
How to Dollar Cost Average (DCA)

A Simple Strategy for Beginner Investors

What Is Dollar Cost Averaging?

- Dollar Cost Averaging (DCA) is an investing strategy
- You invest a **fixed amount of money at regular intervals**
- Instead of investing all your money at once
- Helps remove emotion and market timing

Why Beginners Love Dollar Cost Averaging

- No need to predict market highs or lows
- Reduces stress and emotional investing
- Easy to automate
- Works well with long-term investing
- Builds consistency and discipline

How Dollar Cost Averaging Works

- Pick an investment (stock, ETF, or index fund)
- Decide how much money to invest each time
- Choose how often to invest:
  - Weekly
  - Bi-weekly
  - Monthly
- Invest the same amount no matter what the market is doing

Simple Example of Dollar Cost Averaging

- You invest **$100 every month** into one stock or ETF
- Month 1: Price is high → you buy fewer shares
- Month 2: Price drops → you buy more shares
- Month 3: Price drops more → you buy even more shares
- Over time:
    - Your **average cost per share decreases**
    - Market volatility works in your favor

What Can You Dollar Cost Average Into?

- Individual stocks (Apple, Microsoft, etc.)
- ETFs (SPY, VOO, QQQ)
- Index funds
- Dividend-paying stocks
- Long-term growth investments

How to Set Up Dollar Cost Averaging

- Open a brokerage account (Robinhood, Fidelity, etc.)
- Choose your investment
- Set a fixed dollar amount
- Turn on **recurring investments** (if available)
- Stick to the plan

Best Time to Use Dollar Cost Averaging

- When markets are volatile
- When you're investing long-term
- If you're nervous about market crashes
- If you're a beginner unsure when to invest

- When you receive income regularly (paychecks)

Dollar Cost Averaging vs Lump Sum Investing

- **Dollar Cost Averaging**
    - Lower risk
    - Less stress
    - Better for beginners
- **Lump Sum Investing**
    - Higher risk
    - Requires confidence in timing
    - Can outperform in strong bull markets

Common Mistakes to Avoid

- Stopping investments when the market drops
- Changing amounts too frequently
- Trying to “wait for the perfect time”
- DCA’ing into poor-quality investments
- Not investing long enough

Key Benefits of Dollar Cost Averaging

- Smooths out market volatility
- Builds wealth over time
- Encourages long-term thinking
- Helps avoid emotional decisions
- Perfect for consistent income strategies

Who Should Use Dollar Cost Averaging?

- Beginners
- Long-term investors
- Busy investors
- People investing from paychecks
- Anyone who wants a simple, stress-free strategy

Final Takeaway

- Dollar Cost Averaging is **simple but powerful**
- Consistency matters more than timing
- Time in the market beats timing the market
- Start small, stay consistent, and think long term
