Invest Consistently

BEGINNER LESSON EXPLAINER

What Is "Dollar-Cost Averaging"?

Dollar-cost averaging just means investing a fixed amount of money at regular intervals — say, $200 every month — no matter what the price is doing that day. Some months you'll buy when prices are up, some months when they're down. Over time, those ups and downs average out, so you're never betting everything on a single guess about where the market is headed next.

Think of filling up your car with petrol every week instead of trying to guess the one day of the year when prices will be lowest. You'll never fill up at the exact cheapest moment — but you'll also never get stuck guessing wrong and paying the most. You just get on with it, on a schedule, and the average works itself out.

Real Example: Alex vs. Jamie

Alex and Jamie each have $6,000 to invest over the course of a year, in a market that goes up and down along the way. Alex invests a fixed $500 every month, rain or shine. Jamie wants to "wait for the right moment" — she watches prices dip, hesitates, then feels confident once the market has already rallied, and finally invests the full $6,000 in month 7, right near that year's peak price.

	Alex — invests monthly	Jamie — waits, then lump-sums
Total invested	$6,000	$6,000
How	$500 × 12 months	$6,000 in month 7
Price paid	$97.63/share (avg)	$115.00/share
Value at year end	$7,682	$6,522

Both invested exactly $6,000. Alex ends up over **$1,000 ahead** — not by picking better investments, but simply by not needing to guess the "right" moment at all.

Here's the uncomfortable truth about "waiting for the right time": nobody — not professional fund managers, not financial news pundits, nobody — can reliably predict short-term price moves. Waiting for certainty before you start often just means watching from the sidelines while prices move without you, then feeling pressure to jump in once it "feels safe" — which is usually exactly when prices have already risen.

Could You Have Timed It Better?

Using the same 12-month price path as Alex and Jamie, here's what investing the full $6,000 in one go would have been worth at year end, depending purely on which month you picked.

Month	Price	Lump-sum value	Vs. Alex's steady approach
Month 1	$100	$7,500	**-$182**
Month 2	$92	$8,152	**+$470**
Month 3	$85	$8,824	**+$1,142**
Month 4	$78	$9,615	**+$1,933**
Month 5	$82	$9,146	**+$1,464**
Month 6	$90	$8,333	**+$651**
Month 7 (Jamie)	$115	$6,522	**-$1,160**
Month 8	$105	$7,143	**-$539**
Month 9	$98	$7,653	**-$29**
Month 10	$108	$6,944	**-$738**
Month 11	$118	$6,356	**-$1,326**
Month 12	$125	$6,000	**-$1,682**

Alex's steady $500/month approach finished the year at $7,682. Notice the huge spread in the "one lucky guess" column — from $6,000 to $9,615 — purely depending on which month you'd have picked, with no way to have known in advance. Alex's approach isn't always the best outcome, but it avoids ever depending on getting that guess right.

> ***Worth knowing:*** *dollar-cost averaging doesn't guarantee a profit or protect against a loss in a falling market — if prices trend downward all year, you'll still be down. What it does is remove the pressure of guessing a single "right moment," and it's a strategy anyone can stick to without needing to watch the market every day.*

Quick Check: 5 Questions

Answer all five before turning the page to check yourself against the answer key.

1. What does "dollar-cost averaging" mean?

- A. Investing your entire savings in a single stock
- B. Investing a fixed amount at regular intervals, regardless of price
- C. Waiting for the market to hit its lowest point before investing
- D. Only investing when a financial advisor tells you to

2. Why is trying to "time the market" so difficult?

- ■ A. Nobody can reliably predict short-term price swings, so waiting for the "right moment" often means missing opportunities entirely
- ■ B. Markets are only open during specific hours
- ■ C. Timing only matters for cryptocurrency
- ■ D. It's easy once you have a financial license

3. In the Alex vs. Jamie example, why did Alex end up ahead even though both invested the same $6,000?

- ■ A. Alex received a bonus from their employer
- ■ B. Alex only invested in bonds
- ■ C. Jamie invested in a riskier type of account
- ■ D. Alex's monthly purchases averaged out the price, while Jamie waited and bought in near a peak

4. What's one of the psychological benefits of investing consistently on a schedule?

- ■ A. It guarantees higher returns than any other strategy
- ■ B. It removes the need to ever check your portfolio
- ■ C. It turns investing into a routine habit instead of a stressful, high-stakes decision
- ■ D. It eliminates all investment risk

5. What's the main takeaway of this lesson?

- ■ A. You should always wait for a market dip before investing
- ■ B. Consistency, not perfect timing, is what actually builds wealth over time
- ■ C. Dollar-cost averaging only works during bull markets
- ■ D. You need to check stock prices every day to invest successfully

Quiz Answer Key

1 B — Dollar-cost averaging means investing the same amount on a regular schedule — some months at higher prices, some at lower — so no single guess about timing determines your outcome.

2 A — Even professional fund managers can't reliably predict short-term price moves. Waiting for certainty usually means either missing the move entirely or jumping in once prices have already risen.

3 D — Alex bought at 12 different prices across the year, smoothing out the average. Jamie waited for confidence, which arrived only after prices had already climbed.

4 C — Investing on autopilot on a set schedule takes the emotional pressure out of guessing the "right" moment — it becomes a routine rather than a source of stress.

5 B — You'll never reliably pick the perfect moment — showing up consistently, on a schedule, beats waiting for certainty that never comes.