



Dollar-Cost Averaging: Staying on Track

Dollar-cost averaging is simply the practice of putting a fixed amount of money into an investment program at regular intervals, just as you are already doing via payroll contributions into Ohio Deferred Compensation! This strategy is designed to help you buy more shares/units when prices are down, and fewer when prices are up.

Consider this, if someone brings \$10 to the gas station every week, they can buy more gallons of gas the weeks that gas prices are low than the weeks prices are high. This is the same concept as dollar-cost averaging.

With dollar-cost averaging, over time, the average cost of your shares/units will be less than if you made sporadic lump sum investments. However, this concept doesn't mean you can't lose money, or that you can't make more if you invest large amounts at the beginning of a market rise. But dollar-cost averaging can help you keep a long-term perspective and avoid the common mistake of buying high and selling low on market moves.

To illustrate, assume you contribute \$100 each month in a variable investment option, and that the price of the shares/units rises and falls over time. The average price per share/unit over the 12-month period was \$6.00. With the benefit of dollar-cost averaging, you only paid an average of \$5.33 and were able to buy 25 more shares/units, than if you had invested a lump sum at one

Purchased Months	Periodic Investment	Price of Shares/ Units	No. of Units
1	\$100	\$10	10.0
2	\$100	\$8	12.5
3	\$100	\$5	20.0
4	\$100	\$4	25.0
5	\$100	\$4	25.0
6	\$100	\$5	20.0
7	\$100	\$5	20.0
8	\$100	\$4	25.0
9	\$100	\$4	25.0
10	\$100	\$5	20.0
11	\$100	\$8	12.5
12	\$100	\$10	10.0
Totals	\$1,200	\$72	225.0

time. Dollar-cost averaging can be beneficial when market conditions are on the decline, stable or on the rise.

Remember dollar-cost averaging does not guarantee a profit or protect against loss. It does, however, permit you to purchase shares/units at below average prices over a long period of time. The key is that dollar-cost averaging requires a long-term investment commitment. Only over a long period of time with consistent investing can you see the benefits of dollar-cost averaging.

By participating in Ohio Deferred Compensation and using a dollar cost averaging investment strategy, you are enabling yourself to be better prepared for retirement. Keep yourself on the right track!

Dollar-cost averaging does not assure a profit and does not guarantee against loss in a declining market. This type of strategy involves continuous investment in the security regardless of fluctuating price levels of such securities. Investors should consider their financial ability to continue purchases for a long-term commitment.

Average price per share/unit = 6.00 (\$72/12 months) This would have bought 200 share/units (\$1,200/\$6) Average cost per Share/Unit to employee = \$5.33 (\$1,200/225 shares/units)