



## Investing in Cheap Dividend Stocks Today May be All You Need to Get Rich and Retire Early

### Description

Building a retirement nest egg during a period of difficulty for the stock market may not seem to be a logical move. After all, the world economy faces numerous risks which could lead to difficult trading conditions for a wide range of companies.

However, the stock market's recent decline has produced a number of [attractive valuations](#) and high yields across a wide range of industries.

Over time, they could deliver high returns which improve your financial outlook. Although there are short-term risks ahead, the stock market's long-term recovery potential could enable you to retire early.

### Attractive prices

Stock market crashes can cause fear and panic among investors. However, they also provide buying opportunities for individuals who have a long-term time horizon. At the present time, it is possible to build a portfolio that contains a diverse range of businesses which trade below their intrinsic values. Although their short-term financial prospects may be negatively impacted by coronavirus and a slowdown in the world economy's growth rate, they may produce high returns in the long run.

Furthermore, many stocks currently offer high dividend yields following their recent price falls. As well as producing an impressive return for income investors, dividend stocks can deliver strong capital growth. Indeed, a large proportion of the stock market's past returns have been derived from the reinvestment of dividends.

Therefore, even if you are not seeking to generate an income at the present time, buying high-yielding stocks and reinvesting the dividends you receive from them could be a means of boosting your retirement prospects. That's especially the case if you are able to identify companies with affordable dividends that are sustainable in a wide range of economic conditions.

## Recovery potential

As mentioned, the near-term outlook for stocks could be challenging. However, the world economy and investors have faced similar threats in the past. For example, the global financial crisis caused investor sentiment to severely weaken and stock prices to plummet. Within a few years, however, many stocks were producing strong growth. As such, it seems likely that buying undervalued dividend stocks today could enable you to capitalise on their recovery potential over the coming years.

Certainly, there could be challenging periods ahead in the near term. The world economy faces political risks in the US and Europe alongside the recent spread of coronavirus. They may weigh on investor sentiment and cause a range of businesses to report disappointing financial figures. This may cause demand for assets such as gold, cash and bonds to increase as investors seek relatively low-risk destinations for their hard-earned capital.

However, buying high-quality stocks while they offer low valuations and high yields may allow you to obtain favourable risk/reward ratios for the long term. They may improve your financial outlook and prove to be the only asset you need to retire early.

### CATEGORY

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2. Investing

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### Author

peterstephens

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