The LSI or DCA Decision: Investing Strategies for the Lump-Sum Averse

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ABSTRACT

A recent study finds that a lump-sum investing (LSI) strategy outperforms a dollar-cost averaging (DCA) strategy approximately two-thirds of the time between January 1927 and December 2011 using multiple DCA periods and adjusting for risk. This study extends these findings by examining other risk adjustment measures as well as analyzing shorter DCA periods and timing considerations. Focusing on the US stock market for the past 20 years, the LSI strategy does not dominate DCA as strongly as the prior results indicate. Instead, the decision is sensitive to the DCA duration, the timing of strategy implementation, and the risk-adjustment method considered.

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