



3 reasons why quality dividend shares can boost your income

Description

Seeking to increase your passive income through dividend stocks could be a worthwhile move. After all, the yields on other major assets such as cash and bonds are low in many cases, while the bright long-term future for the world economy means that dividend growth could be impressive.

In addition, buying high-quality dividend stocks can mean that your passive income is relatively robust. This could enable you to enjoy an improving and resilient income stream over the coming years which boosts your sense of financial freedom.

High returns

With interest rates being relatively low at the present time, the income returns on assets such as cash and bonds are generally disappointing. In many cases, their interest rates do not offer a significant positive return after inflation. This could mean that your passive income is limited, and that the spending power of your capital comes under pressure over the long run.

The stock market, meanwhile, currently offers a relatively large number of companies with dividend yields that are far in excess of the returns available on cash and bonds.

[Investor sentiment](#) may be somewhat downbeat at the present time, with global risks such as the spread of coronavirus causing some sectors to offer good value for money. As such, investors may be able to capitalise on increasing risk aversion among their peers to buy dividend stocks while they trade on lower prices and therefore offer higher yields.

Dividend growth

Dividend stocks could also offer rising shareholder payouts in the coming years. Although the near-term prospects for the world economy may seem to be challenging, forecasts over the long run suggest that major economies such as the US, China and India are expected to post strong GDP growth.

This could create improving operating conditions for many stocks, which may ultimately translate into an increased ability to pay a rising dividend to shareholders. Through identifying companies which have ample headroom available when making their shareholder payouts at the present time, you may be able to buy stocks that have a higher likelihood of rewarding their investors should their bottom lines grow at a fast pace.

Robust income

As well as offering relatively high yields and the prospect of rising shareholder payouts, dividend stocks may provide a robust passive income. Many companies have strong track records of paying dividends through challenging economic periods, and thereby offer defensive credentials which could reduce the overall risk within your portfolio.

In addition, through diversifying across a wide range of stocks which operate in a variety of sectors and geographies, you can further reduce your portfolio's overall risk. This means you could benefit from a robust passive income that enables you to enjoy a greater degree of financial freedom in the long run – especially when compared to other mainstream asset classes that could limit your financial prospects.

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Author

peterstephens

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