

Getting Started



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Management Assistance Program

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Deciding to open a law office involves a set of important and life changing series of decisions. Here are a few of the things to consider:

1. How should the business be formed? Do you want to practice solo, set up a professional corporation, or should you form a partnership with others?
2. Scope of Practice
3. Where should your office be located?
4. What type of furniture and equipment is needed?
5. How much is this going to cost you?

If you are self-reliant and have the ability to handle administrative details, you may wish to be a sole practitioner. You can be your own boss, set your hours and run the office any way you choose. You make all the decisions--“good “ and “bad”--and take all the credit. You must also take all the responsibility and be able to market yourself to potential clients. Most of all, you must be willing to take risks. On the other hand, if the thought of shouldering all the responsibility alone scares you, going solo may not be the road for you to take. Administration of a solo practice takes time away from the practice of law and requires some knowledge of how to run a business. If despise administrative matters, you may not be happy as a sole practitioner.

Decide What Form Your Business Should Be – Solo or Not?

Whatever setting you choose it is important to recognize that setting up a law practice is deciding to own and operate a business.

You may choose to form a professional corporation under the Professional Corporation Act. All shareholders must be lawyers, but it may consist of only one shareholder, who is also the only director and the only officer. Although there may be some tax advantages to forming a professional corporation, it does not have any effect on your professional liability.

Many lawyers choose to form a partnership or other business entity with other lawyers. Partnerships provide other lawyers in the office to share responsibilities and expenses. A managing partner can be chosen to handle administrative affairs and make

day-to-day decisions, with all of the partners voting on important matters and setting policy. It is essential that a written agreement be drafted with provisions that clearly state the financial terms such as payment of expenses, sharing profits and losses, capital contributions, retirement requirements, withdrawal, and how capital and income are to be paid. Apart from the primary business agreements, a list of goals and responsibilities and duties should be completed with items like expected billable hours, sharing of administrative duties, and employee supervision.

An attorney cannot form a partnership with a non-lawyer if any of the activities of the partnership consist of the practice of law. Rules of Professional Conduct, Rule 5.4(b).

Scope of Practice

Some new lawyers have a great deal of difficulty determining the scope of their practice. What kind of cases do you want? What kind of cases do you not desire? More importantly, the lawyer is required to have competency. The very first Rule of the Rules of Professional Conduct refers to competency. Rule 1.1 states:

A lawyer shall provide competent representation to a client. Competent representation requires the legal knowledge, skill, thoroughness, and preparation reasonably necessary for the representation.

The Official comment to the Rule states in part:

In determining whether a lawyer employs requisite knowledge and skill in a particular matter, relevant factors include the relative complexity and specialized nature of the matter, the lawyer's general experience in the field in question, the preparation and study the lawyer is able to give the matter, and whether it is feasible to refer the matter to, or associate or consult with, a lawyer of established competence in the field in question. In many instances, the required proficiency is that of a general practitioner. Expertise in a particular field of law may be required in some circumstances.

A lawyer need not necessarily have special training or prior experience to handle legal problems of a type with which the lawyer is unfamiliar. A newly admitted lawyer can be as competent as a practitioner with long experience. Some important legal skills, such as the analysis of precedent, the evaluation of evidence and legal drafting, are required in all legal problems ... Competent representation can also be provided through the association of a lawyer of established competence in the field in question.

Many lawyers will define their practice areas as “anything that walks in the door” or “everything.” Certainly there are many, many successful general practitioners of law, particularly in the rural and small town settings. But we are at a point where it is almost impossible for one single lawyer to be proficient in all aspects of the law.

If the members of a local bar would be candid with you, you would soon find that, while they all profess to have a general practice, one is known for his expertise in family law, while another is known for her personal injury work and a third mostly advises small businesses. This does not mean that the small business lawyer would not know how to get his best client’s son out of jail on the weekend or the family lawyer would not have some pending car wreck injury cases. Many lawyers would find handling nothing but one type of matter a bit boring. It does mean that most lawyers will have a better business and a better professional life if they focus their efforts in several areas that they enjoy.

Giving your clients good service is the key to success. Do not hesitate to try your hand at interesting legal questions, while understanding that a client should not, in most cases, be expected to pay for your “basic training” in an unfamiliar area. Eventually you will determine areas of law that you never want to hear of again and areas of law that you enjoy.

Focusing your practice allows you a greater ability to market your practice and yourself. Put your self in a potential client’s place, someone you have met outside of the law office.. Which is the more memorable answer to the inevitable question, “What kind of lawyer are you?” (A) “I do lots of everything — whatever walks in the door.” Or (B) “I do lots of different things, but mostly I help people with things like divorce, child custody, and adoption — family law.”

Marketing a Law Practice

The law firm is a business like any other. For all but a very fortunate few, a certain amount of resources must be directed toward marketing.

Marketing Magic for Lawyers (Part 1) Originally published in the *Oklahoma Bar Journal*, August 5, 2000 <http://www.okbar.org/members/map/articles/magic.htm>

Marketing Magic for Lawyers (Part 2) Originally published in the *Oklahoma Bar Journal*, September 9, 2000 <http://www.okbar.org/members/map/articles/magic2.htm>

Choose a Location and Situation

Cost is probably the most important consideration in determining where your office should be located. It is also the most restrictive. Keeping fixed costs at a minimum will prevent financial disaster during the initial period of start-up. One option to consider

is office sharing with another lawyer or law firm. An agreement may be entered in which the tenant agrees to provide some type of legal service (such as research) in exchange for the payment of rent or a portion of the rent.

Executive suites are another option that many new sole practitioners choose. This arrangement provides the lawyer with an office (sometimes furnished and paid for on an hourly basis), a waiting room with receptionist (which includes taking messages), a conference room, and secretarial services (usually charged on an hourly basis). Some sole practitioners work at home, have phone calls forwarded to their home number when they are there, and use the executive suite facilities to meet with clients or other lawyers.

Another consideration in determining the location of your office is your type of practice and the image you wish to project. If your practice does not require frequent court appearances, you may wish to locate outside the downtown business district where rent is cheaper and parking is free. If litigation is your speciality, locating close to the courthouse may be a necessity.

No matter which location you choose, think carefully before you enter into a long term lease. A one to three year lease will provide flexibility to relocate your office as the nature of your practice changes. After a short period, you may find that additional space is required for staff or associates, and your current location does not allow for growth. You might later find it advantageous to form a partnership with another sole practitioner and a long term obligation would keep you from doing so.

When choosing an office, consider conveniences to clients: parking availability and cost, proximity to bus lines, accessibility for the aging clients (stairs, elevators), and ease of location (can your office be found easily by out-of-town clients?).

Furnishing Your Office

When furnishing your office, keep in mind the image you wish to project to your clients. If money is limited, think about used office furniture. Make it simple and keep costs down. The reception area should contain two to four chairs, a coffee or end table, a coat rack, and some magazines. If you think some clients may bring their children with them, provide a few toys or children's books. If your secretary will be located in the reception area, make sure papers and files are not left out where they can be seen by waiting clients. If there is a computer on the secretary's desk, make sure it is turned so waiting clients cannot view information on the screen, or use a screen shade. Do not keep unlocked file cabinets in the reception area.

You will need a desk, comfortable chair, and at least two client chairs in your office. Don't forget essentials such as a telephone, wastebasket, and chair mat. Your secretary will need a desk, chair, telephone, chair mat, and wastebasket. Furnish your library/conference room with an adequate size conference table and chairs, bookcases,

and a telephone with a speaker device. Other standard equipment and furnishings include an adding machine, file cabinet(s), dictation equipment, copier, answering machine, standard typewriter for preprinted forms, and fax machine. Basic office supplies include paper, envelopes, file folders, pens, pencils, stapler, hole punch, date stamper, rubber bands, and tape.

When purchasing computer equipment, keep in mind your future needs. In today's fast changing world of computers, it is easy to become obsolete overnight. Make sure your equipment can meet tomorrow's needs. If you can afford one, purchase a laser printer. You can print your own letterhead, envelopes, and pleading paper. Purchase your software so you are using licensed programs-support will be readily available and upgrades will be cheaper. In addition to using your computer for word processing, consider the purchase of programs for law office management, calendaring, office accounting, and time and billing. Do not scrimp on purchasing a computer. It will be the means of production for most of your work with modern computers and software.

Budgeting

As with any new business, the first year of operation will necessitate many expenses. The purchase of equipment, furniture, and supplies just to start up operations will leave a big hole in your financial budget. Be aware that operating expenses will exceed revenues until the business matures. Make sure you have sufficient reserves to last through the early growth stages.

Calculating your reserves can be accomplished through the use of a budget. Simply put, a budget is an estimate of income to be received and expenses to be paid for a certain period of time-a cash flow projection. To prepare this budget, you need to establish a business plan. An elementary business plan answers some basic questions about services to be offered and reserves required. Ask yourself these questions: How will fees be charged? If hourly rates are to be charged, what will they be? What type of clients will I be trying to attract? What type of law will I be concentrating on? Are retainers going to be required? How much will I need for start-up costs? What will my monthly expenses be? How much do I need to live on?

Once these areas have been addressed, you are ready to project your monthly cash flow.

If you are basing your income on hourly fees, determine your projected number of billable hours per month and multiply it by your hourly rate, keeping in mind there will be few billable hours in the beginning with a gradual increase in each succeeding month. It is much more difficult to project income if you operate on a contingent fee basis, and there is no easy formula to predict revenues. You must also take into consideration that income does not always equal immediate cash intake. Hourly and flat fee billing can take between 30 to 90 days to collect. This makes the practice of

obtaining retainers very attractive. At the very least, require retainers for costs; this not only keeps down your expenses, it gives the client a financial interest in his or her case.

After establishing your start-up costs, determine monthly expenses by listing all expected costs, such as rent, utilities, telephone, supplies, insurance, postage, and taxes. Two important items to include are personal living expenses (which can be estimated by going over checkbook stubs and credit card activity for the past 12 months) and contingencies (it is wise to have two or three months of expenses in reserve at all times).

Each month check to see how your projections are faring. At the end of each month, analyze income and expenses and update your projected budget using the actual figures as each month goes by. This will keep you focused on keeping expenses down and immediately inform you of any under-estimated or missing items. It will also let you know if income is keeping up with your projections and will alert you to the need for increased marketing to bring in new clients and more business.