

Regularly investing over time may allow one to take advantage of market volatility, rather than simply suffer it. As stocks bounce up and down, investors may find that market drawdowns present opportunities to invest at lower prices. Perhaps easy to default, then, to a dollar cost averaging plan (DCAP)—the practice of investing a particular sum of money into the stock market over time, versus all at once—thinking that DCAPs always make for better outcomes. History suggests, however, that when it comes to investing a specific pile of excess cash, one may find that investing it all at once may make more sense, even if it feels less comfortable in the moment:

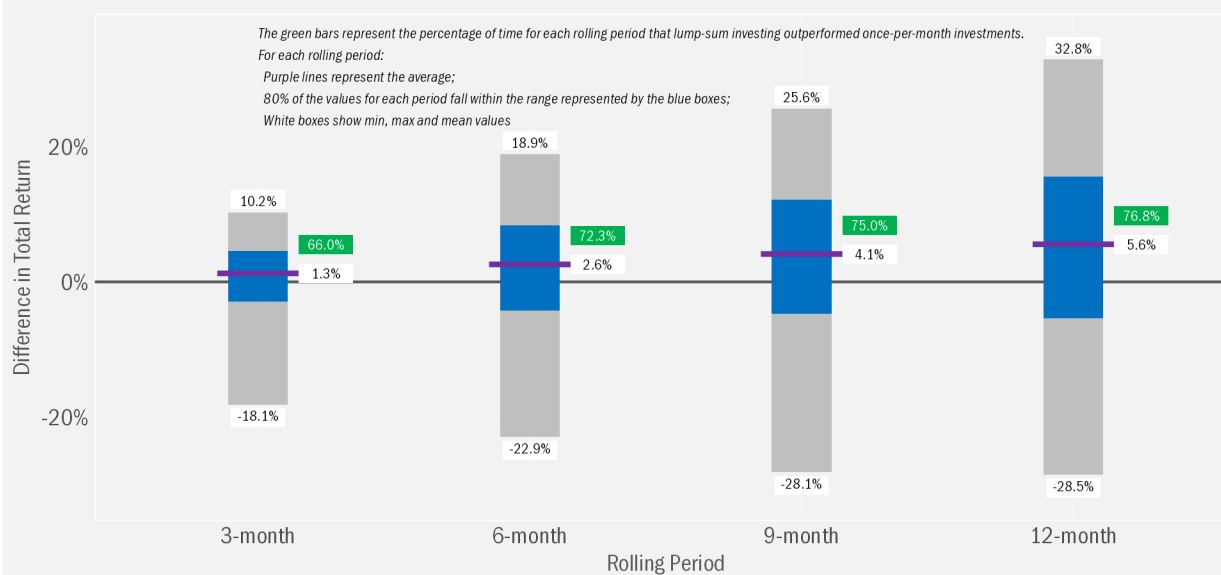
- We think it wise to regularly invest freshly earned excess cash (e.g., a portion of each paycheck)
- But when it comes to splitting up a single sum of excess cash (e.g., a large year-end bonus or annual contribution to a retirement plan), lump-sum investing has often—but not always—come out ahead
- Even so, cautious investors may find any opportunity cost of wading into the market a small potential price for the comfort a DCAP may provide, as any missed gains may fade into the background over time
- Either way, we believe that maintaining any disciplined investment plan trumps having none at all

Generally, But Not Always Up

Obviously, investing excess cash all at once on the best day possible (meaning the lowest level of the market over any given period) would likely result in the highest gain. But such perfect timing is not possible. Investors may instead turn to a dollar cost averaging plan (DCAP)¹ as means to potentially avoid investing at relatively inopportune times. As we show in Figure 1, however, spreading out the investment of some sum of excess funds, rather than investing the entire amount all at once, historically has not led to higher returns. Of course, there is always the possibility that a meaningful market decline is just around the corner, such that a DCAP **might** lead to a better return. And in that sense, a DCAP minimally may provide an extra layer of comfort to investors who might otherwise be fearful of increasing an allocation to stocks at any given point in time.

Figure 1: Difference in Total Return: Lump-Sum, versus Once-per-Month Investing

Lump-sum investing has often come out ahead, though that may not always be the case



From 12.31.49 to 11.30.25. Underlying data are monthly total returns for the S&P 500 Index. Hypothetical example for illustrative purposes only. Does not represent actual trading in any specific investment. Lump-sum (beginning of period) and once-per- (beginning-of-) month investments are considered to have been made prior to market open. Periods longer than one year show annualized data. Past performance is not indicative of future results. Investing in securities involves risk, including risk of losing some or all the invested capital. There is no guarantee that any investment or investment strategy will achieve its objective. Indexes are unmanaged. One cannot directly invest in an index. Index performance reflects the reinvestment of dividends, but does not reflect the expenses associated with the management of an actual portfolio. Please see additional important information regarding indexes at the end of this report. SOURCE: SRCM using data from Bloomberg

But Maybe Don't Just Sit There

Meantime, we find it important to invest the cash portion of a DCAP in very short-term, liquid cash-like securities (e.g., a money market fund) as this may help avoid missing out on potential, relatively lower-risk returns. And that's part of a broader, more foundational message that individuals should consider being invested in some manner, as avoiding investing altogether almost guarantees a suboptimal financial outcome.

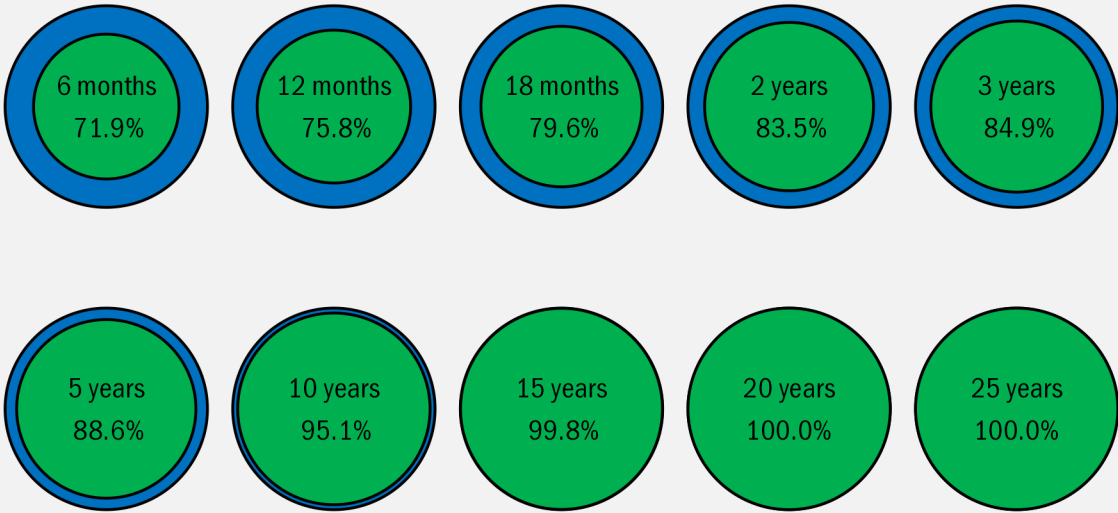
As part of finding comfort with being invested, we believe it is important that investors determine a level of exposure to equity market risk—meaning a level of potential decline—that they believe they will find manageable in the event of an actual market decline. Hypothetical declines are nothing like the actual sort, though, which is why we tend to focus so much on investment risk in our commentaries and discussions with clients. After an appropriate level of equity exposure is defined, a DCAP may provide an additional layer of comfort with potential near-term market swings. And investors may find that any gains missed through the implementation of a DCAP are unlikely to have proved meaningfully detrimental in the fullness of time.

That long-term mindset is critical, though, as stocks don't always go up. In Figure 2 we show the percentage of time the U.S. equity market² saw gains over a range of rolling time periods³. And in Figure 3 we show the data underlying the averages from Figure 2. Both charts show that the propensity to have seen a gain from equity investing has grown as one increased the hypothetical "time in the market". But they also make clear that losses over reasonably longer periods of time, while not historically common, are not improbable.

As we look forward to the new year, we wish everyone a safe and festive close to 2025 and a grand launch into 2026!

Figure 2: Length of Holding Period and Risk of Loss

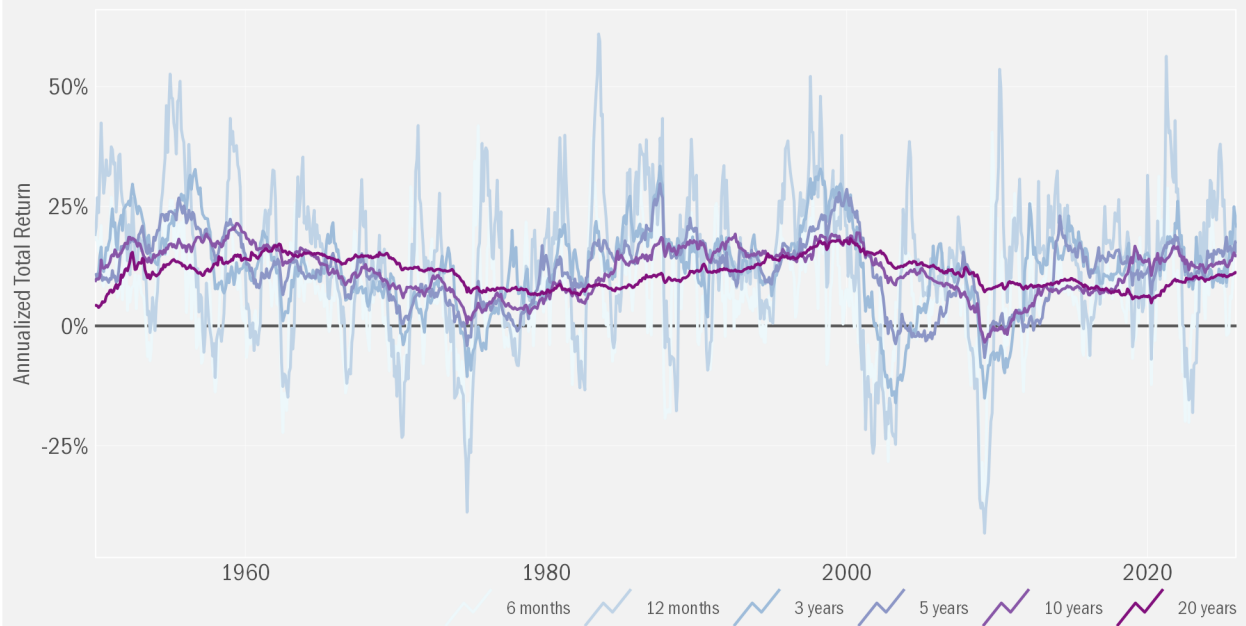
Over longer periods, returns have shown a tendency to become more positively biased



Percent of Rolling Periods with a Positive Total Return

From 01.31.26 to 11.30.25. Underlying data are monthly total returns for the S&P 500 Index. Rolling calculations based on given trailing periods for each month end. For illustrative purposes only. Past performance is not indicative of future results. Investing in securities involves risk, including risk of losing some or all the invested capital. There is no guarantee that any investment or investment strategy will achieve its objective. Indexes are unmanaged. One cannot directly invest in an index. Index performance reflects the reinvestment of dividends, but does not reflect the expenses associated with the management of an actual portfolio. Please see additional important information regarding indexes at the end of this report. SOURCE: SRCM using data from Bloomberg

Figure 3: Rolling-Period Returns by Time Horizon



From 05.31.15 to 11.30.25. Underlying data are monthly total returns for the S&P 500 Index. Rolling calculations based on given trailing periods for each month end. For illustrative purposes only. Past performance is not indicative of future results. Investing in securities involves risk, including risk of losing some or all the invested capital. There is no guarantee that any investment or investment strategy will achieve its objective. Indexes are unmanaged. One cannot directly invest in an index. Index performance reflects the reinvestment of dividends, but does not reflect the expenses associated with the management of an actual portfolio. Please see additional important information regarding indexes at the end of this report. SOURCE: SRCM using data from Bloomberg

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¹A dollar cost averaging plan involves continuous investment in securities regardless in fluctuation in price levels of such securities. Investors should consider their ability to continue purchasing through fluctuating price levels. Such a plan does not assure a profit or protect against loss in declining markets.

²"U.S. stocks" are represented by the S&P 500 Index measures the performance of the large-cap segment of the U.S. equity market.

³A rolling time period refers to a specific duration—such as one year, three years, or five years—that shifts forward incrementally over time. Instead of evaluating results only at fixed intervals (like calendar years), rolling periods analyze performance or data across overlapping intervals. For example, a rolling five-year period on monthly data like we show at the top of Figure 2 would look at January 2015 to January 2020, then February 2015 to February 2020, and so on.).

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