

Q. I've always dollar cost averaged into my stocks and mutual funds, but with the market being so unreliable, I'm wondering if I should buy more now? Or what?

— Investor

A. [Dollar cost averaging](#) simply means that you invest a fixed amount of money at regular intervals over a period of time.

This consistent discipline results in buying more shares when they are less expensive and fewer shares when they are more expensive, said Marnie Aznar, a certified financial planner with Aznar Financial Advisors in Morris Plains.

“If you do this regularly — many investors do this on a monthly or per paycheck basis — it will allow you to take advantage of the lower stock prices we experience [when the market declines](#), such as it has been doing lately,” Aznar said.

She said if you have excess cash — a pool of money — that you've been using to dollar cost average into the market over time, it could make sense to put more in now given the recent decline in the market. But unfortunately, because we do not have [a crystal ball](#), we do not know where stock prices are going from here, she said. It's possible that putting more in now could end up being a bad decision in the short-term.

That takes away one of the main benefits of dollar cost averaging — removing the emotion from investing, she said.

Aznar said Vanguard did a study that ran thousands of simulations over rolling 10-year periods since 1926 to see what the data tells us with regards to dollar cost averaging.

“What the data reflected was that much of the time, the longer one took to invest, the lower the total return,” she said. “Two-thirds of the time, those who invested the full lump sum on day one outperformed those who took a year to get fully invested. In some of the simulations, of course, dollar cost averaging did beat the lump sum approach.”

Aznar said dollar cost averaging tends to work the best during times when [markets are very volatile](#) but end up close to where they started (such as in the 1930s), she said.

“This has also been the case more recently as we have lived through a period marked by peaks and valleys but in which the major stock market averages have remained [fairly level over time](#),” Aznar said.

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