The Power of **'Averaging'**

Turning market volatility to your advantage

Understandably, pensions and savings investors are often reluctant to invest new money when markets are volatile. However, it is possible to make volatility **work in your favour**...

No need to time the market

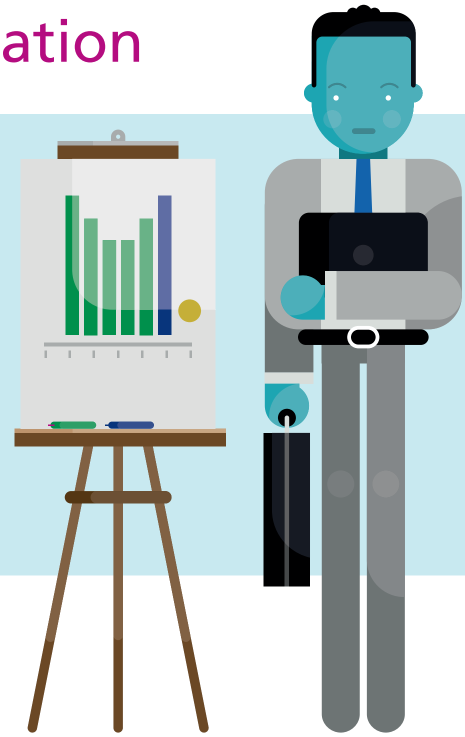
Market timing (buying when the market is low and selling when it is high) is notoriously difficult – mis-timing your move by just a day can mean taking some unnecessary losses or missing out on substantial gains. Regularly investing small amounts of money into the market means you can benefit from something known as 'euro-cost averaging'.

Euro-cost averaging – an illustration

Let's say you invest a monthly sum of €500 into a fund.

- In a month in which the market falls, you will get more shares for your money.
- If the market rises, you will of course buy fewer shares, but your existing shares will also be worth more.

Your contributions buy more units when prices are low. So, provided that the market subsequently improves and you then encash, all the units purchased by your plan will benefit from this recovery.



The hypothetical example overleaf shows the extra benefit of paying contributions of €500 a month during a 6-month period of stockmarket volatility.

Investing **€500 a month** during a 6-month period of stockmarket volatility

When contribution paid	Amount invested	Unit price	Number of units bought
Month 1	€500	€5.00	100
Month 2	€500	€4.50	111
Month 3	€500	€4.00	125
Month 4	€500	€4.00	125
Month 5	€500	€4.50	111
Month 6	€500	€5.00	100
Total after 6 months	**€3,000**	**Average €4.50**	**672**

It's important to remember that markets can fall or rise at any time and it will only be on surrender of your policy that real gains (if any) will be accumulated.

Investing a **lump sum of €3,000** at the outset

When contribution paid	Amount invested	Unit price	Number of units bought
Month 1 – Lump Sum	€3,000	€5.00	600
Total after 6 months	**€3,000**	**€5.00**	**600**

Warning: These figures are estimates only. The are not a reliable guide to the future performance of these type of investments.

The **benefit**

Someone investing a lump sum of €3,000 at the outset would have bought 600 units at €5 each. As the unit price at the end of six months is €5, the same as at the outset, the value of the units would be €3,000.

However, due to the fluctuations in the unit price over the six month period, an investor contributing €500 a month (€3,000 in total) would have bought 672 units. At a unit price of €5, the regular savings plan would therefore be worth **€360 more than the lump sum investors!**

Warning: The value of your investment may go down as well as up.
Warning: If you invest in these types of products you may lose some or all of the money you invest.
Warning: These products may be affected by changes in currency exchange rates.

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