Forget Gold: I'd Buy Today's Top Stock Picks to Get Rich and Retire Early

Description

The idea of buying today's top stock picks may lack appeal to some investors. The 2020 stock market crash could be fresh in their minds, while an uncertain economic outlook may hold back the performance of many sectors.

As such, they may determine that buying physical gold or a gold ETF is a better idea. However, low valuations on offer across the stock market and a likely economic recovery mean that stocks could outperform gold in the long run.

The impact of an improving economic outlook on today's top stocks

Today's top stock picks are likely to include those companies that have solid financial positions, wide economic moats and that trade at low prices. Looking ahead, they could experience improving operating conditions in the coming years.

Certainly, the world economy may yet face more challenges in 2021 after what has been a tough 2020. However, it has always returned to positive GDP growth following even its greatest challenges. Therefore, the prospects for a wide range of companies could improve significantly in the coming years. This may lead to higher profit growth that allows them to command premium valuations.

Furthermore, the stock market could be positively impacted by policies followed in many countries across the world. For example, monetary policy has become increasingly accommodative this year in response to a weak economic outlook. This could strengthen the prospects for a number of industries and may have a positive impact on asset prices over the long run.

Potential challenges for gold

An improving economic outlook may be good news for today's top stock picks. However, it could mean the gold price comes under a degree of pressure. Investors have historically bought gold based on a weak economic outlook. Should global GDP growth prospects improve, demand for gold could fall. This may lead to a less attractive performance from the precious metal in the coming years.

Furthermore, many of today's most attractive stocks trade at low prices. Investor sentiment has yet to recover across all industries following the stock market crash. By contrast, the gold price has reached a record high in recent months. This suggests that it may offer a far narrower margin of safety than is the case for many shares. The end result could be more limited gains over the coming years than are achievable from buying today's top stocks.

Of course, if a gold miner offers a wide margin of safety at the present time then it could prove to be attractive as part of a diverse portfolio of today's top stocks. However, buying physical gold or a gold ETF may be a relatively unattractive option compared to a portfolio of equities.

Building a retirement portfolio

Many investors in today's top stocks are likely to have a long time horizon until they retire. Therefore, they are likely to benefit from a return to strong growth for the world economy and global stock markets. As such, building a portfolio of shares could be a better idea than buying gold. Their low valuations and likely recovery potential mean that they could produce a larger retirement portfolio in the long run.

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