



OHIO DEFERRED COMPENSATION

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 your employees are doing via payroll deduction into Ohio Deferred Compensation! This strategy is designed to help them 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 employee's shares/units will be less than if they made sporadic lump sum investments. However, this concept doesn't mean they can't lose money, or that they can't make more if they invest large amounts at the beginning of a market rise. But dollar-cost averaging can help them keep a long-term perspective and avoid the common mistake of buying high and selling low on market moves.

To illustrate, assume an employee contributes \$100 each month in a variable investment option, and that the price of the shares/units rises and falls over time.

Pur- chased Months	Periodic Invest- ment	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

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)

The average price per share/unit over the 12-month period was \$6.00. With the benefit of dollar-cost averaging, your employee only paid an average of \$5.33 and was able to buy 25 more shares/units, than if they had invested a lump sum at one 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 your employee 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 they see the benefits of dollar-cost averaging.

By participating in Ohio Deferred Compensation and using a dollar cost averaging investment strategy, your employees are enabling themselves to be better prepared for retirement. Help them stay 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.