



UNDERSTANDING DOLLAR COST AVERAGING

An Investment for Your Retirement



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Get Ready for Retirement

You can count on the fact that the market will go up and go down. What you can't predict is when. It's hard not to react to market swings. But making decisions based on short-term fluctuations may have a negative effect on potential long-term returns.

What Is Dollar Cost Averaging?

Dollar cost averaging (DCA) is an easy way to even out market fluctuations by automatically investing a set amount over a determined period of time, regardless of changing prices.

Think of DCA as a disciplined and consistent approach to investing. You invest a specific dollar amount at regular intervals, usually monthly. Because unit prices fluctuate and your investment dollars remain constant, at times the price you pay will be higher than the average price, and at other times it will be lower.

A **unit** is a share of ownership interest in a financial asset or corporation.

Why Is Dollar Cost Averaging Important?

When you invest a consistent amount over time, you'll potentially be able to buy more shares when the price is low and fewer shares when the price is high. In a fluctuating market, this means that your average cost per share over a period of time may be lower than the price per share on a specific date during that period.

Dollar cost averaging helps take the emotion out of investing and provides the opportunity to use the market's ups and downs to your advantage.



How You May Pay Less per Share in a Volatile Market

Consider the following hypothetical example. An investor invests \$1,200 in an investment portfolio on January 1. Another investor, using the DCA principle, invests \$100 in the same portfolio on the first trading day of each month for 12 months. Over time, the DCA investor purchases more shares at a lower average price.

Month	Share Price	Lump-Sum Investor	DCA Investor
		Shares Purchased	Shares Purchased
January	\$21.00	57.14	4.76
February	\$24.00	0	4.17
March	\$18.00	0	5.55
April	\$16.00	0	6.25
May	\$17.50	0	5.71
June	\$14.00	0	7.14
July	\$10.00	0	10.00
August	\$15.00	0	6.67
September	\$17.00	0	5.88
October	\$25.00	0	4.00
November	\$18.25	0	5.48
December	\$22.00	0	4.54
Total Shares Purchased		57.14	70.15
Average Price per Share		\$21.00	\$17.11

Dollar Cost Averaging Benefits

- The discipline to invest consistently.
- The potential to buy more shares when the price is low.
- Participation in the stock market regardless of changing prices.

Before you begin a DCA strategy, ask yourself:

- How much can I invest?
- How often can I invest?
- How long should I dollar cost average?

DCA does not ensure a profit or protect against loss in declining markets.

You should consider your financial ability to continue to invest, even when prices are low; in continually rising markets, there is a potential to end up with fewer units.

To learn more about dollar cost averaging,
speak with your financial professional or visit our website.

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