



INVESTING WISELY DOLLAR COST AVERAGING

SENSIBLE INVESTING TAKES TIME RATHER THAN TIMING

Dollar cost averaging is a simple investment strategy, fundamentally based on the principle of regular investing.

Investing in a managed fund (or similar investment vehicle) is essentially buying units at a set price at the time of investment. While the unit price is determined by underlying assets the fund invests in, one certainty of investing is that the price of shares and units will fluctuate – often daily. When investment markets are rising, your investment dollar buys fewer units. Conversely, when investment markets are falling, you can buy more units at a lower price.

HOW DOLLAR COST AVERAGING WORKS

Dollar cost averaging simply means investing at regular intervals and averaging out the cost of the units purchased over time. Adopting a regular and systematic investment approach generally results in a lower average cost per unit, in comparison to the average market price of all units purchased over the investment term.

CASE STUDY COMPARISON

The unit price graph and investor comparison table on the reverse shows the positive effects of dollar cost averaging.

INVESTOR A makes a one-off investment of \$100,000 after six months, based on reports of rising market values. At a purchase price of \$1.02 per unit, Investor A acquires 98,039 units. After 10 months, the value of Investor A's portfolio is \$96,078 (at a unit value of \$0.98) – a loss of \$3,922 on the original investment amount.

Conversely, **INVESTOR B** invests \$10,000 per month over ten months. By averaging out the unit price at regular intervals, Investor B has a portfolio value of \$102,071 – simply by taking advantage of lower unit prices at different times during the investment period.

TIME IN THE MARKET VERSUS TIMING THE MARKET

Many inexperienced and DIY investors can make the mistake of trying to time the market – when to buy in and when to sell up. This is often a risky and reactionary approach to investing, based on what the financial markets are doing here and now.

Dollar cost averaging reduces the chance of investing a large sum when the market has reached a high point. By taking a longer-term view of investing, you can ride out any short-term fluctuations and maintain financial growth for the duration.

The Peak Partnership's Wealth Design team can advise on a simple and effective investment strategy. For more information about designing your wealth, contact our Wealth Design staff on 07 3360 9898.

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17 Mt Gravatt-Capalaba Road, Upper Mt Gravatt Qld 4122

Learn more at www.peakpartnership.com.au

The Peak Partnership
WEALTH DESIGN SOLUTIONS

INVESTING WISELY DOLLAR COST AVERAGING

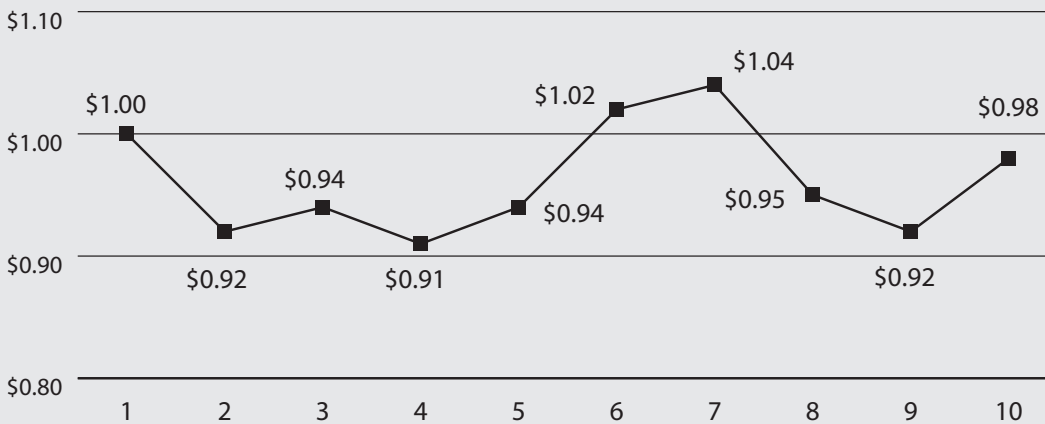
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UNIT PRICE



INVESTOR COMPARISON

	INVESTMENT AMOUNT	INVESTMENT FREQUENCY	UNITS BOUGHT	END VALUE MONTH 10	NET GROWTH
Investor A	\$100,000	Month 6	98,039	\$96,078	-\$3,922
Investor B	\$100,000	Monthly	104,154	\$102,071	+\$2,071

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