The Asymmetry of Losses & Gains when investing

After more than four decades working with Irish families and business owners on their financial futures, one truth which still catches people off guard is that losses and gains are not symmetrical. A 20% fall actually requires a 25% rise to recover and within the body of this article, I'll attempt to show you ways to mitigate against it.

What Nobody Teaches You

You invest €120,000. Markets fall 20%. Your fund is now worth €96,000. Most people assume a 20% rebound gets them back to parity, but it doesn't. A 20% gain on €96,000 returns €115,200, but that's still €4,800 short. To recover fully, you need a 25% gain. Not 20%.

The deeper the fall, the steeper the climb back.

The Recovery Gap: €120,000 Invested

Loss	Fund Value	Gain to Break Even	The Gap
10%	€108,000	11.1%	+1.1%
20%	€96,000	25.0%	+5.0%
30%	€84,000	42.9%	+12.9%
40%	€72,000	66.7%	+26.7%
50%	**€60,000**	**100.0%**	**+50.0%**

A 50% loss requires a full doubling of your money just to see you back to square one again. The goal is never to eliminate risk (an impossible task), but to avoid catastrophic drawdowns that make recovery exponentially harder. That comes through diversification, sound asset allocation, and above all, the discipline not to exit at precisely the wrong moment.

Two Strategies, One Solution

Understanding this asymmetry immediately raises a practical question: does it matter how you deploy capital? The answer is yes but differently depending on whether markets are rising or falling.

Strategy One: The Single Premium

You invest €120,000 on day one. Every euro is exposed to both the risk and the reward from the outset. In rising markets, this is the most powerful position available to you, in that your full capital compounds from day one. In a falling market on the other hand, your entire fund absorbs the initial drop.

Strategy Two: Euro Cost Averaging

Euro Cost Averaging (ECA) means investing a fixed sum each month regardless of market conditions and in our example, we'll look at spreading the €120,000 into €2,000 per month over 60 months. The mechanics work in your favour when prices fall as the €2,000 buys more units at lower prices, reducing your average cost per unit. The trade-off is that in rising markets, a large portion of your capital sits in cash while prices climb without it.

Falling Markets: Where ECA Earns Its Keep

Assume markets drop in the early years of your investment, then recover steadily, to finish marginally up after the first 5 years as shown below. From year six to year ten, markets continue to make gains with no further investment being made after year five in either case, so total investment is 120,000.

Falling Market — Single Premium vs ECA

Year	Unit Price	Single Premium Value	ECA Value
Year 1	€10.00	€120,000	€24,000
Year 2	€7.00	€84,000	€40,800
Year 3	€8.50	€102,000	€73,543
Year 4	€9.50	€114,000	€106,195
Year 5	€10.50	€126,000	€141,373
Year 6	€11.50	€138,000	€154,838
Year 7	€12.50	€150,000	€168,302
Year 8	€13.00	€156,000	€175,034
Year 9	€13.50	€162,000	€181,766
Year 10	**€14.00**	**€168,000**	**€188,498**

In a falling market, ECA earns its reputation. Cheaper units acquired automatically during the downturn result in a marginally larger holding by year five. Both strategies finish well ahead over the full ten years but ECA clearly outpaces the single premium it in this scenario by over €20,000, turning any market adversity into a structural advantage. Additionally, for a nervous investor, you've also got less stress along the way.

Rising Markets: Where the Single Premium Leads

Now flip the scenario where Markets rise steadily from day one, as shown in the graph below. The same total of €120,000 is invested in both cases.

Rising Market — Single Premium vs ECA

Year	Unit Price	Single Premium Value	ECA Value
Year 1	€10.00	€120,000	€24,000
Year 2	€11.00	€132,000	€50,400
Year 3	€11.50	€138,000	€76,691
Year 4	€12.00	€144,000	€104,025
Year 5	€13.00	€156,000	€136,694
Year 6	€13.75	€165,000	€144,580
Year 7	€14.50	€174,000	€152,466
Year 8	€15.75	€189,000	€165,610
Year 9	€16.50	€198,000	€173,496
Year 10	**€17.50**	**€210,000**	**€184,011**

Here the single premium investor is well ahead, accumulating almost €26,000 more by year ten. Every euro was in the market from day one, compounding through every month of that 10-year rise. The ECA investor's later tranches bought in at progressively higher prices, and significant capital missed much of the early gains.

This is the counterpoint to ECA and it matters, because markets rise much more often than they fall. Data over the past century from the S&P 500 covering all the years from 1926 to 2025 shows that 1 year periods were **positive over 75% of the time**, over rolling 5-year periods were **positive over 87% of the time** and over rolling 10-year periods were **positive almost 95% of the time**.

Bringing It Together

Neither strategy is universally superior. The single premium captures more upside in rising markets, historically the more common environment. Euro Cost Averaging reduces average entry cost in falling markets and removes the psychological burden of deploying a large sum at a single point in time.

For many investors, a structured combination of both makes most sense: deploy the majority as a single premium on day one, and invest the remainder via regular monthly contributions over the following years. This preserves meaningful upside participation from day one whilst smoothing exposure through a defined ECA window.

What both tables confirm unambiguously is the reward for patience. TIME IN THE MARKET, not timing the market, is doing the heavy lifting in every case. Markets have always rewarded the patient, diversified investors. The evidence points in one direction and the discipline is in following it.

Ready to Build a Strategy That Works in Both Directions?

If you are working through a capital deployment decision, whether from a property disposal, business exit, inheritance, or accumulated savings, the approach outlined above is worth modelling properly with your specific numbers, time horizon, and tax position.

A Lifestyle Financial Plan does not simply allocate capital. It stress-tests strategy against the full range of market scenarios, aligns your investment approach with your income needs and life objectives, and perhaps most importantly, gives you the confidence to stay the course when markets inevitably test you.

Life is not a rehearsal. Your financial plan should reflect that.

To arrange a confidential, no-obligation initial conversation, contact us today at info@lifestylefinancialplanners.ie or call 096-75951.