



CAPITAL MANAGEMENT, LLC

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By Steven M. Sheldon, CFA

About SMS Capital Management

SMS provides investment management services to individual investors desiring to preserve and build long-term wealth. As a fee-based firm, SMS has an independent, objective and sound approach to portfolio management. The firm is a Registered Investment Adviser.



About the Author

Steven Sheldon has more than ten years of professional experience analyzing and managing investments. Prior to founding SMS, Mr. Sheldon worked as a senior member of a corporate principal investments group where he managed a \$100 million portfolio. Mr. Sheldon has an MBA from Tulane University and a BBA from The University of Texas. In addition, he is a CFA charterholder and a member of both the Association for Investment Management and Research (AIMR) and the Houston Society of Financial Analysts (HSFA).

Investing Lessons From “The Apprentice”

Donald Trump has once again struck gold with his hit reality TV series, “The Apprentice.” Each week, millions of viewers are tuning in to see aspiring young business tycoons face -off against one another to win a highly coveted spot as an executive in Trump’s empire.

Given Trump’s reputation, one would think that the participants would be run through a battery of complex business case studies and evaluated on their financial acumen. Extra- credit would be awarded to contestants that had dated supermodels and to those that didn’t stare at The Donald’s hairdo for too long.

Instead, the show has gone the opposite direction, making the candidates compete in a variety of seemingly simple challenges like selling lemonade, flipping merchandise at a flea market, and fixing up and renting out an apartment. Through these assignments, Trump and his loyal staff can observe and decide which individual will ultimately have the right stuff to earn a high paying job in the billionaire’s sprawling business empire.

Keeping It Simple

So far, “keeping it simple” has paid off well for the show, Mr. Trump, and the remaining participants. The contestants that use a common sense approach to tackling the real-world business assignments are still around, while the loose canons have been systematically “fired” by Trump personally (arguably the most entertaining part of the show for both the audience and Mr. Trump).

For all of his flamboyance and self-serving plugs for his properties, Trump’s show does do a good job of pointing out that raw intelligence and academic honors don’t always carry the day and that sticking to basic business principles are what ultimately make the difference.

Lessons Learned for Investing

Many of the show’s simple yet worthy lessons can also be applied in the world of investing including:

Formulate a Plan – Whether you are a do-it-yourselfer or utilize the services of an investment professional, having a well thought out plan that takes into account your unique financial needs and objectives as well as your tolerance for risk is a step in the right direction. Having predefined goals, guidelines and



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investing parameters that address things like exposure to certain asset classes and when to sell a security are helpful and will keep you from “winging it” and ultimately making poor decisions with your nest egg.

Be Committed and Disciplined – In one episode, Trump demonstrates his commitment to quality with an early morning visit to a construction site to personally inspect the workmanship on a project.

Managing your finances also requires discipline. Be committed to your plan and stay on top of it. If you do not have the time, hire a qualified professional that does.

Know the Risks - Too many investors watched in disbelief and horror as their gains from the 1990s’ bull market evaporated before their eyes. Most of these investors (some relying on bad advice) did not understand the risks present in their portfolio and did not take profits and reallocate their portfolios to less volatile asset classes before it was too late.

Do Your Homework - Don’t let money burn a hole in your pocket by making quick, uneducated rash investment decisions. Whether it is an individual stock or a mutual fund, understand what you are buying and why you are buying it.

Lastly, if you are ever a contestant on “The Apprentice”, DO NOT interrupt Mr. Trump while he is speaking; it WILL get you fired!