

Ease Your Way In To The Global Stock Market

Heads up, you know darned well that you have to do something with your money. Something besides enjoying your weekends and getting your hands on the latest electronic gadget. That something, as you have probably already figured out is about getting up close and personal with the world of investments.

Yeah, it may look like a bit of work. It may even not look so appealing with all of those pundits on TV jumping up and down and screaming at the market gyrations. Yet the fact remains that taking care of your personal financial future is your responsibility and yours alone. Unless and until you happen to hit the Big One with the Powerball lottery or some sort of odd windfall, the reality is you need to start putting money away, like right now.

Not under your mattress

The only sure thing you can count on is our friends at the Internal Revenue Service (IRS) doing what they do to make sure you pay your fair share.

Now it goes without saying but better we just go ahead and say it anyway; putting money away does not mean stuffing it under your mattress or throwing your hard earned money at a company stock your pal insists is a “sure thing”. Nope, not so much. The only sure thing you can count on is our friends at the Internal Revenue Service (IRS) doing what they do to make sure you pay

your fair share. The point of all this: strategically putting your money into the market is a recognized way to help fund your retirement.

Fund the 401(k) first

Now that being said, for the purposes of this article this investing stuff is going to only ever be done after you have maximized your 401(k) plan options at work and after you have also set up your very own Individual Retirement Account. In other words, maximize the retirement plans and options you already have first and foremost. Then, its time to dip your toe into what the pro's refer to as the equities market.

Reality of investment returns

And lest you should be thinking that there are better options out there, well to be blunt, you would be wrong. You see, the truth of the matter is that any investment can show off and have a stellar performance for a short period of time. The bigger and better question is what is the long term return of the investment option you happen to be looking at?

With just a little bit of homework, okay not even that much, you can easily check this out for yourself with a quick Google search.

What you will find is that over the long term, equity investments (think stocks) consistently return an average of 7%. Yes, that includes good years and not so good years. The point is that 7% number is actually pretty high compared to other "so-called" investments such as real estate, gold, or even collector coins.

Ease In Plan

Which brings us to the focus of today's article: how can you ease your way into the market without taking a beating. Taking a beating would mean something like handing over \$2,500 to your online broker only to discover that the value of your portfolio (the stocks you bought) has suddenly and without warning plummeted to like \$1,374.00. Ouch! No wonder so many would be investors shy away from the market.

Yet, do not lose sight of that 7% long term return number discussed above. So let's see where we are. You understand the need to get into the market. Yet at the same time you are leery of investing your hard earned money and risk losing some or all of your cash. Is there a way out of this quandary? Thankfully there is.

The Answer

The solution is to use a strategy referred to as Dollar Cost Averaging (DCA). Although the term itself may sound esoteric, the strategy is ridiculously easy to understand and put into practice. Essentially dollar cost averaging works by you only ever investing a certain fixed amount on a regular schedule. For example, suppose at the end of every three months, you put \$325.00 into the market.

In other words, you are funneling \$325.00 per quarter into your investments. But, that is NOT the same as putting in a lump sum at the end of the year. The point is to put in the same amount at a regular interval.

What happens is that when the market prices are high, you end up with fewer shares. That's okay though because the same thing works in reverse. When the market is low, that same amount of money invested will get you more shares. Do you see how easy

this is?

A side benefit of dollar cost averaging that could end up saving you from making a catastrophic decision is your investments are on cruise control. That is, Dollar Cost Averaging takes the emotional highs and lows out of the investing thing. Sadly most investors who aren't up with DCA do the exact opposite of what successful investors do. That is, they buy high (when the market rises) and sell low (usually in a panic when the market drops).

Conclusion

You owe it to your future personal financial situation to get into the market like right now. Knowing and understanding the strategy of Dollar Cost Averaging is an easy way to get started and to keep it going.

Now it's on you. Have you considered something like dollar cost averaging as a way to ease into the market?

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