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Biz Brain: In today's market, lump sum investing or dollar-cost-averaging in index funds?

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By **Karin Price Mueller/The Star-Ledger**

Q. After downsizing my home, I have about $100,000 I’d like to invest in index funds but the stock market is at or near its all-time high. Two old investing adages, "Buy low and sell high," and, "Don’t try to time the market," have me in a quandary. If I invest now, I would be buying high. But not investing means I am trying to time the market. What do you suggest?
— BV in Toms River

A. Deciding when to invest is a question that has always plagued investors, so we’re really glad you asked.

Yes, the stock market has been reaching all-time highs, but there area other ways to look at things, said Brian Kazanchy, a certified financial planner with RegentAtlantic Capital in Morristown.
"I suggest viewing the stock market relative to a fundamental factor such as company earnings rather than just the absolute number it reaches," he said.
Kazanchy said company earnings are generally considered the No. 1 factor that drives the market over the long-term. Earnings have grown much faster than stock prices since 2000 and 2007, he said, and the result is that stocks are much less expensive than they were in 2000 and 2007. He said while the stock market today is not the bargain it was a few years ago, it still offers good long-term potential.
He said you should also consider large the $100,000 is as a percentage of your total portfolio.
"If it is a large percentage then you may consider reducing your entry point risk by investing in tranches over three to six months," he said. "This is called dollar-cost-averaging."
He calls dollar-cost-averaging a risk reduction technique and not a wealth enhancing technique. Because stock markets rise about two-thirds of the time, he said, investing your $100,000 all at once will lead to greater wealth more often.

Claudia Mott, a certified financial planner with Epona Financial Solutions in Basking Ridge, said index funds is an easy way to put your money to work in both the equity and fixed income markets.
"Their low fees mean you get to keep more of your money and over time these savings can really add up," she said. "Using index funds offers you the opportunity to create a nicely diversified portfolio which means you aren’t putting all your eggs in one basket."
She said diversification helps spread risk so that one poorly performing market segment is offset by another area that is doing well. Index funds are designed to track a basket of securities that represent a specific segment of the market, such as U.S. large-cap, international or emerging markets, and are widely available to individual investors on most custodian platforms.
She said the index funds you chose and their proportions in the portfolio should depend on items such as your investment time horizon, attitude towards risk, and tax bracket.
"For many investors, 2008 still feels like it happened yesterday," she said. "Yes, it was a horrible correction, but the S&P 500 has gained almost 160 percent since March of 2009 and many investors have missed that gain because they sold at the end of 2008."

"Making a commitment and sticking with it through the ups and down can be far more rewarding in the long run than trying to time the perfect entry point," Mott said.

E-mail your questions to askbiz@starledger.com