



In our last email to you in April, we discussed the concept of Dollar Cost Averaging (article attached).

We would like to introduce to you now specific examples and ideas of how you can use Dollar Cost Averaging to save money for some specific situations.

Education Funding

By saving regular installments over time, you can avoid the risks of bad market timing and at the same time put away funds for your children's education. Let's look at an example. Paul and Mary are considering what they might need to save to pay for secondary school fees of \$15,000 pa per child for their 2 children who will starting secondary school in 10 and 11 years time. The table below shows one possible savings plan and compares what they would need to save to cover all school fees if they started **now** versus to starting **in 2 years time**.

Start Date	Initial Investment	plus	Monthly Installment
Now	\$5,000	plus	\$690 per month
2 years time	\$5,000	plus	\$870 per month

The above example assumes school fees are indexed at 3%pa, your monthly investment is indexed at 3% pa and you achieve a return (net of fees and taxes of 7% pa).

So by starting saving now, Paul and Mary save \$180 per month in this example. Of course, there are many different saving patterns that can be put in place and every family will have different circumstances. If you are interested, we would be pleased to discuss your personal situation with you and develop an appropriate savings plan for you.

Gifting for children or grandchildren

Would you like to build a "nest-egg" to provide to your children or grandchildren at some future date? By establishing a disciplined savings plan, and using the benefits of Dollar Cost Averaging, you can do this and avoid the risks of bad market timing at the same time. You would then have a lump sum that you can pay to your children or grandchildren at some future date or on them reaching a particular age. Or, you could even pass the fund to them so they can continue saving for themselves.

Retirement

Making regular additional contributions to a savings fund or your superannuation is another form of dollar cost averaging, and a great way to ensure you have more money available to you when you retire while minimizing the risks of market timing along the way.

Other Medium Term Financial Goals

Whether it be a "round the world" holiday in 15 years time, or a major home renovation in 5 years time – establishing a disciplined savings plan can help you meet those medium to long term financial goals. Using Dollar Cost Averaging helps you avoid the risks of trying to pick the best time to enter the market and allows you to take advantage of any short term investment market negativity.

If you would like to discuss with us whether or not a regular savings strategy would enhance your plans (or someone in your family) we would welcome your call.

Kind regards

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