Dollar Cost Averaging

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Let us imagine that you have a plan to be a wise investor and use your funds to make strategic deposits into your various investment funds. You've heard about the investment strategy of buying any time the market is low with the plan of selling when the market turns upward.

This might seem like it's a simple and straightforward approach for maximizing investment returns—the problem is, no one knows exactly when these downturns and upturns are going to take place until they've already happened. So is there a strategy that an investor can use to personally take advantage of the regular ups and downs in investment prices to improve their overall portfolio returns?

Actually, there is. With the proven power of a unique strategy known as **Dollar Cost Averaging**, you can avoid the inherent risk of market downturns. Even further, you can actually use these lows that naturally occur within the market to work for you and your overall financial strategy. This might seem far-fetched, but it's a proven technique that's been successful for a wide range of individuals and investors.

Let us take a look at how dollar cost averaging works:

All investment funds are bought and sold in clearly defined units. Over the course of a month, year, or longer, the value of these units will change—they can go up or down depending on the trends in the market. These deviations in the market will determine the return you receive on your investments.

Consider the following: you decide on a defined amount of money that you want to invest each month, which stays the **same** all year long, not changing as the market fluctuates. What does change is the amount of units you buy—when unit prices are high, your system will automatically buy a fewer number of units. When those prices are low again, you seize the opportunity to buy more units. By buying these units at lower costs, you'll have the opportunity for more dramatic returns once their value goes up again.

As time goes by, your monthly deposits change only to adjust alongside inflation. Otherwise, your investment amount remains the same each month.

What makes this method so powerful is that it keeps you from being beholden to the fluctuations of a difficult-to-predict market, which can often find investors losing out on opportunities that no one could have anticipated ahead of time. With dollar cost averaging, your investment purchase level is constant from month to month, but your opportunities for return can still be enough to have a significant impact.

If you do not want the hassle of your investment portfolio growth being tied too closely to unpredictable market cycles, dollar cost averaging could be the solution. It is a method that exchanges "timing the market" for "time in the market". For anyone with a long term investment horizon, dollar cost averaging is one of the most hassle-free ways to maximize investment returns while also minimizing risks.

Contact our office [1] to learn more about dollar cost averaging and how this strategy can improve your overall portfolio returns.

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