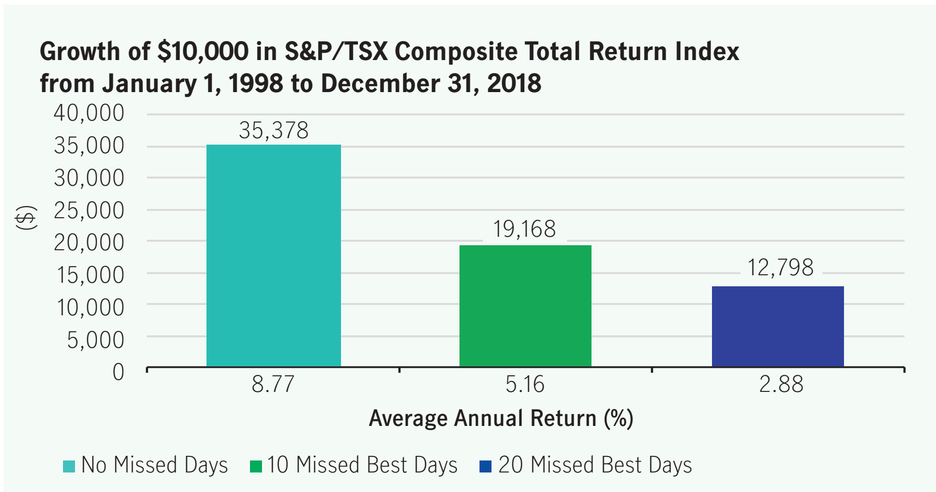
Dollar-Cost Averaging – How market volatility can work towards your advantage

When markets fall, your immediate thought might be to sell. What you don't realize is that if you try to time the market, it could cost you more to leave than to stay invested.

If you try to predict the market, you might miss out on the best days.

Often, when markets recover, it happens suddenly and leaves little time for investors to react.

In this example, you can see that if John tried to time the market and missed out on the 10 best days in the process, he could have potentially missed out on half of the returns he could have earned if he had stayed invested the whole time. His actions potentially cost him over $20,000 in returns!



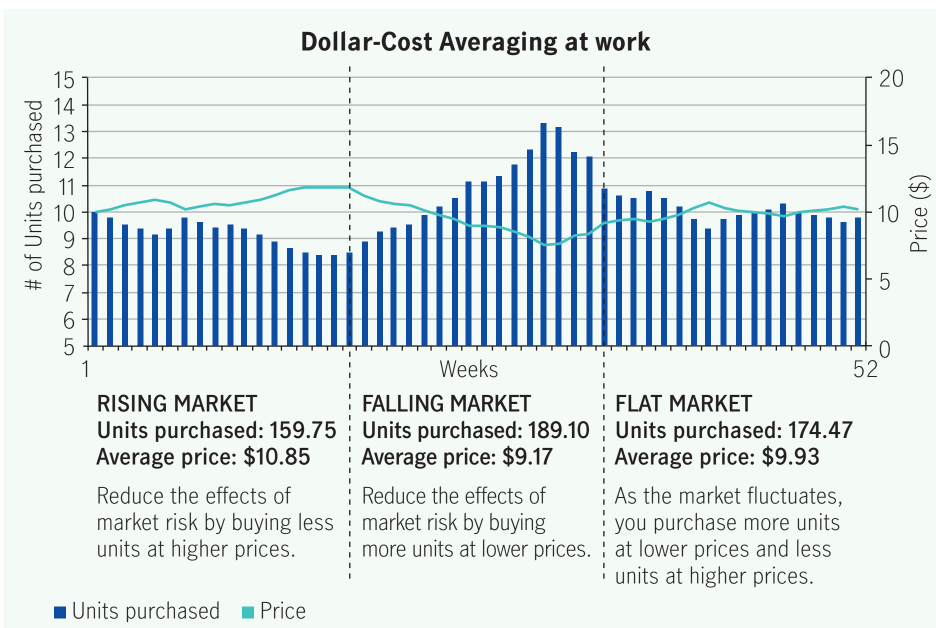
Hypothetical example for illustrative purposes only.*

There's another way to deal with market fluctuations and that's with Dollar-Cost Averaging (DCA)

Dollar-Cost Averaging does not tell you what investment to buy (that's between you and your advisor), but it does do away with the problem of trying to figure out when to buy. With Dollar-Cost Averaging, you spread out your purchase in equal installments over a pre-determined period of time.

So let's say you purchase $100 worth of units of the same investment every week. With fluctuations in the marketplace, sometimes the cost per unit will be higher, sometimes it will be lower. When the price is lower, you end up buying more units than when the price is higher.

Over time, it works out that you buy more units when the price is low and you may end up with more units in total than you would if you tried to figure out when the market was going to provide you with the best outcome.



For illustration purposes only.

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How can DCA help you?

Provides a disciplined approach – ensures that you don't try to "time" the market, and it ensures you continue to invest even when markets are down (opportunities to invest at lower prices).

Give you peace of mind – Regular contributions means not having to worry about investing at a "high" point in the market or missing an opportunity to invest at low prices – as a result, you may receive, over time, a more "average" investment price.

How does DCA work?

1. Initial minimum investment of $1,000 into the Manulife Dollar-Cost Averaging Fund and you choose Manulife Mutual Funds to receive systematic weekly switches.

2. Systematic weekly switches from the Manulife Dollar-Cost Averaging Fund to your selected mutual funds occurs 52 times/year. Plus you earn interest on your assets[1]

Is DCA right for you?

- If you are looking for a investment strategy that will help provide more consistent returns over the long run
- If you want to make regular contributions instead of lump sum payments

[1] While invested in the Manulife Dollar-Cost Averaging Fund investors earn a rate of return on their assets which is expected to be equivalent to the interest rate offered by the Manulife Bank Investment Savings Account. Investors also pay no MER on any balance held within the Fund. The Manager pays all of the operating expenses for the Manulife Dollar-Cost Averaging Fund, other than commissions and brokerage fees.

*Source: Morningstar Direct, December 31, 2018. For illustration purposes only. Average 1yr return calculated by annualizing the average daily return assuming 280 trading days in a year. May not exactly match actual annualized returns due to calculation methodology. Past performance is not indicative of future performance. Index: S&P/TSX Composite Total Return Index. The index is unmanaged and cannot be purchased directly by investors. The rate of return shown is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the investment fund or returns on investment in the investment fund. © 2019 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar not its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

By staying invested, you won't miss out on the best days that make up some of the market growth. Strong performance occurs on a handful of single days over a longer period. There's no way to predict these strong days. Also by using the Dollar-Cost Averaging approach, it may help smooth out market fluctuations and overtime it can help lower the average price per unit purchased and provide the potential for higher capital appreciation.

For more information, contact your advisor.

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