



Why I'd Invest Money in the Best Shares at Cheap Prices to Retire Early

Description

Deciding which companies can be classed as the best shares to buy today is very subjective. However, they are likely to have solid financial positions and competitive advantages over their peers. This may allow them to deliver excellent financial performances over the long run.

Buying such companies when they trade at cheap prices can lead to impressive returns over the long run. They may be able to deliver market-beating returns that catalyse an investor's portfolio. They could even help an investor to retire earlier than they had previously planned.

Buying today's best shares

The stock market crash and uncertain weak economic outlook means that buying the best shares available could be even more important than usual. Indeed, some sectors face challenging operating conditions that could lead to disappointing financial performances over the coming months. Companies with solid balance sheets and competitive advantages over their peers may be better able to survive.

Such companies may also benefit to a greater extent from a likely economic recovery. For example, they may be able to invest in undervalued assets to strengthen their market positions. Or, they may be able to invest in adapting their business models to new customer tastes and trends. This may lead them to generate higher profit growth than their peers, which could produce higher valuations over the coming years.

Investing money at cheap prices

Investing money in the best shares at cheap prices can provide greater scope for capital appreciation. Many of today's undervalued shares may face an extended period of time before they return to 2019 price levels. However, the past performance of the stock market suggests that a sustained bull market is likely to take place in the coming years. This could lift investor sentiment towards a wide range of companies, and allow them to command higher valuations.

Buying stocks at cheap prices may also limit risks to some extent. Buying an asset for less than it is worth provides an investor with a margin of safety that can prove useful should the future turn out to be different than expectations. With a challenging current economic outlook, wide margins of safety could prove to be highly appealing to long-term investors.

Long-term return prospects

Of course, today's best shares may not produce positive capital returns in the short run. There continues to be potential for a second stock market crash following the downturn in the first quarter of 2020, since risks such as Brexit and coronavirus are likely to remain in place.

However, an investor buying shares for their retirement portfolio may have sufficient time for cheap shares to recover. This may mean that now is a buying opportunity, since many of today's best shares may gradually increase in value over the coming years as the world economy's

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