

TAB 2

Starting Out: The Business Plan

**Joel Kadish
Barrister and Solicitor**

Practice Workshop: Opening your Law Office



The Law Society of
Upper Canada | Barreau
du Haut-Canada

Continuing Legal Education

Practice Workshop: Opening your Law Office

Starting Out: The Business Plan

Joel Kadish, Barrister & Solicitor

- ***The Leap of Faith***
- ***Money – Simple Math – Revenue minus Expenses***
- ***Where Will I Practice?***
- ***Technology***
- ***Finding a Niche***
- ***Clients – The Good, the Bad and the ones that don't care about your license***
- ***Lawyers, The Law Society, LawPRO and a Cast of Thousands***

The Leap of Faith

Whether you have just been called to the bar or have a number of years under your belt, whether you work in a large city or a small town, whether you have worked in a large firm or a small one, the decision to become a sole practitioner or start your own firm will take your career in a new and exciting direction. It is definitely not for everyone.

When I try to evaluate the right choice I need to consider risks and rewards. I commit things to writing so I can think about them and discuss them with friends, family and colleagues.

What risks are there in starting out on your own?

Loss of steady income - what if the phone does not ring?
Job security – the feeling of security when working in a firm or other institution
Loss of benefits and/or a pension plan
Having to deal with all of the administrative chores

What are the potential rewards?

Obviously there are two categories of potential rewards:

- Monetary – You are now an entrepreneur, you can set your own hourly rate or flat fee and can make other fee decisions
- Non-monetary – For me the flexibility and autonomy has real value

I hope to help you answer some of these questions or at least help you focus on asking the right questions.

Money – Simple Math: Revenue minus Expenses

Establish a relationship with a financial institution

It is essential to have a good relationship with a financial institution. You must open a trust account and a general account and you will rely on their delivery of services.

It is very helpful at the beginning if you can get a **line of credit** from your financial institution. This helps you to manage cash flow. If you do not have clients right away it will allow you to continue to pay your bills while things get going. It also allows you to pay your suppliers in a timely fashion. If you do not pay your suppliers they will simply not deliver their goods or services when you need them. Treat them with respect.

Control of overhead

For a sole practitioner or small firm the tight control of overhead is critical. If your expenses are out of control your bottom line will also be out of control. Remember each and every month you have to bear in mind what is the minimum amount you will have to **bill and collect** to cover your expenses. Do a **budget**. Budget for both revenues and expenses. Set realistic and conservative goals for yourself. Remember there is no one to stand over your shoulder any more. I strongly recommend that you hire a bookkeeper right out of the gate. Compliance with Law Society guidelines is a must and its best to start off on the right foot. There are many freelance bookkeepers who work by the hour and compliance will not be a significant expense.

Speak to an accountant

My accountant has been an asset to me. They can help you budget, help you in your relationship with CRA and make valuable suggestions for tax savings and maximizing profits. Lawyers can now form Limited Liability Partnerships and an accountant can explain the pros and cons of this decision.

Financial Advisor

A Financial Advisor can help you with your investments, RESPs and RRSPs. You are now responsible to be your own pension plan. Making regular contributions to an RRSP provides tax savings and retirement planning. Too often lawyers spend all of their time obtaining fantastic results for their clients. Take some time to

make a detailed financial plan to ensure that you and your family are taken care of.

Support staff costs

A large part of overhead can be amounts paid to support staff. Before I was sure if I could hire on a full or part-time basis I liked to contract out work. There are a number of skilled people who will work on a contract basis when you need them. Speak to colleagues and get referrals. You must be able to accurately assess your need for support staff. You don't want to work so someone else can get paid. Make sure you can pay yourself first.

DOCKET YOUR TIME

You may notice that this heading is slightly larger than the other ones in this section. Lawyers who docket their time closely make more money. Period. End of story. I did not say you have to bill all of your time. Docketing is a productivity test and a measurement tool. You may not be able to charge your client all of your time but you always want to maximize profit.

Where Will I Practice?

So you have decided to go it alone or with some colleagues. Where will you conduct your practice?

Practicing from home

You may decide to set up a home office. This can be an attractive alternative for many reasons. It gives you flexibility to manage your family. It is a very short commute to work. Ideally you would want clients to come in through a separate entrance, perhaps a side door. Perception is reality for many people. A home office can give the wrong perception to clients and prospective clients.

Practicing at home can blur the lines between work and home. You don't want to end up like a mole spending 24 hours a day in your home office. Separation can be a healthy thing.

RENTING SPACE

Assess your needs

Close to courts?

Close to major client or niche group?

What do you need? - Phone, fax, photocopier, support staff, boardroom?

Some examples are as follows:

Rent your own office

Find the area that you think would suit you and your prospective client base best. You can simply approach a landlord, negotiate a lease and have your own space. In this case, you will have to recognize that you will bear the costs of all of the services that you will need yourself.

Cost-sharing arrangements

Quite often a number of lawyers will get together and share space. They will share all of the costs but will maintain their independence. I practice under this model. By exploiting economies of scale you can have a kitchen, boardroom shared reception, photocopier costs, etc.

Subleasing from a big firm

One of the firms I worked at prior to opening my own practice sublet from a big firm. Many times large firms have extra space and are willing to rent out an office and allow you to use their facilities. This can provide you with a quality location and the highest quality facilities. The one thing I enjoyed was having access to the large firms library.

Executive suites

Executive suites are offered by various service providers. They offer packages of services in different price ranges. They are essentially a “pay as you play” offering.

The hybrid

Perhaps you want to work at home but not see client's there. You can always rent a boardroom . In my shared space arrangement we rent out our boardroom to one lawyer who, for the most part, works from his home.

You will have to find the right fit for the type of law you practice and for your personality type. And don't believe your first choice will be your last. As your practice grows and changes, so will your office needs.

Technology

Technology is a critical part of your business plan.

You will of course need a telephone. You may want to investigate purchasing a phone system so that you can have an automated attendant. There are circumstances in shared space situations where you can share a receptionist. It's always nice to have a live person answering the phone but this can be expensive.

You will need a computer and printer and you must be proficient at their use. Consider whether you want a desktop or a notebook or both. Of course you will need e-mail, a high speed internet connection, you may want a web site and you need software. **Accounting software** certainly makes life easier and you will need some kind of word processing/spreadsheet suite. You may also need to purchase specific software for your practice area. There are some great precedent forms at a reasonable price at UCDC Form Central. In residential real estate a document assembly system is essential and Teraview is a must. Ask associates for their input and advice so you are not spending precious start-up money on useless software. Canadian Lawyer magazine does an annual software review.

Accounting software

I use a program called PCLaw. It is relatively inexpensive and covers a lot of territory. It prepares GST returns and law society transaction levy returns. It helps you track disbursements, docket your time, produces bills with relative ease and keeps endless amounts of information which can be sorted in different ways to help you track productivity. Remember that you must comply with law society guidelines with respect to reconciliation of your trust account. This software assists in monthly and yearly reconciliations. The monthly and year end reconciliations are given to your accountant for the preparation of your tax return and for the preparation of your financial statement.

You will probably want some sort of personal digital assistant (PDA), cell phone and you may want to remotely access your e-mail. These days that can be accomplished with one tool. Shop around and do some research on what is right for you. These days I use a Blackberry from RIM. It gives me web access, e-mail access, an organizer that synchronizes with Outlook and a cell phone.

A PDA helps to keep appointments and contacts, can be shared with other lawyers and synchronized to your laptop or desktop.

Don't forget that you will need a fax machine and a photocopier. There are confidentiality issues around the fax machine so you can get your computer to receive faxes if you wish.

I use voice recognition software to generate documents and correspondence without a dicaphone and transcription. It is not perfect but it is terrific for detailed dockets or memorandums to file.

BACK IT UP!!

I guess I am paranoid but I have two back-up systems. One is called a RAID or "Redundant Array of Inexpensive Devices" which essentially is an extra hard drive that copies everything on the first hard drive. I also use a tape back up so that I can store a tape "off site". One flood in your office or one badly dropped paper clip can be a disaster financially and for productivity.

Finding a Niche

("The big fish in the little pond")

After considering a lot of non-legal matters we finally get to the substance. What service will I sell?

Do not Dabble. I am not a believer in dabbling. I do not believe one can be proficient at many areas of the law. It is hard enough to develop an expertise in one area, let alone several. Find a niche, develop it and make it profitable. Are you a member of a particular cultural or ethnic group that is under serviced? If you speak another language then why not cater to that particular group.

I joined a marketing group called BNI or Business Network International. There are other, similar organizations. Essentially, a group of people, one per category, meet once a week to try to refer work to one another. Their slogan is "Givers Get". It's not for everyone, but it gets your name out to your potential clients.

In that vein, is there a community service group, religious or otherwise where you could do good things in the community and try to build a marketing base at the same time? Once again, you market yourself and your practice for virtually no marketing cost except your time.

Niche Visit

I am also a believer in proximity. If you are a real estate lawyer visit all of the banks and real estate offices in the area of your office. Tell them that you are nearby. Offer to do a breakfast lecture on a topic of interest. Leave them with business cards or a hand out so that they can remember you.

Ask for work.

Advertising

This is a very difficult subject to tackle when first starting out. It can be expensive and not bear much fruit. Make sure that your business card is presentable as this is the most basic form of advertising. A web site can be helpful to direct people to you and, if nothing else, can provide them with a map of how to get to your office. Try to write an article in a local paper or speak in front of community groups. Get your name out there so the referral system can start working for you.

Self Study

Budget time and money for self study. You must continue to develop your skills as a lawyer and to keep up with changes in the law. Take a look at the new interactive offerings from the Law Society. They are relatively inexpensive and you leave with valuable precedents and once again, have an opportunity to network and market yourself. Good tools make for successful projects.

Clients – The Good, the Bad and the Ones that Don't Care About Your License

An essential part of the business plan is having clients. Practicing law would be so easy if it were not for the clients. They are demanding, unsophisticated, incredibly sophisticated, nice, not nice and as diverse as the population. Unfortunately, the majority of them will not respect your years of hard work to get to where you are now and will challenge every fee you bill.

Your clients will rule your life, if you let them. That is why I want to leave you with four little words:

IT'S NOT MY PROBLEM

Four very powerful words. Never take the client's problems lightly. Always act in the best interest of your client, in accordance with Law Society Guidelines and to the best of your ability, but do not allow the client to transfer their problems to you.

Customer Service

You must return phone calls quickly. It is the essence of service in our business. If you can't get into a detailed discussion because you are busy, schedule a time for a telephone appointment. I believe that it enhances your chances for referrals if you gain a reputation for service. Communicate effectively and keep your clients in the loop.

Retainers and Retainer Agreements

GET A RETAINER

Did I mention to get a retainer?

Some lawyers offer a one half hour consultation for free as a marketing tool. Beyond that make sure that you get paid for your time. A retainer agreement can establish expectations which will govern the solicitor/client relationship. Get a sufficient retainer and replenish it when necessary.

Practice Defensively

The reason I mention this in the "Business Plan" section is because if you don't you can find yourself with an increased insurance premium. Develop a system of memos to file and confirm instructions in writing.

We live in scary times. Be aware of the fraudster and the client who wants to use your trust account for laundering money. It is inevitable that these types of people will seek out sole practitioners on whom they believe they can prey. Please stay sharp. Staying on top of developments in your niche will arm you against these people who are unconcerned with your reputation and your license.

Lawyers, the Law Society, LawPRO and a Cast of Thousands

Now you have to file Law Society returns and pay membership dues, buy your LawPRO insurance, have a GST number and file returns, do financial statements for your practice for your bank and so that you can measure your progress, file tax returns and make sure that your suppliers get paid. Did I mention life insurance, disability insurance, insurance for your premises and its contents? You also have to pay your landlord, phone bill and sundry others.

CRA

Now that you are on your own, you must pay tax by intallments. Budget to pay CRA on time. Borrowing money from CRA is a very high cost loan, considering the interest and penalties on amounts owing. Not making your installments is a slippery slope indeed.

Lets try to raise the bar

Literally. Lawyers have had a lousy reputation. How many of your clients tell you bad lawyer jokes at which you give a perfunctory laugh. The origin of the jokes is the public's general perception of the legal community. It is up to all of us in how we treat each other and our clients to try to improve this image.

Ask for help

I know that this sounds easy but many of us see it as an admission that we are not quite up to scratch. If you get in over your head or are having some personal problems that are distracting you from work remember, there is no partner to look over your shoulder. This is **your** livelihood. The Law Society and the Ontario Bar Assistance Plan are there to help. You will be surprised what will happen if you ask for help from fellow members of the bar. You will get it!! Not only that but it can lift the weight of the world off your back.

You are now an entrepreneur. Congratulations. One piece of advice – **Celebrate your successes**. Too often we point out all of our shortcomings, the things we did wrong, the client we forgot to call back or the letter with the wrong date on it. We measure ourselves with a very long yardstick. So take a few minutes out of each day and congratulate yourself for something you did well. A positive result for your client, a new file or getting an old receivable collected. It is very

important to reinforce positive outcomes. It will make you a much happier, satisfied person.