



## Want to Retire Comfortably? I'd Buy Cheap Dividend Stocks Today For a Passive Income

### Description

Retiring comfortably on a passive income from dividend stocks may seem to be an unlikely aim following the stock market's recent difficulties. However, the high yields on offer across the stock market could mean that it provides opportunities to maximise your income.

Furthermore, through focusing on the fundamentals of stocks and ensuring dividends are affordable, you can obtain a relatively robust income. As such, now could be the right time to purchase a wide range of [income stocks](#), and hold them for the long run.

### Uncertain prospects

In the short run, stock prices could prove to be highly volatile. The impact of coronavirus on the world economy is a known unknown. As such, investors may continue to adopt a bearish stance on the economic outlook which leads them to demand wider margins of safety across the stock market.

However, over the long term a recovery seems to be highly likely. The track record of the stock market shows that it has always posted new record highs after its various bear markets. And, with many companies now offering relatively high yields that are far in excess of those of other assets, now could be an opportune moment to capitalise on the weakness of global equities to obtain a high income return.

### Fundamentals

When buying dividend stocks, focusing on their fundamentals could be a means of reducing your risks and improving your rewards. This involves checking the affordability of a company's dividend through comparing its net profit with shareholder payouts. A large amount of headroom suggests that a business is able to absorb a fall in net profit without negatively impacting on its dividend payout.

Likewise, buying stocks with defensive business models could prove to be a shrewd move. They may

enable an investor to experience less volatility than that of the wider stock market, as well as a more stable level of income. Certainly, higher yields may be available from cyclical businesses at the present time. But they generally have higher risks, and could reduce dividends at a faster pace than mature, well-established companies which operate in stable industries.

## Diversity

Clearly, obtaining a resilient passive income is crucial when seeking to retire comfortably on dividend stocks. To achieve this aim, it could be worth buying a wide range of companies that, together, provide a large amount of diversity. This may reduce the impact of a company cutting its dividend on your overall passive income.

With the prospects for the world economy arguably more uncertain than they have been since the global financial crisis, now could be the right time to diversify across a range of stocks. Furthermore, it could prove to be a highly attractive buying opportunity, where high yields, low valuations and the recovery potential of the stock market combine to produce a favourable outlook for income-seeking investors.

### CATEGORY

1. Dividend Stocks
2. Investing

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