Regular investing

An approach to building wealth

Regular investing enables investors to apply the disciplined savings-first approach needed to help successfully build wealth over time. And by using the valuable investment strategy of dollar-cost averaging (DCA), regular investing can be an effective way to invest in many market conditions.

A sound way to invest over the long term

There will always be investors who are tempted to stop investing during periods of heightened market volatility. Investing regularly enables anxious investors to ease into any type of market. However, building wealth is not simply about saving. Knowing how much, how long and what to invest in is just as vital in order to successfully reach your financial goals. Long-term success is more likely to be the result of time in the markets than timing the markets.

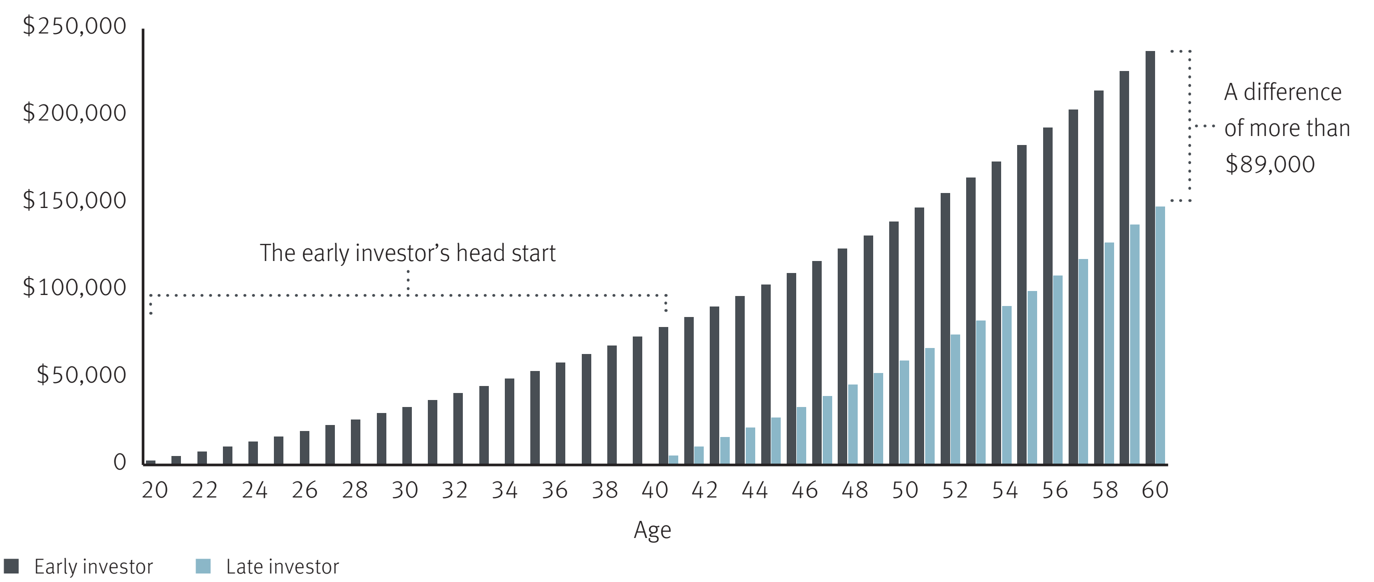
Invest early, invest often

Using the chart below, let's take a look at two different types of investors:

- The early investor invests $200/month from age 20 until age 60.
- The late investor invests $400/month from age 40 until age 60.

By age 60, both investors will have invested a total of $96,000. Assuming an annual investment return of 4%, the early investor will have accumulated over $237,000 by age 60, while the late investor will have accumulated about $148,000 by the same age—a difference of more than $89,000 just by starting to invest earlier. While this example uses a simple rate of return, the difference could be more pronounced when investing in the markets, where the strategy of DCA can be used.

Investing early can pay off over the long term



Source: RBC Global Asset Management. Assumes 4% per year investment return.

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Dollar-cost averaging:

How the strategy works

Dollar-cost averaging (DCA) involves investing a fixed amount at regular intervals (e.g., monthly), regardless of market movements, which allows an investor to purchase more of an investment when prices are low, and less when prices are high, thereby potentially reducing the overall average cost of their investments.

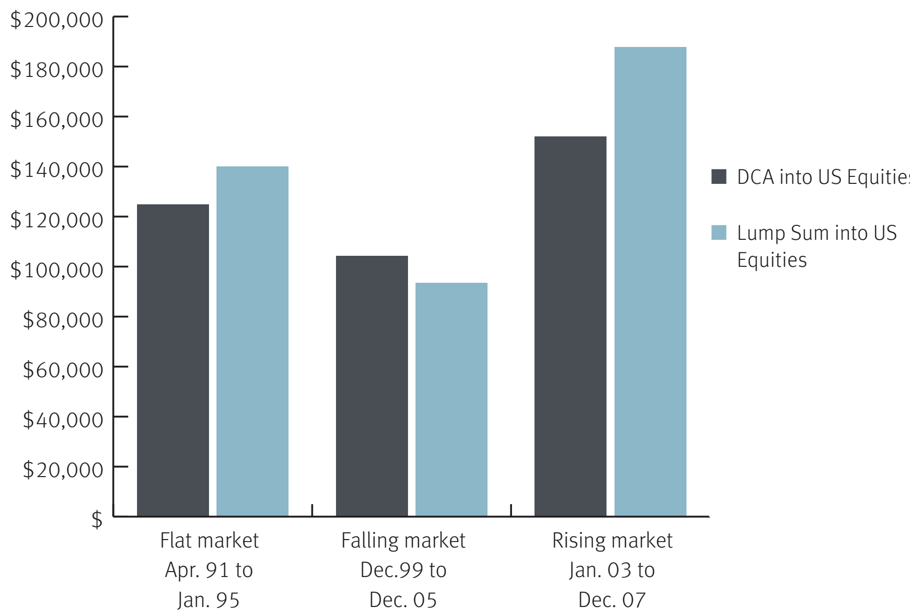
DCA in all types of markets

During periods of increased volatility or uncertainty, investors tend to abandon long-term strategies in favour of sitting on the sidelines in cash. However, history suggests this trade-off isn't always effective.

GAM research shows that a lump sum all-equity investment tends to be the most effective strategy for growth over the long term, but DCA allows investors to even out investment returns during periods of increased market fluctuations and can provide a smoother overall investment experience over time. Consider the example in the chart to the right, which compares the performance of DCA over historical periods of falling, flat and rising stock markets with a lump sum all-equity investment. DCA proves to be an effective alternative for investors who aren't comfortable investing a lump sum. DCA does not assure a profit and does not protect against loss in declining markets. Such a place involves continuous investment in securities regardless of fluctuating price levels and an investor should consider their financial ability to continue their purchases through periods of low price levels.

DCA is a compelling strategy for all types of markets

$100,000 invested as a lump sum in the S&P/TSX Composite Total Return Index and through DCA



Source: RBC Global Asset Management Inc. DCA represents making equal quarterly contributions over a period of the first 24 months of each specified period. An investment cannot be made directly into an index. This does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results.

What should you do?

Most investors require some growth in order to achieve their long-term goals.

Investing regularly is a disciplined and effective way to build wealth over time. And while DCA may not always provide superior returns, it's a compelling way to take advantage of long-term growth opportunities while also moderating overall fluctuations in your portfolio—a timely theme in today's market environment.

Often, the terms "dollar-cost averaging" and "regular investing" are used interchangeably. The difference is that DCA is a strategy within your investment portfolio, while regular investing is what you can do as an investor.

Talk to your advisor about how to take advantage of regular investing, including implementing DCA as a strategy in your long-term wealth management plan.

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