worthwhile means of obtaining a generous passive income in older age.

Cash appeal

While cash may not offer strong return potential, it provides a number of other benefits which mean that it could be worth holding on a modest scale in retirement.

For example, it is far less risky than holding dividend shares. The value of your cash savings may not rise at a fast pace in the long run, but it is not subject to falls in its value. This can help to smooth out the returns of the stock market and provide peace of mind for those periods where the financial prospects of your dividend stocks are somewhat challenging.

In addition, cash is a highly liquid asset which can provide security against unexpected costs. Although shares are also highly liquid in many cases, you may not wish to sell them to pay for costs such as housing repairs, which means that having some cash available is likely to be a sensible move.

Balanced portfolio

Due to the return potential on offer, generating an income from dividends seems to be a better idea than aiming to live off the interest from cash savings. However, having a minor portion of your capital in savings could be a shrewd move which provides peace of mind and the capacity to overcome unexpected events in retirement.

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