WERBA & DAVIS
ADVISORY SERVICES, LLC

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You asked us…

Is Dollar-Cost Averaging an Effective Way to Enter the Market?

As volatile markets continue, you may have heard "Dollar-Cost Averaging" touted as a way to reduce market risk. A recent Google search of "Dollar-Cost Averaging" netted more than 2 million hits. With many investors entering or re-entering the market today, we are now frequently asked to give an opinion on whether it is truly a sound strategy.

Dollar-cost averaging (or ***DCA***) is simply investing systematically over a period of time rather than investing a lump sum all at once. For example, if you wanted to invest $1,000,000 into the market, but you were nervous that the market may be ready to head downward, you could instead invest $80,000 per month to enter on a more gradual basis.

DCA is a seductive idea to jittery investors — thus the recent resurgent interest in DCA. The DCA story is usually told with an example of how it improves results during times of falling markets. If each time you invest the market has fallen from your previous investing moment, then you buy in at lower prices. So despite the market fall, you benefit by buying at increasingly lower prices.

However, as a 1979 article in the *Journal of Financial & Quantitative Analysis* (and many subsequent articles) pointed out, DCA can often result in lower investment results rather than enhancing them. Why? The fact is that, historically security prices have risen more frequently than they have fallen. In fact, from 1926 through 2008, markets rose versus falling by roughly a two to one margin. So what does this mean for DCA proponents? It means that if markets rise two thirds of the time and fall only one third, then the odds are also two to one that using DCA will lower your portfolio performance rather than boost it higher. So if the odds are tilted against you based on historical movements, why would you consider using DCA as part of your investment strategy?

To gain a more in-depth understanding of DCA, I recommend you go to the web at www.moneychimp.com/features/dollar_cost.htm where you can use an interactive table to examine DCA results over many time periods. The author of this article similarly concludes that "DCA is the statistical dog, losing about two out of every three times."

We believe in a strategic approach to investing that includes starting at a young age and investing often. And we believe you should keep your funds invested for the long term. As for using DCA for staging market entry, it may lower your ultimate returns, but we believe it is still better than staying frozen on the sidelines for the long term.

Meet Aaron Rubin

We are pleased to announce the addition of Aaron Rubin, JD, CPA to the professional advisor team of Werba Davis Advisory Services.

Aaron brings a wealth of diverse financial experiences and believes that a comprehensive wealth plan should both grow and defend assets.

He received BA degrees in economics, accounting and Spanish from Claremont McKenna College in 2002. He also received a law degree (JD) from the University of Illinois College of Law in 2006. Aaron was admitted as a member of the California Bar in 2006 and was licensed as a certified public accountant (CPA) in 2008. Aaron is also a licensed life, health and property and casualty insurance agent in the state of California. Aaron has passed the CFP® exams and will receive this designation when he fulfills the experience requirements.

Prior to joining Werba Davis Advisory Services Aaron worked at Deloitte (an international CPA firm), at Abbott Stringham & Lynch (a local CPA firm) and at Farmers Insurance.

He and his wife Libby live in San Jose along with their pride and joy, Daphne (an English bulldog).

We Hope You Enjoy this New Service

Aaron's addition allows us to introduce several new services, including a new web site (currently still under construction), insurance review services and a monthly newsletter, of which this is the inaugural copy. We also plan to roll out a team approach to our investment clients. We hope you will find all these changes beneficial. Our goal is increase our value to you.

We have always considered education and communication to be a key part of our relationship with you. The news media floods the print, television and radio channels with investment information and frequently offers investment recommendations. We fondly refer to this as "investment pornography" and encourage you to ignore it.

This brief monthly newsletter is designed to answer questions you have asked about a range of financial and investment topics. Our goals is to present each subject with a focus on the facts and data and without hyping any particular strategies. We hope you will find this information useful and that it helps filter out the "noise" produced by the news media.

If these articles stimulate further questions, please feel free to call us. And please feel free to send us any questions you'd like us to have us address in future issues. Your input will help us make this publication relevant and timely and enhance its value to you.

We will be making a concerted effort over the next few months to sign you up to receive this newsletter electronically rather than by regular mail.

Once the web site is launched, newsletters will be archived on the web site so you can refer back to them when needed. You will also be able to access your account performance and tax data on the web site and other information that we hope you will find of value.