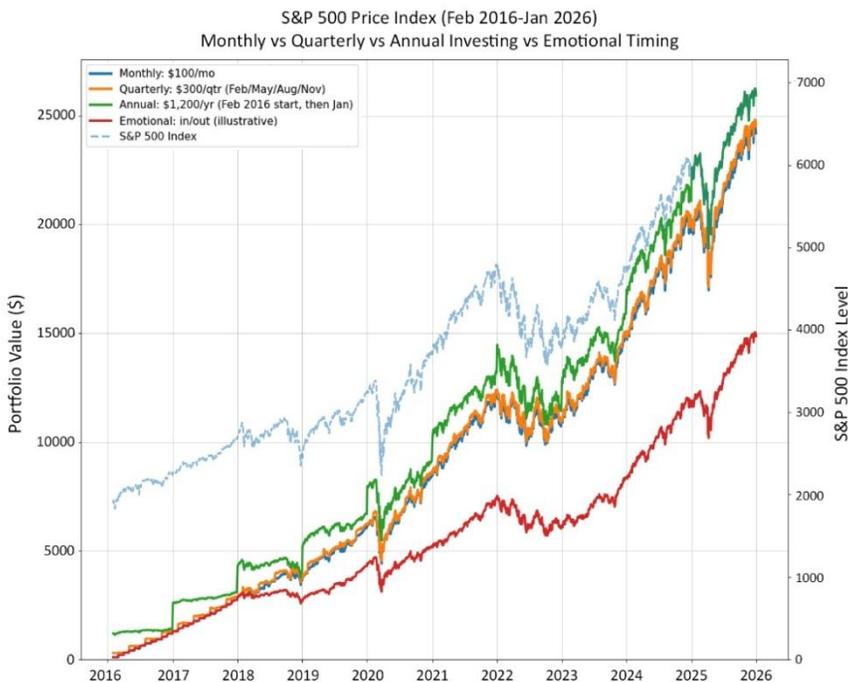


Dollar-Cost Averaging is an investment strategy in which a **fixed dollar amount is invested at regular intervals**, regardless of market conditions. This strategy can work for ordinary people that are busy living their lives.

When market prices are higher, a fixed investment amount purchases fewer shares. When prices are lower, that same amount purchases more shares. Over time, this process can help reduce the impact of market volatility and support a more consistent investment experience.

The purpose of Dollar-Cost Averaging is to support long-term wealth accumulation through discipline, consistency, and become a habit. Here is an example using ten years of historical data.



Investors in dark blue, orange, and green used dollar-cost averaging monthly, quarterly, and annually for a total of \$12,000 yearly, while the red investor timed the market based on volatility. Consistent investing reduced timing risk; emotional downturn decisions missed recoveries.

The Bottom Line

Dollar Cost Averaging strategy can help those who want to invest, know they should invest, but are unsure how to start. Doing this with a Financial Advisor helps ensure the strategy remains aligned with changing market conditions, personal circumstances, and long-term objectives.

Practical Ways to Implement Dollar-Cost Averaging

Automatic Periodic Investing:

Regular contributions can be scheduled from a bank account into an investment account, such as a taxable account, IRA, or Roth IRA.

Employer-Sponsored Retirement Plans:

401(k) and similar workplace retirement plans naturally use Dollar-Cost Averaging through ongoing payroll contributions.

Contributions Aligned with Cash Flow:

Think of this strategy as paying yourself first. What can be afforded as part of the monthly budget.

Periodic Review Rather Than Reaction to the Market:

Once or twice a year, or as circumstances change, review automatic investment amounts. Can they be increased? Are there new budget needs? Also review the investment account(s). Do they need to change? Does something need to be added?

Dollar cost averaging involves continuous investment in securities regardless of fluctuation in price levels of such securities. An investor should consider their ability to continue purchasing through fluctuating price levels. Such a plan does not assure a profit and does not protect against loss in declining markets.

*shown in light blue, - raw data pulled from Federal Reserve Bank of St. Louis - <https://fred.stlouisfed.org/series/SP500> daily data