



# Simple Investment Strategy: Dollar Cost Averaging

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## What is Dollar Cost Averaging?

It is a technique of buying a fixed dollar amount of a particular investment on a regular schedule, regardless of share price. The investor purchases more shares when prices are low and fewer shares when prices are high.

- Laymen's terms: Spending money at regular recurring schedule without considering the cost
- For Example:
  - Buying gas each week for your vehicle,
  - Monthly 401k investment purchases

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## Why choose a Dollar Cost Averaging strategy?

- It takes the decision (emotional) part out of pulling the trigger (you do not have to sit and watch and try to time the market for opportune times to buy).
- You protect yourself against market fluctuations and minimize risk by buying less shares at high price and buying more at a lower price
- The focus shifts to accumulating more assets/shares rather than making the quick buck

## How do we know this is the right strategy?

- Longer term investment is required and this approach is generally good for volatile investments (stocks, ETFs, mutual funds)
- You protect yourself against market fluctuations.
- If done correctly, this strategy will allow an increase in shares and an average reduced per share price

## What else should you know?

- It is important to still manage the dollar cost averaging
- Need to set up spend limits and schedule a recurring Purchase
- This strategy does not guarantee a return
- You should be comfortable enough in an investment to hold for the long term (no “in and out” or checking on it daily)

## Example Scenarios: \$100K to invest in a calendar year

Scenario 1: Invest all of the \$100K in January buying stock at \$100 per share (total shares purchased is 1000).

- By the end of the year, a recession or dip in the market hits and the stock declines to \$90 a share, a 10% loss of \$10K and market value of \$90,000

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Scenario 2: Evenly distribute your money over the course of the year (purchase \$25K of stock in the months of (January, April, July, and October))

Date	Amount	Share Price	Shares Purchased
January	\$25K	\$100	250
April	\$25K	\$90	277.7
July	\$25K	\$70	357.14
October	\$25K	\$90	277.7

- Total shares purchased: 1,162
- Share price on December 31: \$90
- Market value: \$104,580

