

## What is dollar cost averaging?

Employees saving in RIC mutual funds are investing in the market periodically through payroll deductions. By investing the same amount multiple times a month/year, savers automatically buy:



- ✓ Fewer shares while the price is high (market going up) and
- ✓ **More shares while the price is low (market going down and shares are on SALE!)**

This savings method is called **dollar cost averaging**.

Since we never know when the share prices will be lowest or highest, dollar cost averaging allows us to buy many times a year at a variety of prices.

### Example:

An employee saves \$100/month for 12 months. When share prices are low (discounted), \$100 buys more shares. When shares prices are high (expensive), \$100 buys fewer shares. Over 12 months, the employee purchase their mutual fund shares at the best average share price for the year!

Month	Contribution Amount	Share Price	# of Shares Bought	# of Shares Owned	Account Value
1	\$ 100	\$ 10.00	10	10	\$ 100.00
2	\$ 100	\$ 4.00	25	35	\$ 140.00
3	\$ 100	\$ 2.00	50	85	\$ 170.00
4	\$ 100	\$ 12.50	8	93	\$ 1,062.50
5	\$ 100	\$ 16.00	6.25	99	\$ 1,588.00
6	\$ 100	\$ 8.00	12.5	111.75	\$ 894.00
7	\$ 100	\$ 5.00	20	131.75	\$ 658.75
8	\$ 100	\$ 20.00	5	136.75	\$ 2,735.00
9	\$ 100	\$ 10.00	10	146.75	\$ 1,467.75
10	\$ 100	\$ 4.00	25	171.75	\$ 687.00
11	\$ 100	\$ 2.50	40	211.75	\$ 529.38
12	\$ 100	\$ 12.50	8	219.75	\$ 2,746.88

**Average share price for 1 year = \$ 8.88**

Shares were not lost!