



DOLLARS AND SENSE

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When is the Best Time to Invest?

According to a Chinese Proverb the best time to plant a tree was 20 years ago. The second best time to plant a tree...today.

Perhaps you look at the current state of the stock and bond markets and realize the rally is long in the tooth resolving you have missed the boat. Oh well, next time.

There are many good reasons not to invest. Prices are too high. Prices are too low. There is too much uncertainty. There is not enough uncertainty. Interest rates are too high. Interest rates are too low. The cat needs braces.

The bottom line is there will always be a reason to stay out of the market.

But, what is your reason to get in? To what do you aspire? Retirement? Travel? Education? Financial freedom? More time with your loved ones?

Building a nest egg sufficient to afford the freedom to pursue what you were meant to do begins with some type of savings or investment plan.

If you are waiting for the Goldilocks Investment Fund to come along (not too risky, not too safe) it is already here. It is known as the Lifestyle Fund and available in your Thrift Savings Plan (TSP). You choose the fund date that fits your time horizon (the time frame you expect to retire) and allocate some or all of your retirement dollars into that fund. The allocation is automatic...and just right.

Beginning (or continuing) with just a few dollars per pay period, or as much as you care to invest, allows you to perform a valid Wall Street investment strategy known as Dollar Cost Averaging (DCA).

With Dollar Cost Averaging the amount of money invested at each pay period remains largely the same over time, but the number of shares purchased varies based on the market value of the shares at the time of a purchase. When the markets are up, you buy fewer shares per dollar invested due to the higher cost per share. When the markets are down, the situation is reversed and you purchase a greater of number of shares per dollar invested.

It's a strategic way to invest because you buy more shares when the cost is low, so you get an average cost per share over time, meaning you don't have to invest the time and effort to monitor market movements and strategically time your investments.

Oh, and it wouldn't hurt if you were also inclined to plant a tree. Just sayin'.

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