



Dollar Cost Averaging Stands the Test of Time

Dollar cost averaging is a simple investment technique that can be very effective. It is based on the concept of investing the same amount of money in the same investment, such as a mutual fund or individual stock, over the same period. For example, each month (or other interval), regardless if the shares are up or down in price you invest \$100 a month. Regular investing, rather than the actual dollar amount invested, is the critical factor. Over time, you may achieve a lower average cost per share compared to the average price per share; in addition, you will establish a disciplined investment approach.

Dollar cost averaging can be accomplished with modest, as well as substantial, sums of money. Probably the easiest and most practical way to get in the practice of dollar cost averaging is to making contributions to a supplemental retirement plan such as a 401(k), 403(b) or 457(b). Each pay day, the participant has the same amount of money withdrawn on a specified date every month and transferred to the investment of their choice.

The table below illustrates how dollar cost averaging can take advantage of fluctuating market prices. Here are some hypothetical investments of \$100 per month, with share prices varying between \$5 and \$10 over the 12-month period.

Month	Hypothetical Investment	Approximate Market Price Per Share	No. of Shares Purchased
1	\$100	\$10	10.0
2	\$100	\$8	12.5
3	\$100	\$5	20.0
4	\$100	\$8	12.5
5	\$100	\$7	14.3
6	\$100	\$9	11.1
7	\$100	\$10	10.0
8	\$100	\$7	14.3
9	\$100	\$5	20.0
10	\$100	\$7	14.3
11	\$100	\$8	12.5
12	\$100	\$9	11.1
Totals:	\$1,200	\$93	162.6
Average market price per share: \$7.75 (\$93/12)			
Average cost per share: \$7.38 (\$1,200/162.6)			

With regular periodic investments, you get more shares for the same amount of investment dollars when the price is low. In that case, your average cost per share will always be lower than the average share offering price over the period and, if share prices eventually rise, your average cost per share will also be lower than the current market cost per share.

When investing, always keep in mind that investment return and principal value will fluctuate due to market conditions. Dollar cost averaging cannot assure a profit or protect against loss in declining markets. When shares are redeemed, they may be worth more or less than their original cost.

Although dollar cost averaging is hardly a new technique, investors may find that it works particularly well in today's volatile investment climate. For long-term investors, it can provide a disciplined approach to the purchase of individual stocks, mutual funds, and contributions to retirement plans.

CONTACT US TODAY TO SPEAK WITH AN ADVISOR

6125 Memorial Drive, Dublin, Ohio 43017

1.866.633.3371

wealthmanagement@meederinvestment.com

meederinvestment.com

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