

The Ups and Downs of Investments

Too many people focus on the amount of money that fluctuates when investments have gains or losses, yet investment experts say that the net worth (the amount your stock is worth with all shares combined) and the price per share (the cost to purchase a single share) are equally important. For example, if you buy 10 shares at \$10 a piece, that equals \$100. If that investment goes up to \$12 a share, you gained \$20 for a net worth of \$120. That's good news. However, savvy investors who invest on a regular basis have learned that it's also good news when the price per share drops. Although their overall investment isn't worth as much, they can buy more shares for the money. For example, if the price drops to \$8 a share, an investor can buy 12½ shares for \$100 instead of 10 shares at \$10 a share or 8 1/3 shares at \$12 a share. That way, when the value of the stock goes back up, their overall gains are higher because they have more shares.

It would be easy, however, to assume that you should invest only when prices are low so that you can buy more for your dollar. But no one can predict the future of the stock market. It's only in retrospect that you can track the highs and lows. That's why financial experts recommend people buy shares on a regular basis, investing \$100 each month instead of buying \$1,200 worth at the end of the year.

See what this looks like by doing the math for this person who invests on a regular basis. Use a calculator, and include all the numbers following the decimal point. The first three lines have been completed to get you started.



Date	Amount invested	Price per share	Number of shares purchased (Divide the amount invested by the price per share.)	Total shares owned (Add the number of shares purchased to the total shares owned from the previous transaction.)	Net worth of stock (Multiply the price per share by the total number of shares owned.)
May 1	\$0	\$14.70	0	0	0
May 15	\$100	\$14.75	6.779661	6.779661	\$100.00
June 15	\$100	\$14.00	7.1428571	13.922518	\$194.91525
July 15	\$100	\$13.75			
August 15	\$100	\$14.25			
September 15	\$100	\$14.75			
October 15	\$100	\$15.00			
November 15	\$100	\$15.10			
December 15	\$100	\$15.30			
January 15	\$100	\$15.60			