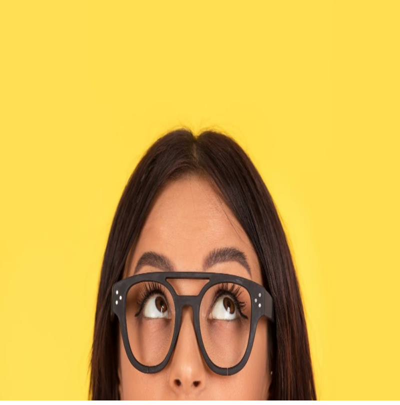

Why I’d Invest in Shares to Make Passive Income

### Description

Despite the recent stock market rally, buying shares to make a passive income could be a logical strategy.

In many cases, they offer high dividend yields versus other assets. They may also be able to deliver dividend growth, as well as capital growth, as the world economy likely recovers from its present woes.



As such, now could be the right time to buy a diverse range of income shares and hold them over the long run.

## A generous passive income from shares

Even though many shares now trade at significantly higher prices than they did following the 2020 market crash, a number of companies offer high yields relative to other assets. Certainly, a low interest rate environment makes this task easier for equities. However, some stocks have dividend yields at the present time that are higher than their historic averages. This suggests that they could offer an attractive income stream over the long run.

Of course, there is never any guarantee that a company will maintain recent dividend payouts in future. A whole host of challenges can crop up that causes them to reduce or even cancel shareholder payouts. However, by purchasing a wide range of dividend shares with high yields, it may be possible to build a resilient and generous passive income stream at the present time.

## Dividend growth opportunities

As well as high yields, a number of shares could offer a growing passive income in the coming years. The world economy has always recovered from its declines to post positive growth in the past. Although the same outcome can never be assumed, the scale of monetary policy stimulus already announced suggests that a return to growth is likely to be ahead.

Through buying companies with affordable dividends and the potential to deliver rising profitability in the coming years, it is possible to obtain a growing income return. This may become increasingly important over time, since low interest rates and quantitative easing in some major economies could spark a period of higher inflation in the long run.

## Capital growth opportunities

As well as the potential for a high and growing passive income, dividend shares could deliver capital growth in the coming years. They could experience high demand as a result of limited opportunities to make a worthwhile income in other mainstream assets. This may drive their prices higher.

Furthermore, a high yield can indicate that a stock offers good value for money and a wide margin of safety. Buying undervalued shares has been a relatively sound means of capitalising on the stock market's long-term growth potential. As such, now may be the right time to buy dividend shares, since they could produce higher total returns than the wider stock market over the long run.

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