Stock Market Crash: I'd Drip-Feed Money Into Cheap Shares to Make a Million

Description

There are a wide range of cheap shares available to buy following the 2020 stock market crash. However, in many cases they face uncertain futures that include the prospect of a second market downturn in the coming months.

Therefore, drip-feeding money into undervalued stocks could be a sound move. It may enable you to capitalise on even lower valuations that could become available further down the line.

Over time, this strategy may boost your returns. It may even improve your prospects of making a million.

Drip-feeding money into cheap shares

Slowly buying cheap shares could be a better idea than investing a lump sum because of the uncertain economic outlook. At the present time, risks such as coronavirus and Brexit remain relatively high. Any of those threats, as well as a large number of other risks, could cause a second stock market crash. This would mean that investors who invest a lump sum today experience paper losses. They may also be unable to take advantage of even lower stock prices in the coming months.

As such, buying smaller amounts of shares on a regular basis could be a more logical strategy. Regular investing services are widely available, with the cost of a trade being significantly lower than it otherwise would be. This means that regular investing does not produce excessive commission costs that negate the benefits of investing slowly in undervalued stocks.

Cheap shares with growth potential

Buying cheap shares after the stock market crash could be a sound move. Certainly, in some cases companies are currently trading at low prices for good reason. For example, they may have weak market positions or their balance sheets could contain significant amounts of debt that inhibit their financial prospects. However, many high-quality companies are currently trading at low prices because of weak investor sentiment towards equities.

Historically, buying undervalued shares has been a profitable strategy. Investors who have previously purchased bargain stocks have generally benefitted to a greater extent from the market's long-term growth prospects compared to their peers who purchase companies with high valuations. Low share prices mean greater scope for capital returns that could have a positive impact on your portfolio.

Making a million

Drip-feeding money into cheap shares can produce surprisingly large portfolio values over the long run. For example, investing $500 per month at the stock market's historic annual growth rate of 8% would produce a $1m portfolio within 35 years.

However, through buying undervalued shares today and holding them for the long run, you may be able to obtain a higher return than that of the wider market. This may improve your prospects of becoming a millionaire as the stock market recovers from its recent crash over the coming years.

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
2025/07/22
Date Created
2020/11/17
Author
peterstephens