Stock Market Crash: Why the Best High Dividend Yield Shares Can Help You Retire Early

Description

The stock market crash means there are a wide range of high-dividend-yield shares available to buy today. They could deliver impressive returns due to rising demand for income opportunities in a low interest rate environment.

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Furthermore, their low valuations and potential to produce dividend growth may mean that they offer attractive capital growth. As such, buying a range of dividend stocks today could improve your chances of retiring early.

Low valuations after the stock market crash

The stock market crash has caused many dividend stocks to offer high yields and low valuations. In some cases, they may be warranted due to risks such as a company having a weak balance sheet that may inhibit its capacity to survive present economic woes. However, in other cases, weak investor sentiment towards a sector or industry may produce mispricings that can be exploited by long-term investors.

Furthermore, the past performance of the stock market shows that reinvested dividends have made up a large proportion of total returns. Buying high-quality companies while they offer attractive yields could be a means of obtaining a relatively impressive total return in the coming years. This may make income shares appealing for a wide range of investors – including those individuals who are seeking to generate capital growth from their portfolio.

A low interest rate environment

The stock market crash prompted policymakers across many major economies to put in place more accommodative monetary policies. As such, low interest rates could remain in place for a prolonged period of time as they try to stimulate economic growth.

Low interest rates reduce the amount of choice available to income-seeking investors. Products such as cash savings accounts and investment grade bonds now offer relatively low returns that may even struggle to keep pace with inflation. Similarly, high house prices in many locations may mean that property investment is no longer a viable choice for many income investors.

This could mean that demand for high-dividend-yield shares increases following this year's stock market crash. They may be one of the few means of generating a high passive income. This may mean that their prices rise on the back of high demand among investors, thereby producing strong capital gains for their holders.

Financial strength

The prospects for many businesses have deteriorated following the stock market crash. Although dividends do not necessarily provide clear guidance on the financial position of a business, they can act as a useful guide in determining its financial strength and the confidence of its management team regarding future prospects.

Therefore, buying a range of income stocks with affordable dividends could be a means of lowering overall risk within your portfolio. Over time, they could produce high total returns that improve your financial prospects and even help you to retire early.

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