



TO FINANCIAL INDEPENDENCE

7

INVEST CONSISTENTLY

"The individual investor should act consistently as an investor and not as a speculator" – Benjamin Graham

Many investors are in constant pursuit of the 'secret' to successful investing. The reality is, successful investing can be achieved with an investment strategy reinforced by a firm adherence to consistency.

The idea/myth that you need a large amount of money in order to start, and to succeed in, investing is often very discouraging. This rhetoric, however, is flawed. Once you understand the concept and power of compound interest, you'll understand that simply starting, with any amount, is what's most important. A key benefit of consistency in investing is that it helps mitigate risk by taking advantage of a concept called dollar cost averaging. Although we cannot predict the market, an investment strategy which adheres to strict consistency can influence returns generated in the long run. Here's how:

Dollar cost averaging is the practice of investing a fixed amount on strictly consistent intervals (typically monthly) regardless of what's going on with the stock market. This may be challenging, given that our emotions may likely tell us to hold back and wait for the 'right time' to make an investment. When you invest the same amount of money every month, the number of shares you purchase will vary due to inevitable stock price changes. So, when the price is low you purchase more shares, and when the price increases, you purchase fewer shares. This all happens automatically and doesn't require any hard work from the investor. Again, the amount you invest doesn't matter as much as just starting does. The sooner you start investing and the longer your time horizon, the more growth potential your investment account has. In essence, with dollar cost averaging you are beating the market without necessarily trying, while avoiding the challenges that come with actually trying to time the market.

Combining consistency with proper asset allocation gives you a much better chance of achieving your financial objectives. Once you start investing, make it a point to invest regularly and be consistent. If you can, increase the amount you invest every year to help keep pace with inflation and ensure your money maintains its value. Remember, investing consistently can change how long you need to invest, in order to reach your financial goal.

Invest wisely. Invest with Databank.