

RBC Investment UPDATE

April 2024 edition



Dollar Cost Averaging (DCA)

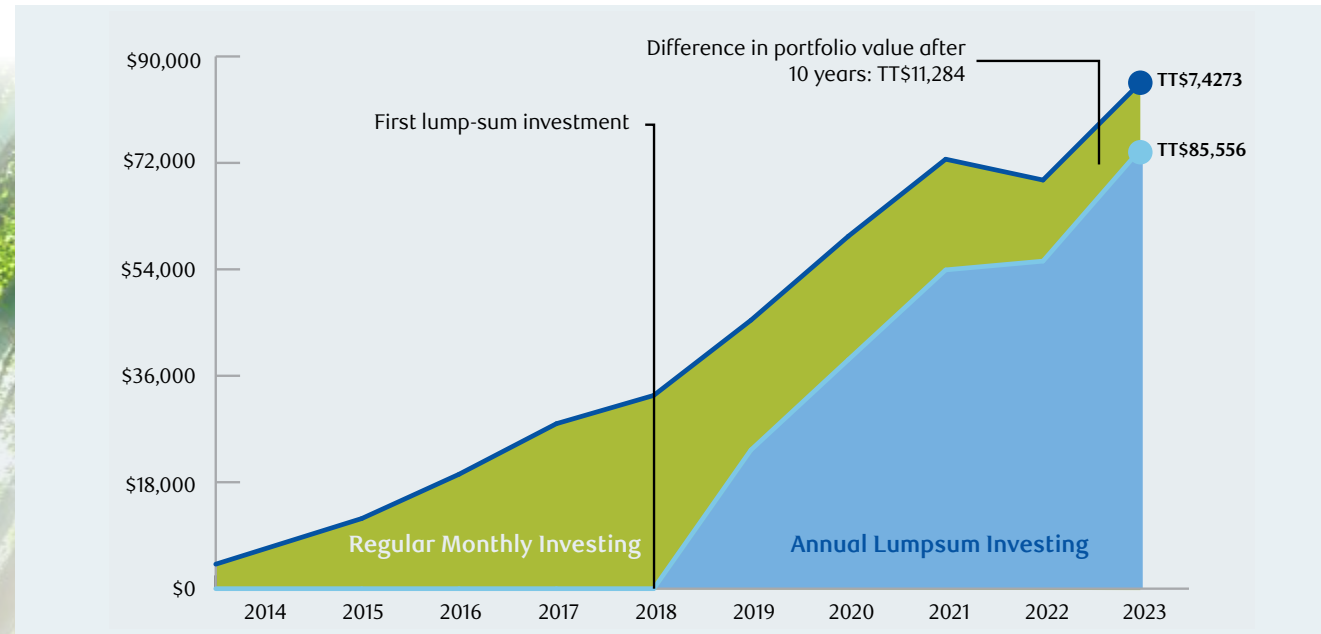


The term “dollar cost averaging” refers to what happens when you invest a fixed amount at regular intervals regardless of market performance. When markets are down, you automatically take advantage of the opportunity to buy more units of your investment at a lower price. When markets are doing well, the money you’ve already invested is benefiting from that performance. The discipline of regular periodic investments puts the power of dollar cost averaging to work for you and can limit the impact of emotional investing during periods of market volatility.

For example, suppose that in January 2013, you had to choose between the following two investment strategies:

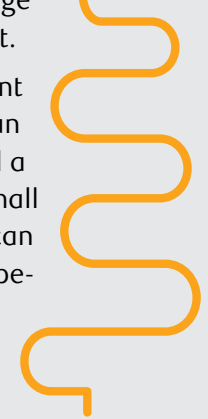
- **Consistent monthly investments (Dollar Cost Averaging):** You start investing \$500/month (\$6,000/year) in the Roytrin TTD Income & Growth Fund and keep investing that amount consistently for 10 years. This results in a total contribution of \$60,000 over 10 years.
- **Annual lump-sum investments:** Since you think a \$500 monthly contribution is too little to invest, you wait until 2019 when you have \$20,000 to start and then invest annual lump-sums of \$10,000 at the beginning of each year. This also results in a total contribution of \$60,000 over 10 years.

The chart below shows the gap in returns between these two strategies over the period of 10 years. What you’ll notice is, even though you invested the same total amount of money, the monthly strategy produced over \$11,284 more than the other.



Key Takeaways:

- ✓ A strategy of investing monthly produces better performance than waiting to accumulate a large amount of money to invest.
- ✓ Having strong investment performance in the long run does not necessarily need a large initial investment. Small consistent contributions can achieve great results because time is on your side.
- ✓ “Time in the market” is more important than “timing the market.”



Final thoughts

Achieving financial goals takes patience and time. Sometimes the best advice might be to worry less about the broad end-goal of retirement or buying a new home. Instead, focus on the small steps, like regular contributions, that will get you there.



Contact Us

If you would like more information about our investments products, please call RBC Royal Bank at 800-1RBC (1722) or West Indies Stockbrokers at 628-WISE (9473). We look forward to assisting you.

Making it to the top of the Bamboo Cathedral

At the beginning of each year, many people set an ambitious fitness goal for the next twelve months, such as losing 50 pounds or being able to run all the way to the top of the Bamboo Cathedral without pausing for a break. An experienced personal trainer will tell his or her client, “Take it one step at a time. Don’t worry about the long distance between where you are now and the top of the Bamboo Cathedral. Just focus your attention on making one more step.”

This type of fitness advice also applies when it comes to investing.

Don’t be afraid to get started

One of the major reasons investors, especially new investors, fail to achieve their financial goals is they are constantly delaying investing due to not having large sums, or not being sure when the “right time” to invest is. The truth is the amount of money you start with doesn’t matter much. Small contributions are more than enough to begin the journey. The most important thing is to get started now.

One step at a time

Along the way, you may feel like your goals are too big or far away to achieve. It is crucial to remember that no matter how small your contributions are, if you are consistent, the difference will show in the long run.



RBC’s Investment Opportunities:

| | Cash and equivalents | Fixed Income | Balanced Portfolio | Equities |
|---------------------------------|--|--|--|--|
| RBC Royal Bank | Term Deposits Roytrin Money Market Fund | Roytrin Income Fund Roytrin High Yield Fund | Roytrin Income & Growth Fund | |
| West Indies Stockbrokers | | Global bond markets | Customised Investment Portfolio - Balanced (Income) Customised Investment Portfolio - Balanced (Growth) | Global stock markets Customised Investment Portfolio - Growth |

The information contained in this article has been provided by RBC Financial (Caribbean) Limited. It is for informational purposes only and should not be construed as offering specific tax, legal, financial or investment advice and such information should not be relied upon for providing such advice. RBC Financial (Caribbean) Limited takes reasonable steps to provide up-to-date, accurate and reliable information, and believes the information to be so when printed. Any investment and economic outlook information contained in this article has been compiled by RBC Financial (Caribbean) Limited from various sources. Information obtained from third parties is believed to be reliable, but no representation or warranty, express or implied, is made by RBC Financial (Caribbean) Limited, its affiliates or any other person as to its accuracy, completeness, or correctness. RBC Financial (Caribbean) Limited and its affiliates assume no responsibility for any errors or omissions. Information about the products and services described should not be considered an offer to sell to, or a solicitation to buy or distribute such product or services. Before making an investment decision, you should consult with a qualified financial advisor who can provide advice on the suitability of any investment for you based on your investment objectives, investment experience, financial situation and needs, or other relevant information. Performance is subject to variation and is likely to change over time due to interest rates, market conditions, tax rulings and other investment factors. Past performance should not be treated as an indicator of future performance. RBC Investment Management (Caribbean) Limited, West Indies Stockbrokers Limited, RBC Royal Bank (Trinidad & Tobago) Limited and RBC Trust (Trinidad & Tobago) Limited are separate corporate entities which are subsidiaries of and affiliated with RBC Financial (Caribbean) Limited.