

**TOP STORIES IN WEALTH MGMT** 1 of 12

**How Advisers Become Better Bosses**

2 of 12

**A Trust Protects a Doctor's Office Proj...**

3 of 12

**For One Financial Planner, Staying Fres...**

**Voices: Rebo Williams, on Benefits a...**

WEALTH ADVISER

# When Emotions Cloud a Client's Judgment

Email Print 0 Comments

By **ALEX COPPOLA**  
Aug. 26, 2014 10:08 a.m. ET



The client was a self-made billionaire who had founded a successful electronics distribution company. As a result, he was regularly pitched venture-capital deals from startups in the same industry.

### Also in Wealth Adviser

- [Investors Shy Away from a 'Hated Bull Market'](#)
- [Softening the Tax Hit from Inversions](#)
- [Visit the Wealth Adviser Page](#)

helps a handful of ultra-high-net-worth clients evaluate and manage their direct private investments.

For starters, the company's projected revenue growth was unrealistic. "We're talking about going from \$10 million in revenue to \$500 million in just three years—that's unheard of in a startup," Mr. McCombie explains.

He also had concerns about the investment's potential payout. The client was set to receive a 15% stake in the company for \$2 million, which sounded good. But it was also an early-stage investment, meaning that his equity stake likely would be diluted by future rounds of investing. As a result, the adviser predicted the deal would yield no more than single-digit returns.

When he was approached about investing in a new electronic book reader last year, the man loved the idea. He brought the opportunity to his adviser, David McCombie, whose Miami-based firm, McCombie Group,

### Popular Now

What's This?

#### ARTICLES

**1 Gun-Range Killing by Girl Sparks New Debate**

**2 Missing From College Stadiums: Students**

**3 Opinion: How U.S. Interventionists Abetted the Rise of ISIS**

**4 Islamic State Economy Runs on Extortion, Oil Piracy**

**5 Scientists Experiment With Reworking Memory**

#### VIDEO

**1 Bulletproof BMW X5 Security Plus SUV Unveiled**

**2 Ice Bucket Challenge Fatigue? How to Turn It Off**

**3 Jessica Alba's Honest Co. Gets \$70 Million in Financing**



David McCombie

Mr. McCombie shared these numbers during a meeting with the client and presented his conclusion: The deal was a dud.

Despite the evidence, the client was unconvinced. He said he was excited about the company's management team, their vision and drive to succeed. Mr. McCombie persisted, noting that the company had to compete in a crowded market and had a higher projected unit price than any comparable product. The client was still unmoved.

"The trouble was that the client was already emotionally invested in this deal," Mr. McCombie says. "Regardless of what projections I put in front of him, his eyes lit up when he talked about the opportunity."

Mr. McCombie realized he needed to present his argument in a way that was more emotionally relevant to the client. So he went back to the prospectus for more evidence, and with some more digging, he found it.

The company had no real strategy to make money on the content side of the e-book market, which meant that almost 80% of its projected revenue would have to come from sales of the e-book reader itself. Mr. McCombie calculated that the company would need to sell roughly two million units over the next three years. By comparison, in the previous fiscal year, they had sold only 10,000.

Those numbers looked unrealistic enough on their own. But instead of offering the client raw figures again, the adviser reframed the data. "I wanted to contextualize those numbers in a way that made them less abstract and more rooted in reality," he says.

Mr. McCombie downloaded publicly available data on the quarterly sales growth for the iPod—one of the fastest growing consumer products of all time. He presented both sets of data when he sat down with the client at their next meeting.

In order to meet expected returns, he explained, sales of this company's product would have to grow as quickly as the iPod had. When he asked the client if he thought that was realistic, the man admitted it was not. "You could see the recognition in his eyes almost instantly," Mr. McCombie recalls. "The information had finally clicked."

Customer Service

Customer Center

New! Live Help

Contact Us

WSJ Weekend

Contact Directory

Corrections

Policy

Privacy Policy

Cookie Policy

Data Policy

Copyright Policy

Subscriber Agreement & Terms of Use

Your Ad Choices

Ads

Advertise

Place a Classified Ad

Sell Your Home

Sell Your Business

Commercial Real Estate Ads

Recruitment & Career Ads

Franchising

Advertise Locally

Tools & Features

Apps

Emails & Alerts

Graphics & Photos

Columns

Topics

Guides

Portfolio

Old Portfolio

More

Register for Free

Reprints

Content Partnerships

Conferences

SafeHouse

Mobile Site

News Archive