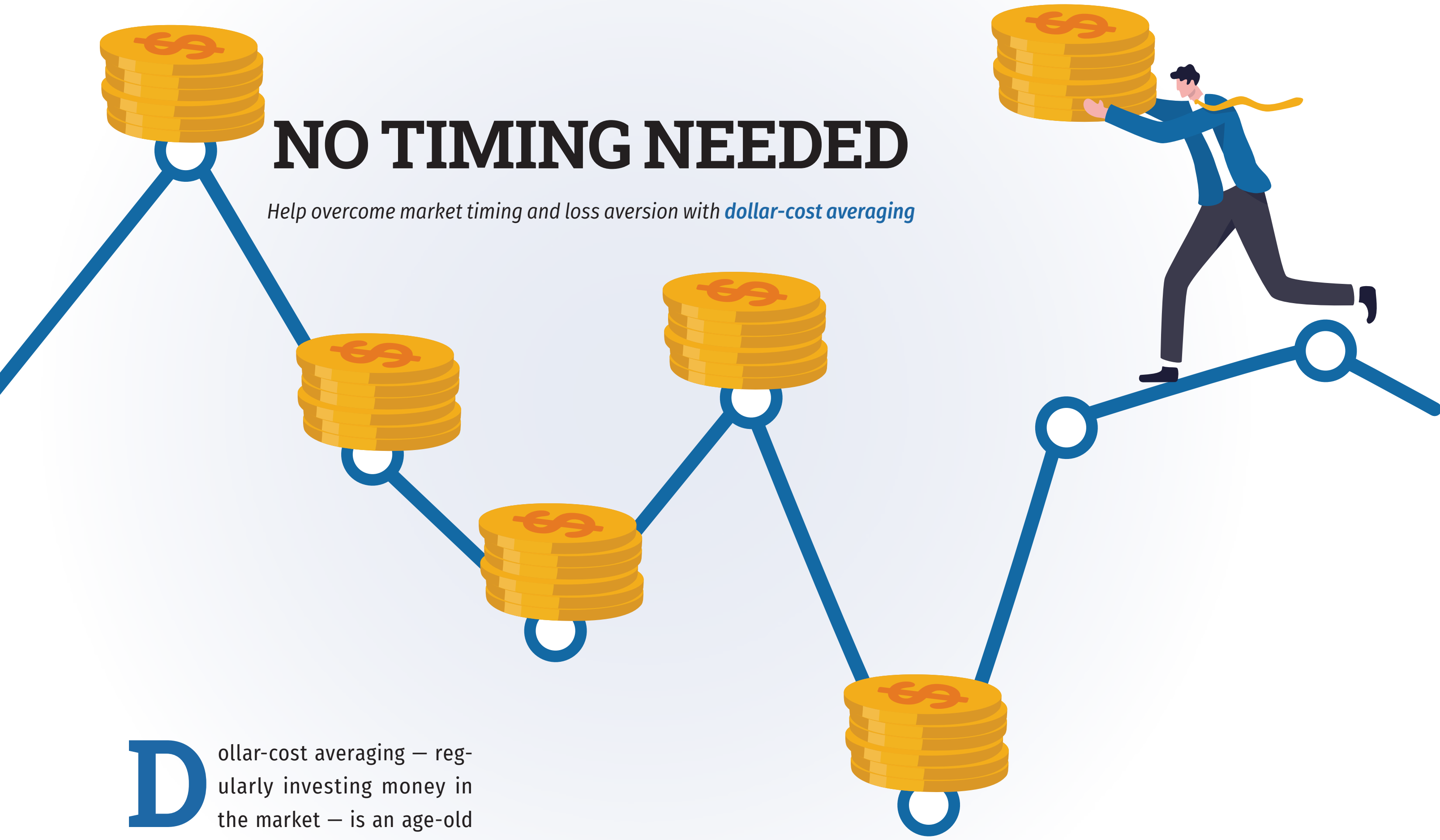

NO TIMING NEEDED

Help overcome market timing and loss aversion with ***dollar-cost averaging***

Dollar-cost averaging — regularly investing money in the market — is an age-old strategy for mitigating investment price risk. Commonly applied by 401(k) plan savers, it could also be a useful strategy for experienced investors with larger sums, especially during periods of uncertainty or when emotional reluctance is high.

THE THEORY BEHIND THE PRACTICE

Dollar-cost averaging involves regularly investing a consistent amount of money to purchase a specific asset, or group of assets, regardless of their price. For example, an employer-sponsored 401(k) plan is set up this way. With each paycheck, you invest a regular percentage of your earnings in defined assets, generally mutual funds, that you have previously selected.

This strategy helps prevent you from stressing over decisions on when to invest in the market. With the regular-investment approach, you don't focus on whether the asset you're purchasing is at a good price for purchase. Rather than try to time the market, you buy it each week or month or whatever the interval is.

The theory underpinning this strategy is that asset prices will go up and down in unpredictable ways, and if you buy shares regularly, the average share price you pay – that is, the dollar-cost average – won't be too high. When prices are lower, your money will buy more shares than the same amount will buy when prices are higher, bringing down your price-per-share cost. This, in turn, can help reduce the impact of market volatility on your portfolio.

POTENTIAL BENEFITS AND LIMITATIONS

In addition to the theoretical benefit of avoiding an overly high purchase price, dollar-cost averaging presents several other potential benefits.

For relatively early savers, regularly investing in the market builds the investing habit and may help you feel more at ease with investing in general.

For those with large cash balances, it can be a way to invest – or reinvest. Cash tends to lose value over time due to inflation. Especially as interest rates go down, cutting into your cash's return potential, dollar-cost averaging can help address the emotional challenge of loss aversion, which often has the potential to lead to inaction.

However, dollar-cost averaging could also leave some returns on the table when markets are rallying, and it does not mitigate some other investment risks.

ANOTHER APPROACH: LUMP-SUM INVESTING

Given that time in the market is often an advantage, investing all your money at once could be more effective than investing it incrementally over time. This all-in approach is known as lump-sum investing.

Lump-sum investing can be an effective strategy given certain market conditions. For example, in a rising market, particular assets will rise in price on average, so investing a lump sum at the outset can enable you to acquire more shares, and therefore more value, compared to investing fixed amounts over time.

But if you invest all your money at once, and the price drops, you may suffer losses that could persist for a few years or longer. Under these conditions, dollar-cost averaging would lead to owning more shares.

CHOOSING THE RIGHT STRATEGY FOR YOU

There's no one-size-fits all answer when it comes to your investment strategy. Whether dollar-cost averaging is the right strategy for your investment goals depends on multiple factors, including the time horizon to your financial goal, your available cash, market conditions and investment opportunities.

Your financial advisor can help you weigh these different considerations and make a choice that feels right for you.

Dollar-cost averaging vs. lump-sum investing

RISING MARKET SCENARIO

	9/1/24	10/1/24	11/1/24	12/1/24	1/1/25	2/1/25
Mutual fund price	$50	$42	$47	$53	$51	$50
Dollar-cost averaging approach: Total shares purchased with $500 monthly over 6 months ($3,000 total)	10	11.90	10.64	9.43	9.80	10
Total shares owned	**10**	**19.09**	**27.86**	**37.29**	**45.91**	**54.11**
Lump-sum investment approach: Total shares purchased if investing $3,000 at once	60	0	0	0	0	0
Total shares owned	**60**	**60**	**60**	**60**	**60**	**60**

SUDDEN DROP MARKET SCENARIO

	9/1/24	10/1/24	11/1/24	12/1/24	1/1/25	2/1/25
Mutual fund price	$50	$35	$34	$37	$40	$39
Dollar-cost averaging approach: Total shares purchased with $500 monthly over 6 months ($3,000 total)	10	14.29	14.70	13.51	12.5	12.82
Total shares owned	**10**	**24.29**	**38.99**	**52.50**	**65**	**77.82**
Lump-sum investment approach: Total shares purchased if investing $3,000 at once	60	0	0	0	0	0
Total shares owned	**60**	**60**	**60**	**60**	**60**	**60**

The information in the tables is purely for illustrative purposes and does not imply any particular strategy, counsel, recommendation, or real-world example. The market value of securities fluctuates, and you may incur a profit or a loss. This analysis does not include transaction costs, which would reduce an investor's return.

Sources: forbes.com; cnbc.com; etrade.com; ndvr.com; aarp.org

There is no assurance any investment strategy will be successful. Investing involves risk including the possible loss of capital. Dollar cost averaging does not assure a profit and does not protect against loss. It involves continuous investment regardless of fluctuating price levels of such securities. Investors should consider their financial ability to continue purchases through periods of low-price levels.

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