

# DOLLAR COST AVERAGING

## Benefiting from market volatility?

In volatile markets it is perfectly understandable for clients to be concerned about the ups and downs of the stock market. However, investing on a regular basis may help to average out the fluctuations that stock market investment may produce. This is known as the ‘dollar cost averaging’ effect.

### What is it?

In simple terms, dollar cost averaging is a theory which means using regular saving to help smooth out stock market investment volatility.

The key point about dollar cost averaging is to invest a small amount on a regular basis. This means that when prices are high, the regular premium may buy fewer units of the chosen funds, but when prices are low the premium buys more.

Over the long term, this strategy should increase your client’s purchasing power and give a potentially higher average value per unit over time and so improve potential returns.

### Timing

The great thing about dollar cost averaging is that it takes away the worry about when the best time is to invest, because over time saving regularly may help average any volatility out.

### Examples

The following tables are intended to show how the average purchase price can be affected by fluctuations in the stock market.

### Buying in a rising market

In a rising market, the unit price increases and the premium can buy fewer units. However, the average purchase price achieved could be substantially lower than the current unit price.

Month	Regular premium	Unit price	No of units bought
1	\$200	\$2.00	100
2	\$200	\$2.50	80
3	\$200	\$3.00	66
4	\$200	\$3.50	57
5	\$200	\$4.00	50
6	\$200	\$4.50	44
Average purchase price achieved (\$1200 divided by 397 units)			<b>= \$3.02</b>

### Buying in a falling market

In a falling market, as the unit price decreases, the premiums can buy more units, although the average purchase could be higher than the current unit price.

Month	Regular premium	Unit price	No of units bought
1	\$200	\$3.00	66
2	\$200	\$2.50	80
3	\$200	\$2.00	100
4	\$200	\$1.50	133
5	\$200	\$1.00	200
6	\$200	\$0.50	400
Average purchase price achieved (\$1200 divided by 979 units)			<b>= \$1.23</b>

### Buying in a volatile market

Buying in a volatile market, where the price of units is constantly rising and falling, the average purchase price could be less than the current unit price.

Month	Regular premium	Unit price	No of units bought
1	\$200	\$2.00	100
2	\$200	\$2.50	80
3	\$200	\$3.00	66
4	\$200	\$3.50	57
5	\$200	\$2.50	80
6	\$200	\$3.00	66
Average purchase price achieved (\$1200 divided by 449 units)			<b>= \$2.67</b>

Paragon offers investors the choice of paying premiums on a monthly, quarterly, half yearly or yearly basis. Investing regularly and over time takes advantage of the dollar cost averaging theory.

And remember that your client can add single premium injections to their policy at any time.

For more information about Paragon, please read the literature suite, available to download from: [www.rl360adviser.com/paragon](http://www.rl360adviser.com/paragon)

### Important notes

For financial advisers only. Not to be distributed to, nor relied on by, retail clients.

Please note that the unit prices shown in the tables are examples only and do not necessarily reflect the unit prices available under Paragon. The actual unit prices will depend on the time of investment as well as fund choice.

Your client should be aware that dollar cost averaging doesn't guarantee a gain or protect against losses in a falling market, but it may reduce their exposure to market risk.

Please remember that past performance is not a guide to the future and the value of investments can fall as well as rise and is not guaranteed.