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SUSAN SALTONSTALL DUNCAN • TIPS & TACTICS FOR NEW LAWYERS

## Learn the Financial Aspects of Lawyering

**A**s a new lawyer, you may not have a direct role in controlling your firm's finances. But it is never too early to start learning the financial aspects of serving clients and practicing law. Firms must operate as a business and continually evaluate and manage costs and revenues. Here are key factors you should know.

**Your productivity and profitability.** Productivity is one of the metrics used to project and measure an individual lawyer's contribution to the firm. It encompasses personal hours worked, billed and collected; supervisory hours of other timekeepers; new business originated; and bonus or premium dollars generated from cases. Initially, the firm expects you to need time for orientation and training. Senior lawyers may have to reduce their bills for some of your "on-the-job training" since it would not be fair to charge clients for your training time. Lawyers often begin to become profitable for their firms by the third year.



Susan Saltonstall Duncan (sduncan@rainmakingoasis.com) is President of RainMaking Oasis, Inc., a marketing and management firm that provides planning, consulting and training tools to lawyers and law firms. She can be reached at (203) 318-0083.

### Client and practice profitability.

Many firms now evaluate the financial costs and benefits that certain clients, types of work and individual lawyers bring to the firm. As you service and expand existing client relationships and target new business, be mindful of the profitability profile. Be cautious about how much time and effort is spent on clients who are not as profitable, such as those who cannot pay full rates or otherwise involve a risk.

**Cost-tracking.** Clients today are in the enviable position of being able to choose among many excellent lawyers and firms, and they are increasingly interested in how their lawyers can keep down the cost of legal fees. Learn how much time may have been estimated for the work you are doing, so you can take a proactive role in tracking and managing the time you spend on matters for clients. If you spend more time on a matter than you were asked to spend or than you anticipated, keep your supervising lawyer informed along the way.

**Cost-effectiveness.** In the same vein, be efficient and don't reinvent the wheel. Check with other lawyers, the librarian, the firm's intranet and other sources to find precedents, forms and memos on which to build your documents. Use technology to streamline project management and task estimating. If you supervise others, delegate to the lowest-cost provider who can do the work effectively.

It's all part of building your knowledge of the role you play in the firm's overall business and financial success. LP

## Checklist

### A Financial Terms Primer

**Utilization:** The number of hours and percentage a lawyer works in a predetermined, average workweek.

**Realization:** The amount of time/fees actually billed and collected after write-offs and write-downs. The ideal is to keep the rate above 95 percent.

**Write-downs:** Charges or fees that are eliminated or discounted by the billing partner before sending the bill to the client.

**Write-offs:** Charges or fees that are written off after a client has been billed, either because the client disputes the bill or does not pay it.

**Collection cycle:** The amount of time between when bills are sent to clients and when they are paid. The longer the payment cycle, the more "expensive" the client matter becomes.

**Effective hourly rate:** The hourly fee the firm is actually paid for your work after discounts, write-offs and write-downs. While your published hourly rate may be \$200 per hour, you may only be collecting at a rate of \$150 per hour.