



Will Trump Make it Harder for You to Become a Millionaire?

Description

Whether you are for or against a Trump Presidency, one thing is almost guaranteed. The economic outlook for the US and global economies has fundamentally changed. While prior to the election the US economy was on a relatively stable path towards modest inflation, gradual interest rate rises and moderate GDP and jobs growth, its outlook is now much more uncertain. Could this mean that you will find it more difficult to make a million?

Ever-present risks

Trump's policies to increase spending and reduce taxes could lead to higher debt levels for the US economy. While this may be seen as a reason not to invest at the present time, the reality is that there are always risks ahead for investors. Perhaps the difference between Trump and other risks such as the credit crunch or dot.com bubble is that many investors are expecting challenges and difficulties with Trump as President. In contrast, those other risks were perhaps more surprising.

However, the reality is that Trump could turn out to be a successful President from an economic standpoint. At this stage, even he is apparently unclear as to the detail through which he will deliver improved economic performance for the US. Therefore, without further facts, it is impossible for investors to know whether now is a good or bad time to invest in the US or global economies. In other words, the risks of investing now are no higher than they were at any other point in recent years, since the future continues to be a known unknown.

Margin of safety

Of course, the key to generating high returns from your portfolio in the long run is a margin of safety. This means seeking a discount to a company's intrinsic value before buying it, in case its future or the future of the global economy deteriorates over the holding period.

At the present time, it may be the case that investors must seek out a wider margin of safety than they would have done if Clinton had become President. That's simply because of the level of change which Trump is planning on implementing, which is significantly greater than that promised by Clinton. This

requirement for a wider margin of safety by investors means that a number of shares are now trading at even lower valuations than they were before the election. This presents a buying opportunity for long term investors.

Volatility

A wider margin of safety does not necessarily mean that share prices will rise in the short run. However, it does mean that their upside prospects are potentially brighter, while their downside risk may be lower over the long term.

Clearly, paper losses may be incurred in the coming months as Trump begins to attempt to implement his policies. However, for long term investors, wider margins of safety could prove to be a help rather than a hindrance. Therefore, Trump's victory may aid your prospects of making a million if it causes a buying opportunity in the coming months.

CATEGORY

1. Investing

Category

1. Investing

Date

2025/08/27

Date Created

2016/11/18

Author

peterstephens

default watermark

default watermark