No Savings at 50? I'd Buy Cheap Dividend Stocks After the Market Crash

Description

The stock market's recent crash highlights the risks involved in buying equities. In the short run, further volatility may be ahead, and investors could experience continued declines in portfolio valuations.

However, over the long run the prospects for recovery seem to be relatively bright. The stock market has always produced a successful turnaround when faced with bear markets. And, at age 50, you are likely to have sufficient time available before retirement to experience the stock market's recovery.

As such, now could be the right time to buy a selection of stocks to boost your chances of retiring comfortably.

Time horizon

Buying stocks today on a one-year view may lead to significant losses for an investor. Depending on how the spread of coronavirus continues, the stock market may experience further declines in the short run.

However, at age 50 you are likely to have at least ten or fifteen years until you will retire. Over such a timeframe, the stock market is likely to have adequate time to fully recover from its present challenges.

Therefore, buying stocks today and holding them for the long run could be a sound move. It may enable you to capitalise on low valuations for high-quality businesses that leads to above-average capital returns for your portfolio.

Recovery prospects

At the present time, a stock market recovery may not seem all that likely. Investor sentiment is weak, and coronavirus looks set to have a substantial impact on economic growth.

However, past bear markets have often displayed similar traits. For example, during the financial crisis it was difficult, at times, to see how the severe challenges facing the banking sector would be fixed. Likewise, other bear markets have left investors struggling to see how a recovery is possible.

The stock market, though, has always delivered a successful turnaround from its past crises. A mixture of policy change, such as quantitative easing, and the resilience of the world economy is highly likely to produce a similar recovery in the coming years. Therefore, if you have a long-term time horizon, the current low valuations on offer could be an opportunity to build a portfolio ahead of a potential recovery.

Diversity

Buying cheap dividend stocks today could lead to high returns in the long run which boost your retirement prospects. It is, of course, highly important that you buy a range of companies that, together, offer a high degree of diversity.

It is currently unknown which industries will suffer the most from the impact of coronavirus. It makes sense for investors to buy companies operating in different geographies and industries to reduce their reliance on a specific sector or location. This will help to lower your risks, and may even enable you to capitalise to a greater degree on the prospects for the stock market to improve your financial outlook in older age.

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Date
2025/08/02
Date Created
2020/04/04
Author
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