

KNOW YOUR EMPLOYEE BENEFITS



Benefit and insurance issues important to you—brought to you by the insurance specialists at JRG Advisors, LLC.

Dollar-Cost Averaging: *The Secret to Successful 401(k) Investing*

Saving through your 401(k) retirement plan is a smart way to invest money for the long term. Your 401(k) plan allows you to accumulate wealth for retirement by having tax-deferred money deducted from your paycheck. Your contributions, along with any employer matching contributions and investment earnings, grow tax-deferred in your 401(k) plan until money is withdrawn. You select the investments. You control your financial future.

Dollar-Cost Averaging

The secret to creating wealth in your 401(k) plan is an effective investment strategy over time. To some, that means sell high and buy low. Unfortunately, most investors seldom time their investment decisions to coincide exactly with highs and lows in the market. That is where dollar-cost averaging comes in.

Dollar-cost averaging is a strategy where the same amount of money is invested on a regular basis. It is perfect for 401(k) plans because investments are made on a regular schedule through payroll deductions. Purchasing shares of an investment on a regular schedule, regardless of whether the price of shares is going up or down, results in you acquiring more shares when prices are low and fewer shares when prices are

high. Here's the secret. Over time, the average price paid for a share will be lower than if you bought the same number of shares each time, regardless of the price.

How it Works

Assume shares are available in a stock fund through your 401(k) plan on January 1 for \$20. Your first month's investment of \$100 would buy five shares. Assume the price fell to \$10 in February. Your \$100 monthly investment would buy 10 shares. You now own 15 shares purchased at \$200 at an average price of \$13.33 per share.

If you had purchased the 15 shares in two equal amounts, you would have bought 7.5 shares at \$20 and 7.5 shares at \$10 and would have paid \$225, for an average share price of \$15.

By dollar-cost averaging, you would have saved \$25 and achieved the same result. (See Charts).

INVESTING with equal purchases



	Share Price	Investment	Shares Purchased	Total Shares	Average Price
January	\$20	\$100	7.5	7.5	\$20
February	\$10	\$75	7.5	15	\$15
Total Investment		\$225			

INVESTING through dollar-cost averaging



	Share Price	Investment	Shares Purchased	Total Shares	Average Price
January	\$20	\$100	5	5	\$20
February	\$10	\$100	10	15	\$13.33
Total Investment		\$200			

A Win-Win Strategy!

Dollar-cost averaging is a win-win strategy. When the share price of an investment rises, more money is made on previous investments. When the share price falls, the average cost per share of your investment drops.

KNOW YOUR EMPLOYEE BENEFITS

Dollar-cost averaging does not eliminate the risk of loss when the market is below the average cost. It does, however, reduce the amount of loss in declining markets and increase the potential for gains in rising markets.

Like most investment strategies, dollar-cost averaging works best when practiced over long periods. Investing for retirement over one's working career is what 401(k) plans are all about. That's why dollar-cost averaging is a smart approach to growing money in your 401(k) plan.

This brochure is for informational purposes only and is not intended to replace the advice of insurance professional.

Know Your Employee Benefits is written and produced for JRG Advisors, LLC. © Zywave, Inc.