

# Dollar cost averaging

*Saving for retirement can be stressful, especially during periods of market turbulence. The idea of putting money away “at the wrong time” can be unsettling for some investors.*

But the fact is, when you’re saving for the long term, the time is always right. And a disciplined approach—putting away equal amounts on a regular basis, regardless of which way the investment markets move—could reduce your stress by potentially reducing your average cost.

Investor A	Amount Invested	Share Price	Shares Bought
January	\$200	\$12	16.67
February	\$200	\$11	18.18
March	\$200	\$9	22.22
April	\$200	\$8	25.00
May	\$200	\$9	22.22
June	\$200	\$10	20.20
<b>Total:</b>	<b>\$1,200</b>	<b>\$59</b>	<b>124.29</b>

Average Price Over Time:  $\$59 \div 6 = \$9.83/\text{share}$   
 Average Cost:  $\$1,200 \div 124.29 = \$9.65/\text{share}$   
 Average Cost Savings:  $\$9.83 - \$9.65 = \$0.18/\text{share}$

The approach is known as dollar cost averaging. It works like this: When the price of an investment rises, your regular savings amount buys fewer shares. But when the price falls, your money buys more shares. Now an emotional investor might balk at buying when prices fall, but as with so many things, buying low can be an advantage. Consider the example below of Investor A who contributes \$200 a month to his retirement plan.

Despite the ups and downs of the share price, by contributing a constant amount each month, Investor A reduces his total average cost by \$0.18 a share. That may not seem like much on its own, but over the long term, the savings can really add up.

## Think ahead. Take action now.

- ✓ **Save regularly and take advantage of dollar cost averaging!** If you aren’t saving regularly through your plan, get started—the sooner the better.
- ✓ **Stay disciplined.** Through up markets and down, don’t let emotions rule your decisions.
- ✓ **Consider raising your contribution rate** gradually—say, by 1% a year. That’s a low-stress way to build your nest egg faster and still cut your average costs per share.

*Dollar cost averaging does not guarantee a profit or protect against a loss in a declining market, so you should consider your ability to continue investing through periods of adverse market conditions. Securities offered by Transamerica Investors Securities Corporation (TISC), 440 Mamaroneck Avenue, Harrison, N.Y. 10528. Transamerica Retirement Solutions and TISC are affiliated companies.*

