



3 Ways You Can Invest Like Donald Trump

Description

Before Donald Trump was a politician, or a reality TV star, or even an author, he was a successful real estate investor.

Trump started building his real estate empire alongside his father beginning in 1968. By 1971 he was given control of the company. He spent the next 40 years building everything from hotels to casinos to golf courses.

Trump has expanded his empire beyond real estate. His name is probably his most well-known asset, since he puts it on everything from clothing to energy drinks. These days, Trump mostly sells his name to new real estate developments in exchange for a small stake in the project.

Nobody is really sure of Trump's wealth. *Forbes* estimates "The Donald" is worth approximately US\$4 billion, while Trump himself claims he's worth US\$10 billion. Trump values his name alone at several billion dollars, while *Forbes* doesn't think the Trump name is worth much of anything. After all, he can't really sell it on the open market.

Everyone agrees on one thing—Trump is indeed a billionaire. Most billionaires can teach us some pretty important investing lessons, Trump included. Here are three of the most valuable.

Don't underestimate branding

Trump has made the majority of his fortune in the last decade, when his brand really took off.

When it comes to consumer products, branding is incredibly important. **Coca-Cola**, **Pepsi**, and generic competitor **Cott** each make very similar versions of sugar water. I know dozens of people who will only drink Coke or Pepsi, declaring the competing brand inferior.

WestJet Airlines Ltd. (TSX:WJA) is one of Canada's best branded companies. The company made a name for itself in a commoditized business by building a lower-cost model and by doing its best to make flying enjoyable. Everything WestJet does—from its plane selection to its profit-sharing business model—is specifically chosen to further strengthen the company's brand.

It's clearly working, especially in western Canada. Many customers will only fly on competitor planes as a last resort, even paying more to take WestJet.

Use debt ... smartly

Most of Trump's net worth is tied up in real estate. That's no surprise; after all, Trump is well known as a real estate mogul.

A big part of investing successfully in real estate is using debt to your advantage. Say you have a \$100,000 project that spins off \$8,000 per year, which is good enough for an 8% return. If you only invested \$10,000 of your own money in such a project and borrowed the additional \$90,000, you'd be making an 80% annual return on the capital you personally invested.

Fortis Inc. ([TSX:FTS](#)) is a company that has successfully used debt to its advantage for decades. The company acquires power and natural gas transmission assets in areas that are regulated. It has operations across Canada, the United States, and the Caribbean.

Fortis puts up some of its own money to expand and finances the rest. It's able to earn more than the interest on the debt, allowing the company to pocket the difference. Since it's able to negotiate regular raises from regulatory bodies, investors are treated to a dividend that goes up like clockwork—at least it has for the last 43 years.

Irreplaceable real estate

Donald Trump doesn't just develop real estate. His company develops world-class properties that aren't easily replicated by competitors.

Smart REIT ([TSX:SRU.UN](#)) has a similar strategy, except without the luxury. It works closely with **Wal-Mart**, the world's biggest retailer, to become its developer of choice in Canada. It develops properties with Wal-Mart as the anchor tenant, leaving it free to rent additional space to other retailers. These companies are attracted to the amount of foot traffic Wal-Mart brings in. This is the main reason Smart's occupancy consistently flirts with 99%.

Smart pays a 5.1% dividend, which is among the lowest in the whole REIT sector. Investors are clearly willing to give it a premium valuation for great assets, a similar strategy to Donald Trump's real estate ventures.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FTS (Fortis Inc.)
2. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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Author

nelsonpsmith

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