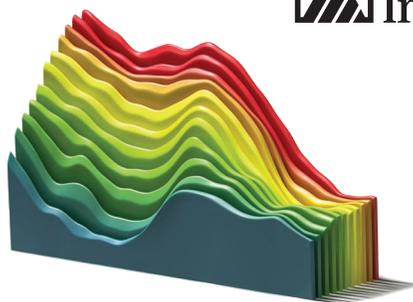


SIMPLIFY



How to overcome uncertainty with Dollar-cost averaging



When is the best time to invest?

It's an age-old question many investors face. Whether the market has just enjoyed a healthy rise, endured a tough pullback or is gyrating day-to-day with lots of volatility, knowing when to put money to work in the stock or bond markets can present a real challenge — even for the most seasoned investors.

Much of the challenge involves the emotional side of investing, and this is where the concept of dollar-cost averaging can help. Dollar-cost averaging (or DCA for short) helps you deal with the unpredictable nature of the financial markets. The way it works is you invest equal amounts of money on a regular schedule, over a chosen time period.

You decide how much you want to invest, how often and for how long. By doing so, DCA allows you to remove the emotional element and any desire to time the markets from the equation. It's a simple approach that can be surprisingly liberating.

DCA works best when you're dealing with a lump sum of money. So perhaps you've received a bonus, an inheritance or you've just been unsettled by the market's volatility and have cash sitting on the sidelines that you want to put back to work. The main point is to make a plan and see it through to completion.

Dollar-cost averaging does not assure a profit or prevent a loss in declining markets, and you should consider your ability to continue investing when market prices are low.

The hypothetical example below shows how dollar-cost averaging can work. We'll feature a completely fictitious company called *For Example*.

Example

Let's say an investor decided—with the help of her financial advisor—to dollar-cost average a \$12,000 lump sum into For Example on the first business day of each month beginning in January.

Over the course of the year, \$1,000/month was invested for a total investment of \$12,000. By dollar-cost averaging, the investor bought 1267.09 shares at an average cost of \$9.47/share, essentially smoothing out the up-and-down price swings. The math works out like this:

$$\text{\$12,000} \div 1267 = \text{\$9.47}$$

continued...

INVESTMENT DATE	INVESTMENT AMOUNT	SHARE PRICE	SHARES PURCHASED
January	\$1,000	\$10.00	100.00
February	\$1,000	\$10.50	95.24
March	\$1,000	\$11.00	90.91
April	\$1,000	\$12.00	83.33
May	\$1,000	\$9.50	105.26
June	\$1,000	\$9.50	105.26
July	\$1,000	\$10.00	100.00
August	\$1,000	\$8.00	125.00
September	\$1,000	\$7.50	133.33
October	\$1,000	\$9.00	111.11
November	\$1,000	\$8.50	117.65
December	\$1,000	\$10.00	100.00
Totals:	\$12,000	\$9.47	1267.09
	(total investment)	(average price/share)	(total shares purchased)

Hypothetical analysis provided for illustrative purposes only, it does not reflect the performance of any actual investment.

As you might expect, there are arguments for and against dollar-cost averaging in the investment industry. Many believe that the most efficient way to invest is to put an entire lump sum to work immediately to achieve the best outcome.

That may be true from a theoretical standpoint. But if you went all-in at the beginning of April, you may be feeling some buyer's remorse by getting in at \$12 — the hypothetical high. It would have been nice to invest at the hypothetical low of \$7.50 in September, but that would have been pure chance. Remember, the goal was not to time the market by picking a high or low price, but to simply smooth out the lump-sum investment over time.

During bull and bear markets, dollar-cost averaging can be a viable strategy. Especially when we consider the emotional toll investing can take on an individual. After all, anything that can help us cope more thoughtfully and rationally with our portfolios during times of stress—or euphoria—is a worthwhile tool to keep in the investment toolbox.

To find out more, please ask your advisor or contact us at **1-888-509-1792** or visit us at **russellinvestments.com/ca**

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