

INVESTING BASICS

Take a Systematic Approach to Long-Term Investing



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Investing a specific amount on a regular basis enables investors pursuing long-term goals to take advantage of the market's ups and downs along the way.

Consider the features and potential benefits of dollar-cost averaging

While market declines, corrections and downturns can be disheartening, they can also be opportunities for investors with workplace retirement plan accounts, IRAs or any long-term investment programs that use dollar-cost averaging.

Dollar-cost averaging is a method of investing a fixed amount of money at regular intervals. It works the same for everyone, regardless of investment experience.

Dollar-cost averaging at work*

Investment month	Investment amount	Share price	Shares purchased	Average price/share	Average cost/share	Shares owned
January	\$100	\$10.00	10.000	\$10.00	\$10.00	10.000
February	\$100	\$6.00	16.667	\$8.00	\$7.50	26.667
March	\$100	\$8.00	12.500	\$8.00	\$7.66	39.167
April	\$100	\$11.00	9.091	\$8.75	\$8.29	48.258
May	\$100	\$7.00	14.286	\$8.40	\$7.99	62.544
June	\$100	\$10.00	10.000	\$8.67	\$8.27	72.544
Totals	\$600	N/A	72.544	\$8.67	\$8.27	72.544

Down markets can actually benefit investors who employ dollar-cost averaging — as long as the markets eventually go up. During down periods, investors are able to take advantage of distressed prices because their set amounts to invest will buy more shares.

While the average share price during the period was **\$8.67**, your average cost per share would have been only **\$8.27** (total dollars invested divided by total shares owned).

Keep a steady course

Long-term discipline is the cornerstone of this strategy, which eases you into the market and can help take the guesswork and emotion out of investing toward your goals.

Here is how it works. You put a fixed amount of money into your investment on a regular schedule, every payday for example, regardless of market conditions. The dollar amount you invest is always the same, so you buy more shares when prices are low and fewer shares when prices are high.

Over the years, dollar-cost averaging may lower your overall cost per share while you accumulate more assets. Additionally, it can increase the potential for higher returns on your principal if the market moves higher.

In addition, even modest regular investments may grow substantially over time because of the compounding effect of reinvested earnings.

* This hypothetical example is for illustrative purposes only; fees not included.



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Is dollar-cost averaging for you?

If you are an investor with long-term goals, such as funding a retirement or paying for a child's education, you may want to consider using dollar-cost averaging as part of your overall investment strategy. However, please keep in mind that dollar-cost averaging cannot guarantee a profit or protect against a loss if you have to sell your investment when prices are down.

Dollar-cost averaging involves continuous investment regardless of fluctuating prices. You should consider your ability to continue investing through periods of low price levels.

The value of advice

An experienced financial professional — who knows your goals, temperament for risk, time horizon and total holdings — could be your most valuable asset in any market environment and over time. He or she can help you determine your overall comfort level with risk, allocate and diversify your assets accordingly and draw up the best possible plan for pursuing your long-term financial goals.

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