No Savings at 50 and Worried About Retirement? How I'd Make a Growing Passive Income

Description

Obtaining a growing passive income in retirement may be more straightforward than many people realise.

Certainly, the recent stock market crash may dissuade some investors from buying shares. They may decide that other less risky assets offer more stability.

However, investing regularly in high-quality stocks at low prices over the long run could lead to a surprisingly large retirement nest egg. Therefore, even if you have no retirement savings at 50, now could be the right time to start buying a diverse range of stocks.

Investing money in cheap shares

A portfolio of shares could act as a solid vehicle through which to obtain a passive income in retirement. The stock market has a long track record of delivering annual total returns that are in the high-single digits. At the present time, it may be possible to achieve an even higher rate of return due to low valuations that are on offer across a variety of sectors. Buying cheap shares may allow you to benefit from a likely long-term recovery that could have a positive impact on your retirement plans.

At the same time, other investment opportunities may have become more limited since the start of the year. An uncertain economic environment means that policymakers may retain an accommodative monetary policy over the coming years to stimulate GDP growth. This may mean that investing money in bonds or cash fails to improve your spending power over the long run. Meanwhile, high house prices and gold's strong performance this year could limit their scope to produce capital returns that lead to a large retirement nest egg.

Regular investing for a passive income

Regularly buying cheap shares could lead to a surprisingly large passive income in retirement. Regular investment means that you stand to benefit from future bear markets between now and your retirement, since you will continue to invest money in stocks through a range of market conditions. As such, it is imperative to ignore short-term stock market movements, and instead focus on the long-term potential of your portfolio.

Furthermore, investing in a diverse range of companies can reduce your overall risks. Some companies may fail to deliver impressive returns over a long time period due to factors that could not be anticipated by an investor ahead of time. By holding a variety of companies, you can reduce your dependency on a limited number of businesses for returns.

Starting to invest today

Starting to invest money in shares today could produce a worthwhile passive income by the time you retire. For example, investing $750 per month from age 50 to 65 could produce a portfolio valued at $260,000 if the stock market continues to deliver total returns of 8% per annum (as it has done over recent decades). From this, a 4% annual withdrawal could produce an income of over $10,000.

As such, now could be the right time to start investing regularly in a range of stocks. Doing so may improve your retirement prospects.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing

Date
2025/08/25
Date Created
2020/11/10
Author
peterstephens