

When it comes to investing, consistency is key

Wayne Gretzky once said, “You will always miss 100% of the shots you don’t take.” Coming from someone who holds more scoring records than any other player in history, that’s pretty good advice. Investors can benefit from this advice as well by using dollar-cost averaging.

The idea is to invest on a regular basis rather than just when you think the time is right. By following the principal of dollar-cost averaging you can avoid the pitfalls of market timing. If you don’t invest today in the hopes that you’ll get a better deal tomorrow you may miss the mark altogether. Dollar-cost averaging encourages you to invest consistently based on a schedule that fits your budget. Even a small investment, made regularly, will add up over time. And dollar cost averaging can offer some important advantages

Especially when markets are volatile – and as long as they are generally level or better – a program of regular investing can help you buy low and sell high. By investing the same amount on a regular basis, you are automatically buying more units when prices are low and fewer units when prices are high. The result is that your average cost per unit can actually be lower than the fund in general over the same period.

Dollar-cost averaging works well in volatile markets. Let’s say you invested \$500 each month over a six-month period during which the markets declined steadily.

Month	Price per Unit	Units Bought
1	\$15	33.33
2	\$12	41.67
3	\$10	50.00
4	\$10	50.00
5	\$9	55.56
6	\$12	41.67

At the end of the six-month period, you would have invested \$3,000 and you would own 272.23 units. Your average price per unit works out to \$11.02. Had you invested the entire \$3,000 at the beginning of the six-month period you would have only purchased 200 units at a per-share cost of \$15, and experienced a \$600 loss to your portfolio.

With dollar cost averaging, you were able to purchase more fund units when the price dipped. Although the unit price at the end of six months hasn’t recovered to its high of \$15, your total \$3000 investment is now worth \$3266.76.

Markets are inherently volatile, but if the long-term trend is up – even modestly – the dollar cost averaging technique can help you maximize your gains and minimize your losses.

Here are some techniques to help you get started:

- Decide how much you want to invest at each interval. Remember, consistency is the key to dollar-cost averaging so make it an amount you can live with for the long term.
- Decide how often you want to invest – each month, each quarter, every six months – and make it as automatic as you can. Your advisor can offer advice and help you set this up.
- Relax. The whole point of dollar-cost averaging is to let it work for you. Don’t get caught up in the day-to-day fluctuations of the market. Give your money the chance to grow as the economy grows.