



3 Reasons Why the Market Crash Could be a Dividend Stock Buying Opportunity

Description

The stock market crash of 2020 could prove to be an excellent buying opportunity for long-term income investors.

Certainly, it is likely to cause a significant amount of disruption and challenging operating conditions across many sectors. But it has also pushed yields higher and valuations lower across a wide range of industries.

With the [stock market](#) having a solid track record of recovery from even its very worst bear markets, now could be the right time to buy income stocks and hold them over the coming years.

High yields

Perhaps the first thing that income investors look for in a stock is its yield. At the present time, a number of high-quality businesses have exceptionally high yields compared to their historic levels. This could enable you to capitalise on the stock market's decline to boost your passive income.

Relative to other assets, income stocks appear to have significant appeal. Low interest rates, and the potential for them to fall further as policymakers seek to boost the macroeconomic outlook, may mean that holding cash and bonds becomes even less attractive from an income perspective. They may offer below-inflation returns, while a portfolio of stocks could maximise the income you receive from your capital.

Low valuations

The valuations of a range of companies suggest that they offer capital growth potential. This may not be your priority as an income investor. But being able to build a portfolio which grows in size over the coming years may prove you with an easier task of generating a passive income from which to live in retirement.

Furthermore, if you are not yet retired and are seeking to build a nest egg for older age, now could be an excellent opportunity to buy high-quality stocks while they offer wide margins of safety. History shows that adopting such a strategy can lead to high returns in the long run, although there is a risk of ongoing declines in stock prices in the near term. Therefore, diversifying across a wide range of businesses that operate in different sectors is likely to be a shrewd move.

Recovery potential

Another reason to buy dividend stocks today is their potential to recover. This not only means their prospect of recording stock price growth, but also enjoying a return to more stable operating conditions.

The world economy has faced numerous crises in its history. They range from financial crises to oil shocks, and from asset bubbles to geopolitical challenges. In each case the global economy has experienced a period of time where growth has been negative. While painful for investors, the world economy has always gone on to post strong growth in the years following its range of crises.

At the present time, that outcome may seem unlikely. But, through adopting a long-term focus, you can capitalise on high yields, low valuations and the world economy's recovery potential.

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Author

peterstephens

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