

## Dollar Cost Averaging

Dollar cost averaging as an investment technique that investors can use to reduce exposure to risk associated to making a single large purchase. The strategy is simple; spend a fixed dollar amount at regular intervals (i.e. monthly) regardless of the price. This way more shares are purchased when prices are low and fewer shares are purchased when prices are high. The premise of dollar cost averaging is that the investor wants to guard against the market losing value shortly after making a large investment. Therefore, he will spread his investment over a number of months.

	Monthly Investment	Share Price	Number of Shares Purchased	Cumulative account value
	\$500.00	\$13.55	36.90	\$500.00
	\$500.00	\$12.20	40.98	\$950.18
	\$500.00	\$11.35	44.05	\$1383.98
	\$500.00	\$10.90	45.87	\$1829.11
	\$500.00	\$10.00	50.00	\$2178.08
	\$500.00	\$10.75	46.51	\$2841.44
	\$500.00	\$11.65	42.92	\$3579.33
	\$500.00	\$11.95	41.84	\$4171.50
	\$500.00	\$12.50	40.00	\$4863.49
	\$500.00	\$12.95	38.61	\$5538.58
	\$500.00	\$13.55	36.90	\$6295.19
	\$500.00	\$14.05	35.59	\$7027.49
<b>Total</b>	<b>\$6000.00</b>		<b>500.18</b>	<b>\$7027.49</b>
Avg cost per share		\$12.00		
	Difference	<b>\$1027.49</b>		

### Lump Sum Investment Versus Dollar Cost Averaging

An initial lump sum investment of **\$6,000.00** would purchase **442.80 shares** at the original price of **\$13.55**. The ending value of your investment after twelve months would be **\$6,221.40**. If you invested **\$500.00** a month over the same period, the ending value would be **\$7,027.49** as shown on the chart above