How to Retire Comfortably on Cheap Dividend Stocks After the Market Crash

Description

Buying dividend stocks following the recent market crash may seem to be a risky move. After all, the full impact of coronavirus on the world economy is yet to be fully known. Companies operating in a variety of regions could experience a slowdown in their growth rates, which may lead to reductions in their dividends.

However, falling stock prices can present an opportunity to build a growing passive income stream over the coming years. By considering company fundamentals, diversifying and focusing on the long run, you can retire comfortably with dividend stocks.

Company fundamentals

At the present time it is perhaps more important than ever to invest in high-quality businesses. They may be better able to cope with challenging economic conditions. This may mean there is less chance of them cutting dividend payments, and a higher chance of dividends rising over the medium term.

As such, buying stocks which have modest debt levels, strong free cash flow and a wide economic moat could be a sound move. Doing so may reduce your risks when investing, and also maximise the rate at which your passive income grows in the global economy's subsequent recovery.

Diversity

Diversifying across a number of stocks is a highly effective means of reducing your overall risk. It can significantly lower company-specific risk, which is the impact of one stock's poor performance on your wider portfolio.

At the present time, diversifying across multiple sectors and regions seems to be even more important than ever. For example, the oil and gas industry has experienced an exceptionally challenging few months. Although having exposure to it could be a worthwhile move in the long run, also owning other stocks in different industries may help to limit your possible losses over the coming months.

With the cost of buying shares having fallen significantly in recent years, building a diverse portfolio is now more accessible for a broader range of investors. Therefore, it could be a sound means of improving the resilience of your passive income in retirement.

Long-term focus

It is easy to become disillusioned, and even stressed, about the performance of your portfolio in the short run. That's understandable, since market crashes can wipe significant amounts of value from your portfolio.

However, such declines have occurred fairly regularly in the past. The stock market and global economy have always recovered from them to post strong growth and improving returns for investors.

As such, adopting a long-term standpoint of your portfolio and passive income prospects could be a sound move. Certainly, there may be further difficulties ahead for the world economy. But, as the past performance of the stock market shows, buying dividend shares while they are relatively cheap and offer high yields can be a worthwhile means of generating a growing passive income in older age.

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