

Surviving in Tight Times

By

Colleen M. Cowan and David J. Bilinsky

Surviving in tight times means more than just cutting costs. It also means being crazy as a fox when it comes to how you go about daily tasks. We all know that there is 'the way we have always done it' and there are new ways that involve looking at workflows, looking at new technology and looking at how things can be automated.

In this paper we are going to explore the different ways that case or practice management software will work together, hand in glove in most cases, to increase both productivity as well as effectiveness.

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Introduction

Task Management

There are many aspects of time and task management that can be managed -- hopefully for the better -- by using the practice management features of case management software or legal accounting software such as PCLaw™. There are many benefits of using an electronic calendar that is tied into not only your files but also the calendars of others in your office. This sharing or collaborative feature is not only a risk management benefit [others in the office can see your deadlines, appointments and other time-sensitive issues if you happen to be out of the office (and in the paper world, took your calendar with you)] it is also a time-saving feature. Joint appointments such as meetings can be quickly and easily scheduled where there is a sharing of calendars.

Here's a summary of the benefits can be obtained by using the calendaring and task management features of these products:

Calendar appointments:

- can be created by clicking on any time on any day in the calendar and creating an appointment.
- If the appointment date or time changes - you can drag and drop or click and move the appointment to the new date or time.
- If you create a conflicting appointment - the software will warn you of the conflict - no accidental double-bookings. It should also warn you if you have scheduled an appointment for a holiday or vacation day.

- Your secretary (or anyone else in the firm if you wish) can see your schedule and make appointments for you - without having to knock on your door to ask for your calendar.
- You can block off appointments as being 'private' which will guard client confidentiality as well as personal matters.
- Your case management software will warn you of upcoming appointments (alarms for meetings). You can customize the period of time in advance of a meeting for which you wish an alarm.
- You can take an appointment entry from your calendar and by a few clicks, convert it into a time and billing entry.
- If you use Outlook, in most cases your calendar appointments can be synched with Outlook as well as your Blackberry, iPhone, PDA or other smart phone and carried with you - and any changes that you have made to your calendar - or changes that have been made by your office to your calendar in your absence - are shared (synchronized) on your return and both the computer calendar and smart phone calendar will reflect all the changes. Moreover, alarms that you have created for meetings in your computer calendar will be transferred to the smart phone.
- Often trying to schedule a partners meeting can be a headache - trying to compare everyone's calendar for a common free time. Having a master calendar feature in your Case Management application simplifies this - you can display the Master Schedule and select the people (and the room) that you wish to bring together and then search for the first 30 minute (or 3 hour or whatever time) period between 9-5 (or whatever hours are relevant to you) that is free for all concerned. Moreover, once you have found this free time - you can schedule one appointment that is shown on everyone's calendar - with a few clicks.

To-Do's:

- Your electronic calendar has a "to-do" area - which carries forward your "to-dos" until they are marked "done". No need to continually rewrite lists of to-do's.
- Most systems will indicate how many days each to-do has been in your system and how many days remain until the deadline date (or days past deadline, if this is the case).
- Your To-Do's in most cases can be converted to appointments - thereby carving out time in your schedule to do your tasks - usually by a "drag and drop". This ability to carry to-do's and use them to block off time in your calendar allows you to quickly take your priority items and create time in your calendar to get them done! One of the techniques of time management is to make appointments with yourself to do the things that you need to do...this drag-and-drop feature (once it becomes a habit) can be an incredibly powerful way to manage your time and tasks.
- To-Do's can be embedded in your calendar - indicating tasks that have to be done in the future but need not clutter up your present to-do list. Examples are limitation reminders; bring forward reminders, preparation reminders - anything for which you need a memory prompt. They will pop up on your to-do list when the requisite trigger date is reached.
- When you also use the case manager to track and log your calls, you can create a follow up reminder for the business discussed during the call - either by way of an electronic note or a To-Do, a future appointment in your calendar to call someone or by delegating it to someone and making a note to follow up on the task.

Time and Billing:

- We have already mentioned the ability to take an appointment from your calendar and by a few clicks, convert it into a time and billing entry. This feature is available in other components of case management.

- You can take a To-do and click on it indicating that it is done - Case management software should then prompt you to create a time and billing entry from the entry.
- The time and billing entry should occur no matter what type of task you have completed – whether it was a meeting, a telephone call, dictating a letter or drafting a document. The automation of time and billing..by way of automatic timers and reminders and automatic time capture...ensures that you make as full a record of your billable time as possible.

Dates:

- You need to calculate forward dates constantly as a lawyer – from limitation dates to dates dependent on trial schedules and the like.
- A practice management applications should have a Date Calculator built in that allows you to calculate the number of business days, calendar days, weeks, months and years before, after or between any day or set of dates.
- If a reminder falls on a weekend or statutory holiday, then you can pre-select if you want to see the reminder before, during or after the weekend or holiday – so that you never miss an important deadline.
- This ability saves time and also keeps you on top of things...allowing you to move files along efficiently and effectively.

This paper is designed to increase awareness of case management features and benefits, with an emphasis on how to begin using these features in PCLaw™.

Calendar in PCLaw™

The Calendar feature in PCLaw™ is a multi-purpose scheduler. It allows timekeepers to track time, appointments, To Do's/Reminders and Deadlines.

Some of the Calendar settings are **System Settings** (firm wide), allowing the administrator to:

- Limit which timekeepers can view a calendar;
- Limit which timekeepers can change a calendar entry; and
- Mark events as private and control who sees these events.

Other Calendar settings are **Workstation Settings**, enabling individual timekeepers to:

- Colour code events;
- Change time intervals on calendar - 15 or 30 minute intervals;
- Add sound for audible reminders;
- Add location codes – useful for report filtering;
- Link appointments to matters and convert into time entries– ensure you don't miss docketing time;
- Recurring events button – quickly schedule repeated events (appointments or To-Do's) on a fixed interval;
- Continuance button – creates a new event, using the same information as the original event. It also links the original and the new event so that you can review a history of the related events. The original event remains with a description of the reason for the continuance; and
- Include Holidays - setting to ensure holidays are not counted as business days;

Even if you don't use PCLaw™ for your appointment calendar, enabling the calendar features allows timekeepers to:

- Quickly view posted hours and time value each day. The sum of billable, and non-billable, tasks are separated. Days that do not meet the daily goal set

for the timekeeper are display in red. To view the dollar value of the day's time, place the curser over the day;

- Set up To Do's/Reminders – a reminder can not be created independently of an appointment or a To Do;
- Filter the display to show specified criteria such as uncompleted To Do's, specific appointment codes, or specific locations; and
- Set Reminders to display daily when first starting PCLaw™.

How to set up Calendaring in PCLaw™

Preparing Lawyers/Timekeepers

Enable the Calendar for each lawyer/timekeeper under **Options → Lists → Lawyers and Rates**. Highlight the timekeeper and hit "Change". On the General tab click the button to use Calendar. Set the Daily Hours Goal to use the time tab in the Calendar to compare actual to the target each day. Choose the colour for this timekeeper's events on the Calendar

Change Lawyer Information RAS-Robert A. Sample

General Accounting Provincial Special Fields Budget Figures

Lawyer

Nickname: RAS Initials: RAS

Name: Robert A. Sample

Category: Senior Partner

Daily Goal: 7 Hours

Calendar

Use Calendar: Event Colour: Change

Rates

Rate Changes Effective as of: 4/26/2010

Rate	Rate Name	Amount
A	A Rate	250.00
B	B Rate	200.00
C	C Rate	150.00
D	D Rate	300.00
E	E Rate	98.00
F	F Rate	0.00
G	G Rate	0.00

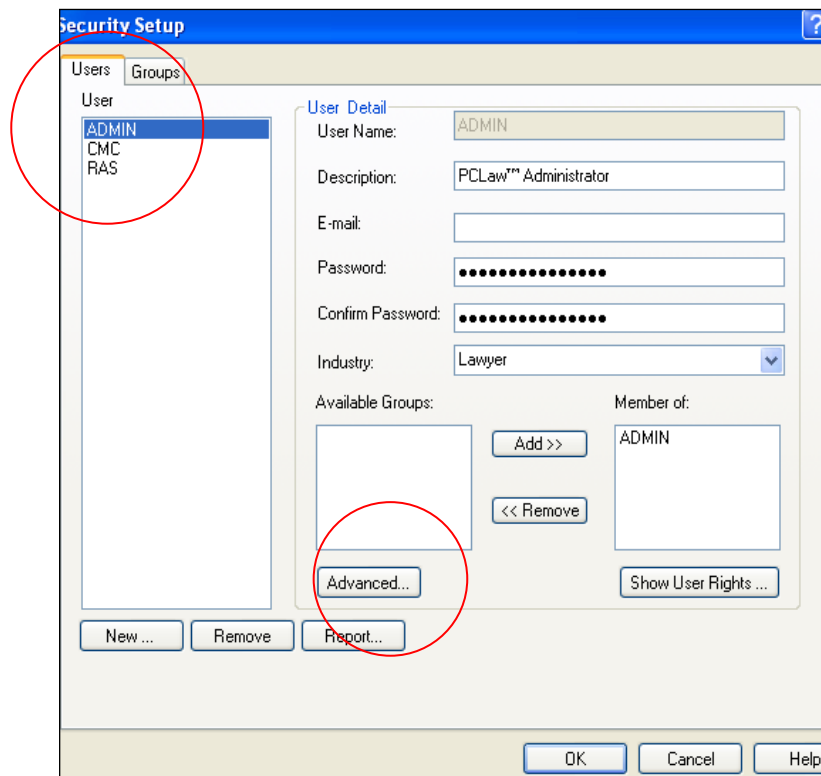
Rate History...

* - Rate is newer than the change as of date.

Assigning Security

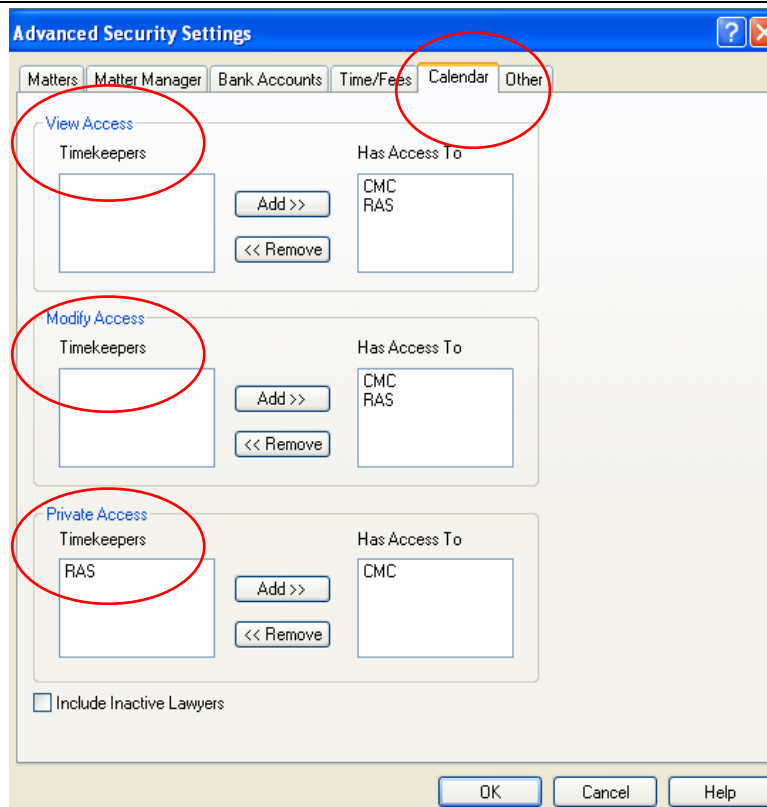
The PCLaw™ Administrator can assign specific timekeepers access to view only, or view and modify, events for specific timekeepers.

Under **Options → Administrator → Security**, highlight the user name to be modified and click the “Advanced Button”



Click on the “**Calendar Tab**” to allow user:

- **View Access** – read only – cannot change – by timekeeper
- **Modify Access** – read and change - by timekeeper
- **Private Access** - without this access, details cannot be read for events marked private – users without this access will see “Details Not Available” in place of the actual event details.

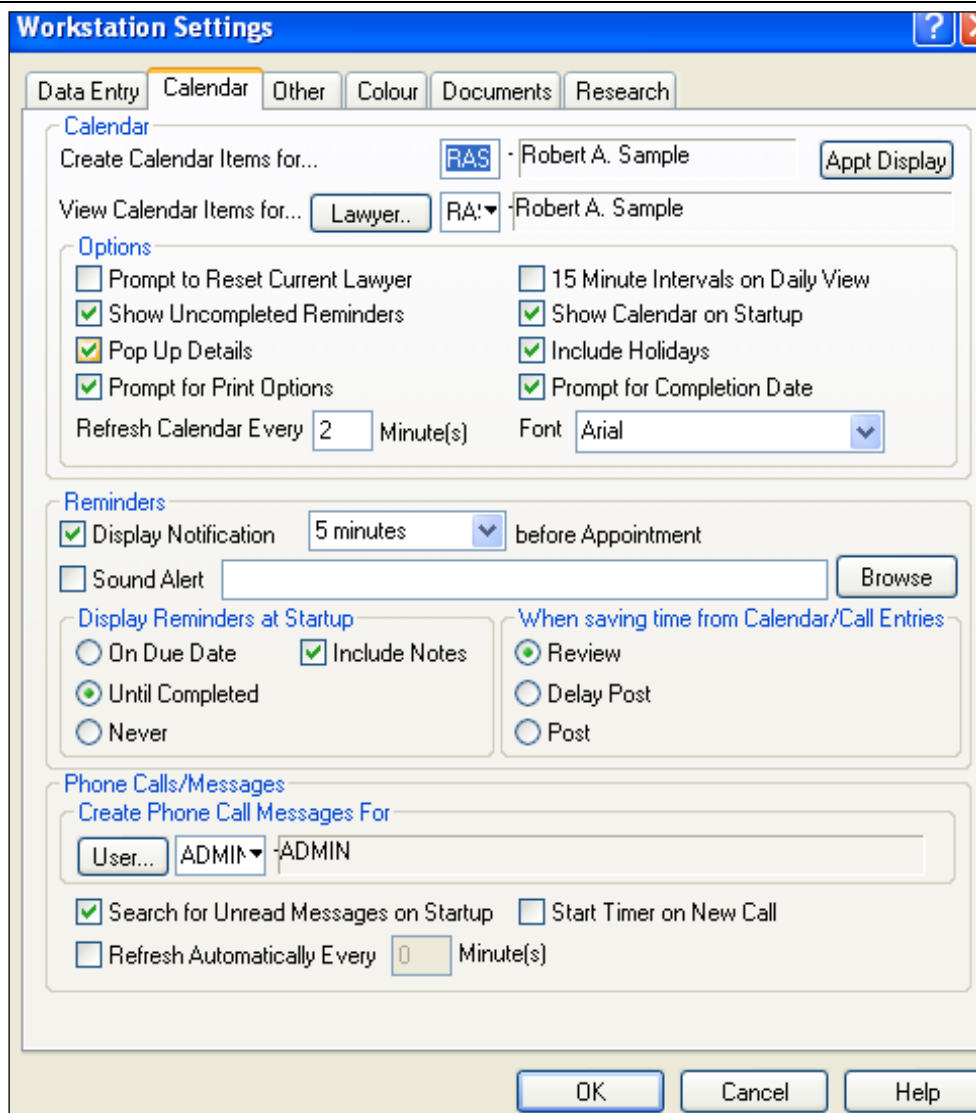


Workstation Settings

These settings allow individual timekeepers to customize the settings for their Calendar. Under Options → Workstation Settings → Calendar tab, set the defaults for the individual timekeeper. Some of these options are:

- Time intervals displayed on the calendar
- How reminders work
- Sound for audible reminders
- Include holidays – to enable statutory holidays, go to Options → Lists → Holidays and import the holidays.
- Show Pop Up Details – allows event details to appear when you hold the mouse over an entry in a grid screen

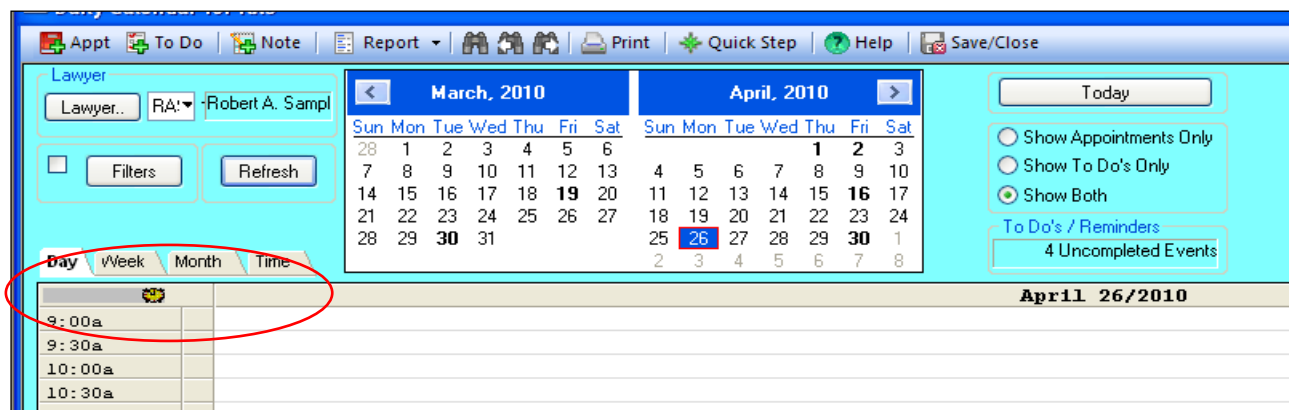
Once you have selected your options, open your calendar to view your preferences.



Navigating the Calendar

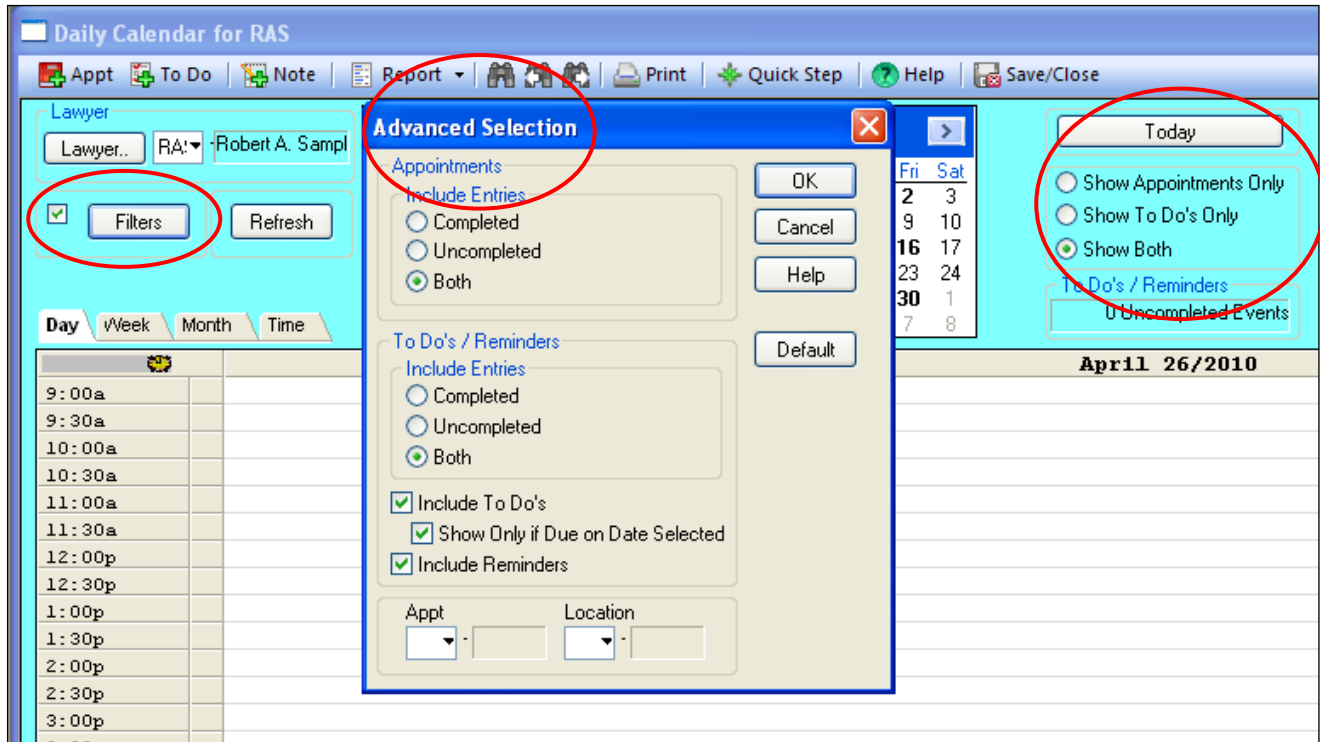
Time period displayed

The calendar shows appointments by day, one week, one month or a monthly summary of docketed time.



Filtering Items Displayed

The Calendar can be filtered to reduce the number of items displayed. It can be produced including only completed or uncompleted Appointments or To Do's for a particular timekeeper or location. Click the "Filter" button to bring up these Advanced Selections. Use the Filter button to reduce the number of appointments displayed on the screen – i.e. uncompleted To Do's/Reminders only

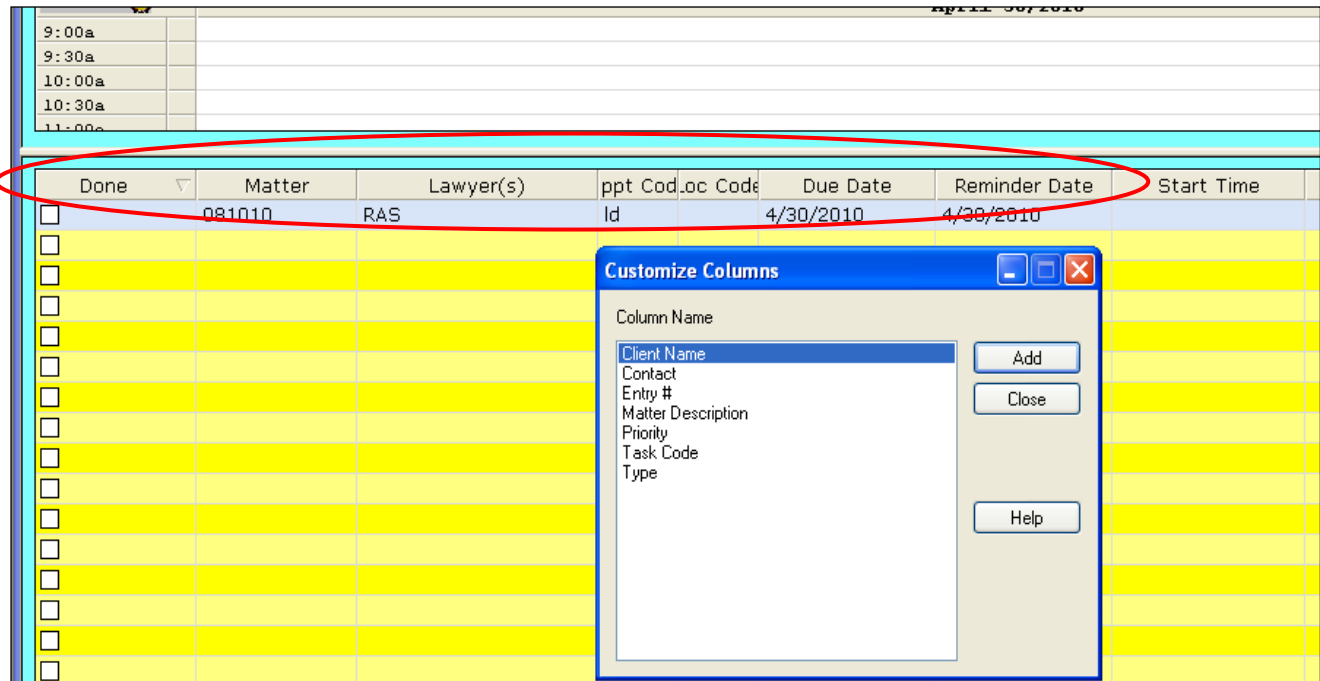


Customizing the Display

You can customize the display of your calendar to show **Appointments Only**, **To Do's Only** or **Both**.

Customizing To Do Details

Customize the To Do list by adding or removing columns. Right-click in the **heading area** to change the columns that are displayed. There is also an option to **restore** columns when you **right click in the headings area**.



Changing To Do Colour

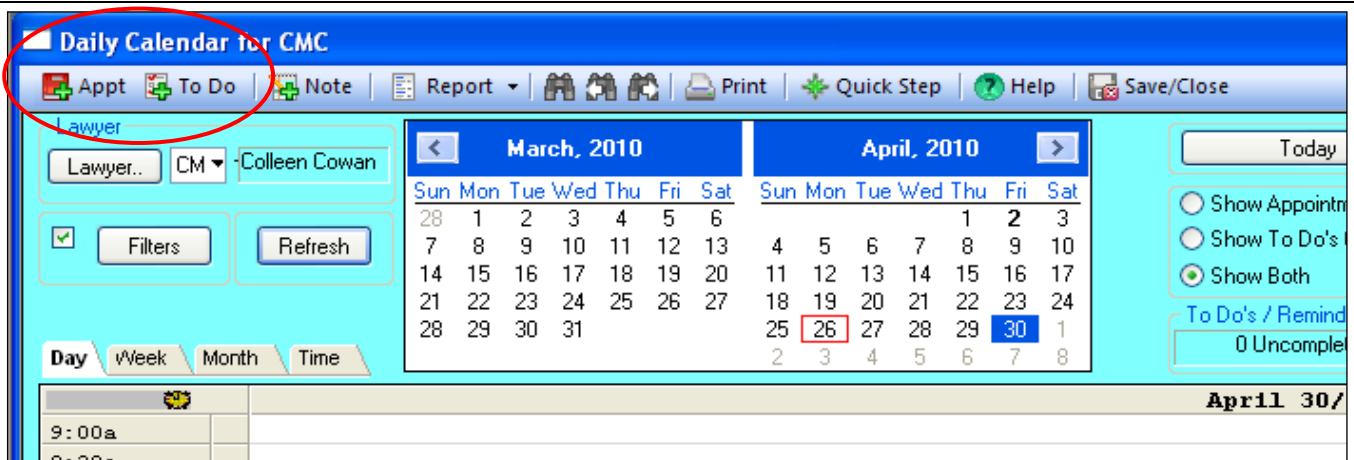
Change the colour used on the To Do grid by right clicking on a To Do line and picking a new colour.

Managing Appointments and To Do's

Creating Appointments and To Do's

New items can be created by:

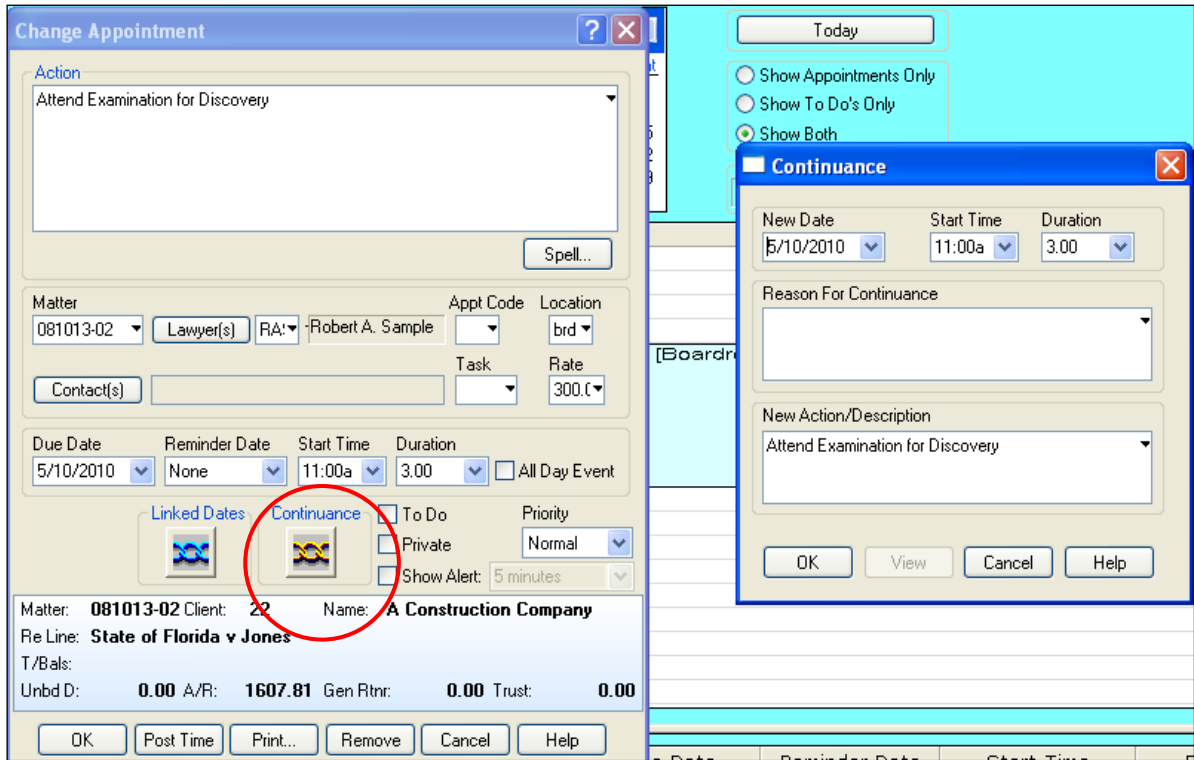
- Double clicking or right clicking in an empty time slot on the calendar; or
- Clicking the Appointment or To Do Icons on the Toolbar.



Continuance Button

Use the Continuance button for uncompleted Appointment – a continuance creates a new, separate event, using the same information as the original event. It also links the original and new events so you can review a history of the related events.

If the event is a To Do, the new To Do appears on the To Do listing. The original event remains. However the reason for the continuance is added to the event's description.



Creating Reminders

A Reminder can be set to remind you of an event. A Reminder is created as an extension of a To Do or an Appointment and appears in the To Do list on the Calendar. A reminder CANNOT be created independently of an Appointment or To Do.

Creating a Recurring Event

An Appointment or To Do can be scheduled on a fixed interval throughout the year, making it unnecessary to re-enter repeating appointments or To Do's.

Modifying a Series of Recurring Events

A single event can be modified or the series as a whole can be modified or deleted. Events can be modified by right clicking on the event or double clicking.

Linking Dates in the Calendar

Appointments or To Do's can be expanded to be part of a series of linked dates. Linked dates can be used for events that are dependent on each other in a series, or for a series of reminders before a limitation date.

Linked Date Templates - a linked event begins with creating a template for the series. The template will be set up to automatically create a series of appointments, or to do's, tied to the specified base date. The **Base Date** is the date upon which all other dates are determined.

For example, the base date may be a limitation date. For the template "Limitation

Date”, a series of reminders may be set up as follows:

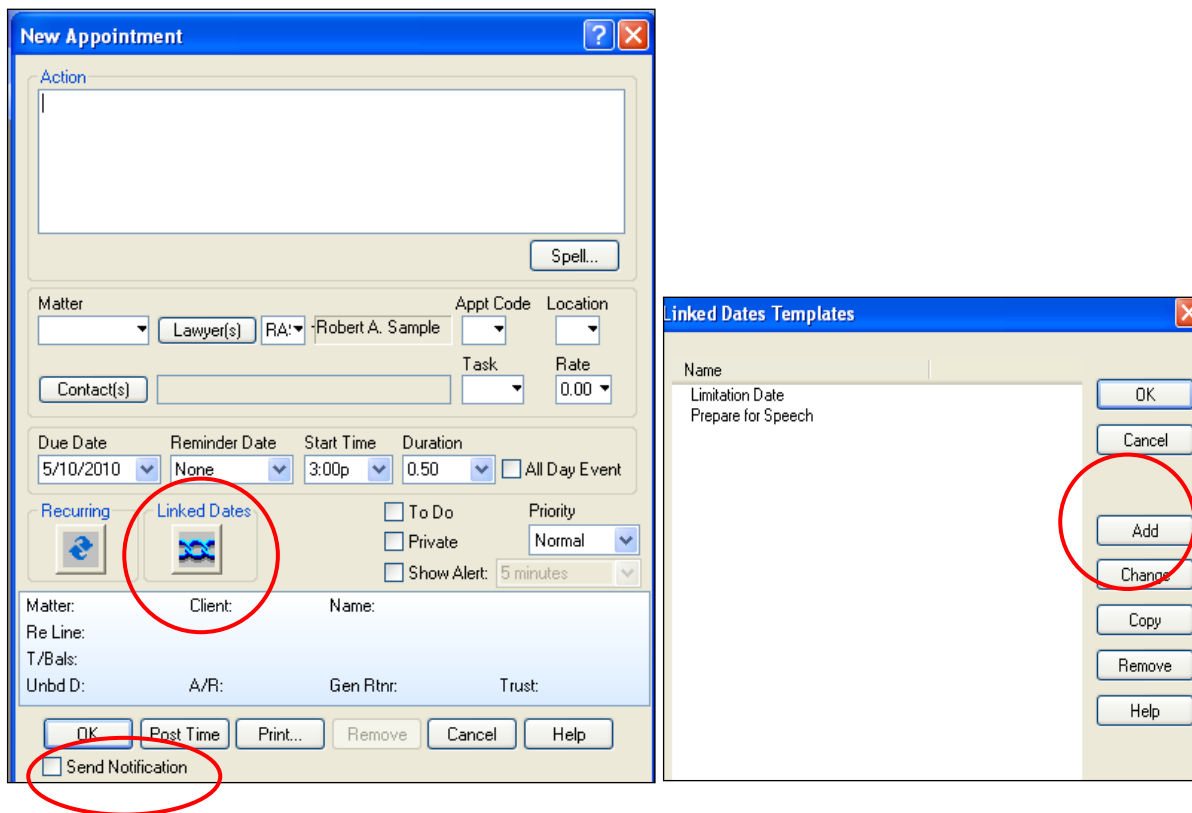
Base date minus 3 months - 90 day reminder

Base date minus 1 month - 30 day reminder

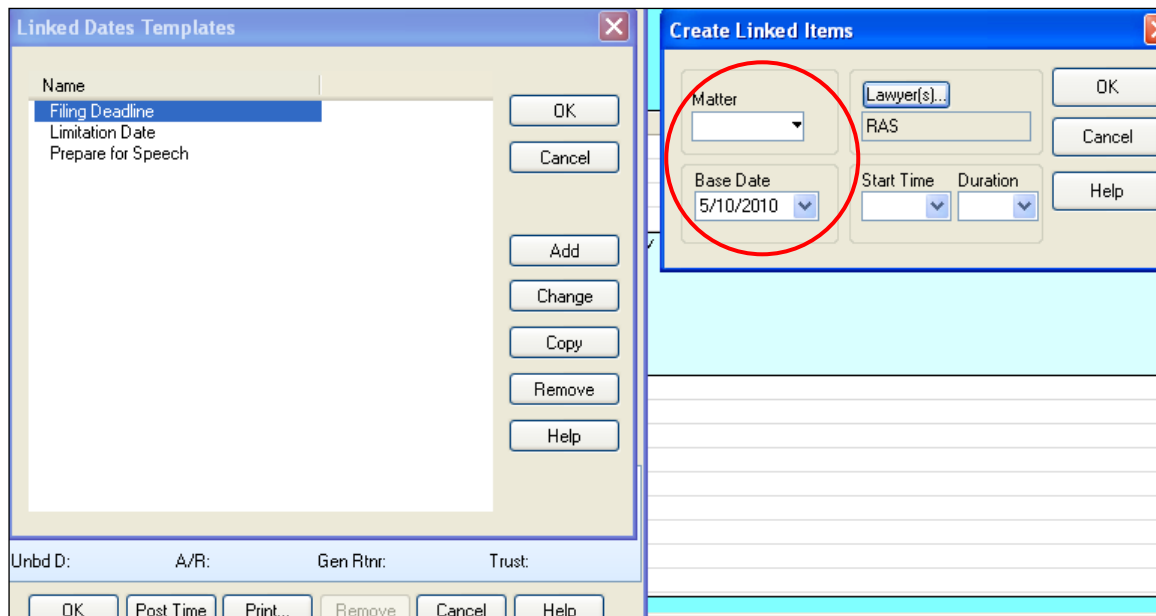
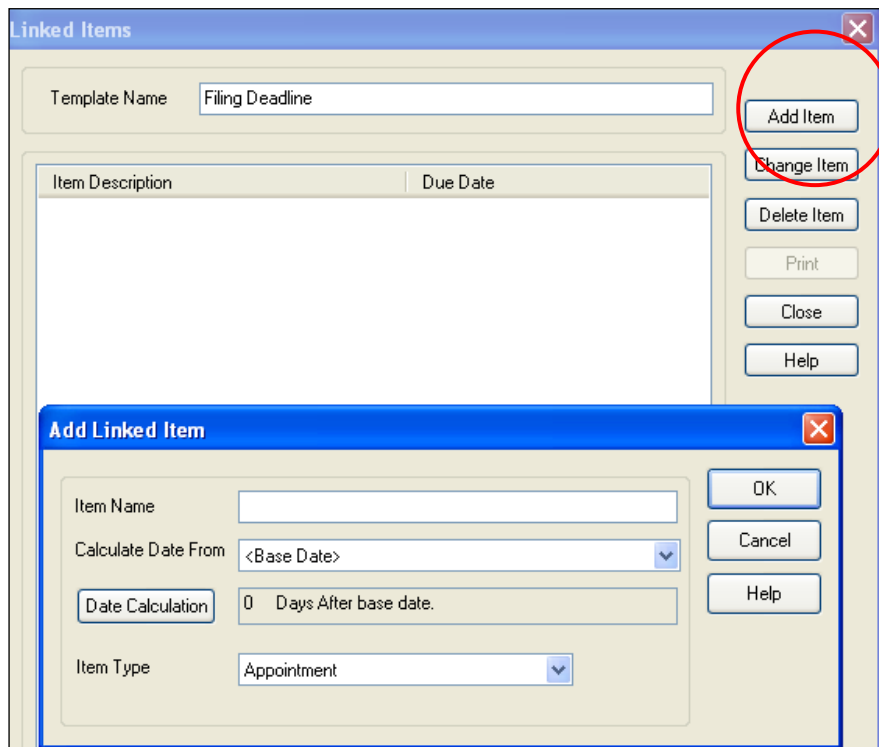
Base date minus 1 week - 1 week reminder

Base date minus 1 day - 1 day reminder

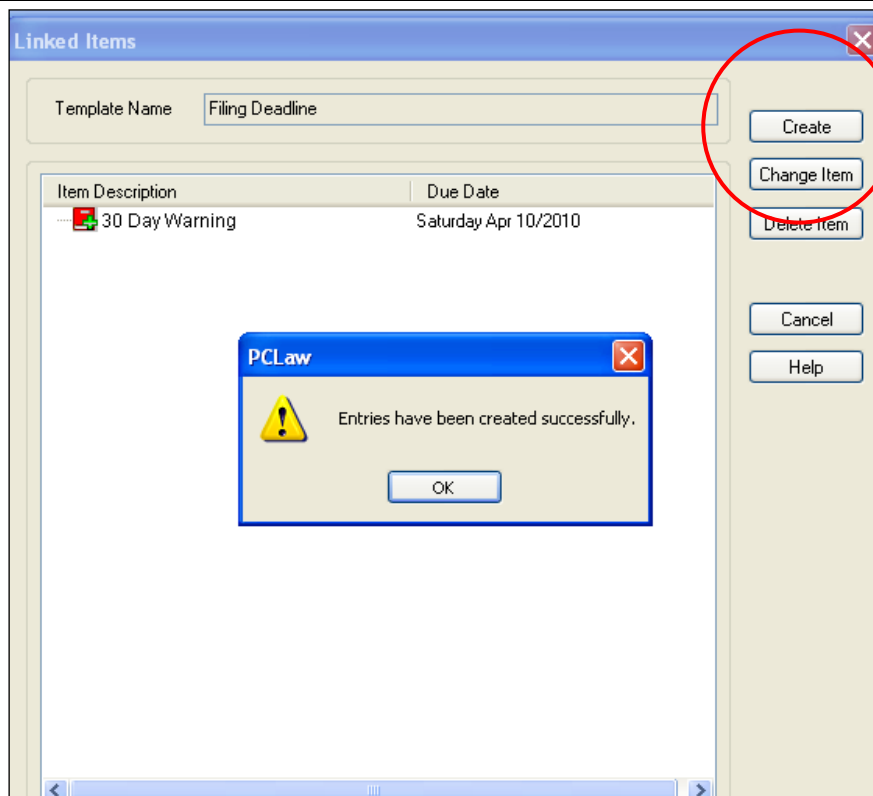
A linked event begins by creating new Appointment or To Do. Leave the appointment screen empty and click on the “Linked Dates” button to bring up a window to create the Template.



Click Add, create the template name, and add items to meet your specifications. Name your item, and click on the Date Calculation button to set the time frame before or after the base date. Please note the “Send Notification” button in the lower left hand corner sends an **immediate** notification that the Appointment or To Do has been made.



Once the Template has been created, enter the Matter number and the Base Date and hit OK. (Start Time and Duration are optional entries.) Hit "Create" and a box as below will appear saying the entries have been created successfully.



Setting up Linked Dates as Appointments – this option **allows pop up reminders** for the appointments. You can select which timekeepers get the pop up reminder when the template is used.

However, the Appointment will be set for a specific date only. It will be up to the user to modify the Appointment if it is not completed on a certain date.

Setting up Linked Dates as To Do's - if the Linking Dates are set up as To Do's, the **To Do's will carry forward** on a To Do list until they are marked as completed or otherwise modified.

Document Management:

Document management is one of the essential foundations for a paperless office. In the electronic world, a lawyer and law office needs to have the electronic equivalent of the paper file. The document management application takes all the 'bits' – pleadings, phone messages, correspondence, emails – and organizes them. Furthermore, it makes searching for information within those documents quick and easy...right from the lawyer's desktop.

Firms that have made the move to a paperless environment have either used the document management features of PCLaw or they have adopted a document management application such as Worldox (www.worldox.com) which takes over these functions.

Furthermore, firms that have gone 'paperless' have not only saved costs (they have largely eliminated the file clerk position), they are more efficient (there is no longer any time lost in looking for 'the file').

Once a firm is paperless, then working remotely from a cabin, from home or from a hotel room is easy...as all you need is a laptop with remote access enabled and an internet connection.

A case management application should also assist in another aspect of document management – and that is organizing all the different people on the file (which is typically done by writing this information on the inside of the file folder).

Accordingly, the case management application should have a "File Information Section" - in there you will see a description of the case, the parties in the case and all contact information, notes on the case, things to be done, logs of the calls and lists of the documents generated for the file - in other words, an up to date index of the file - without having to locate the paper version. Great to get an

update on the file when your client or the lawyer on the other side calls - you can pull this information up on your screen while making small talk - and be up to speed on the details lickety-split.

Electronic document management allows you as the practicing lawyer – to have all the parts of the file at your fingertips. And to search along all the different criteria ...parties, files, lawyers, clients, experts and witnesses, matters, phrases, dates ..etc.

Document Management in PCLaw™

Advantages of using document manager in PCLaw™

- Capacity to centrally manage documents, emails and precedents
- Designed to help with storage and retrieval of documents, emails, and spreadsheets
- Documents can be saved to PCLaw™ from with PCLaw™ itself, Microsoft Word, WordPerfect, or Windows Explorer.
- Additional information can be included in the document properties to better source, sort or tack the document
- Search by matter, a particular phrase within the document, when it was created or last modified, who (which user) created it
- Locate and list documents that meet search criteria in legacy documents not yet saved in PCLaw™.

How to set up document manager in PCLaw™

Create Unique User Names and Passwords in PCLaw™

Ensure each user has a unique user name and password. Set unique user names and passwords for each person under:

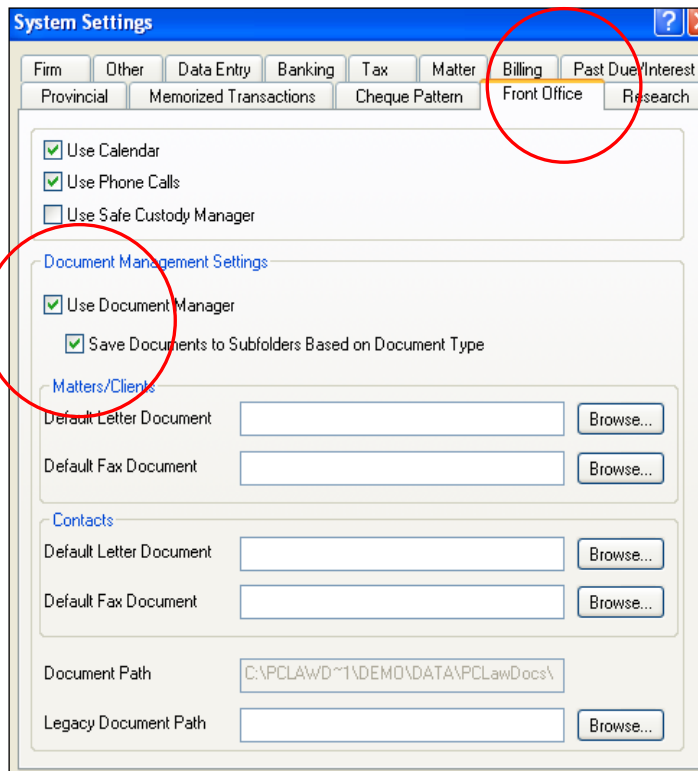
Options → Administrator → Security

This is a good practice with many features in PCLaw™. Sometimes the administrator will need to see who, or which workstation, is in PCLaw™ for various reasons. If everyone is using a unique user log in, this job is easier. Also, the audit trail report gives the name of the user who created the entry. This is sometimes helpful in troubleshooting a problem.

Enable System Settings

Ensure all users are out of PCLaw™ for this one time set up. This option creates folders for all clients and matters in Data/PCLawDocs.

Options → System Settings → Front Office Tab

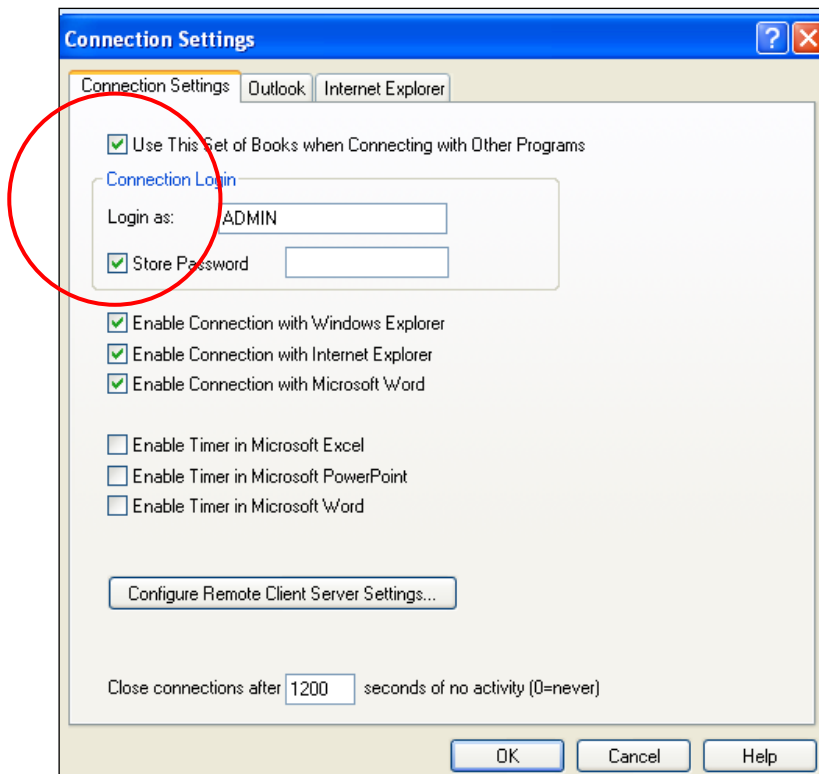


Select Use Document Manager and Save Documents to Subfolders Based on Document Type. PCLaw™ will create this folder structure: Client → Matter → Document Type.

Enable Connection Settings

Prior to enabling this connection setting, close all programs that link with PCLaw™! This includes Microsoft Word, Outlook, WordPerfect, and any application that may utilize Word or WordPerfect as the text editor (close WINWORD through Windows Task Manager).

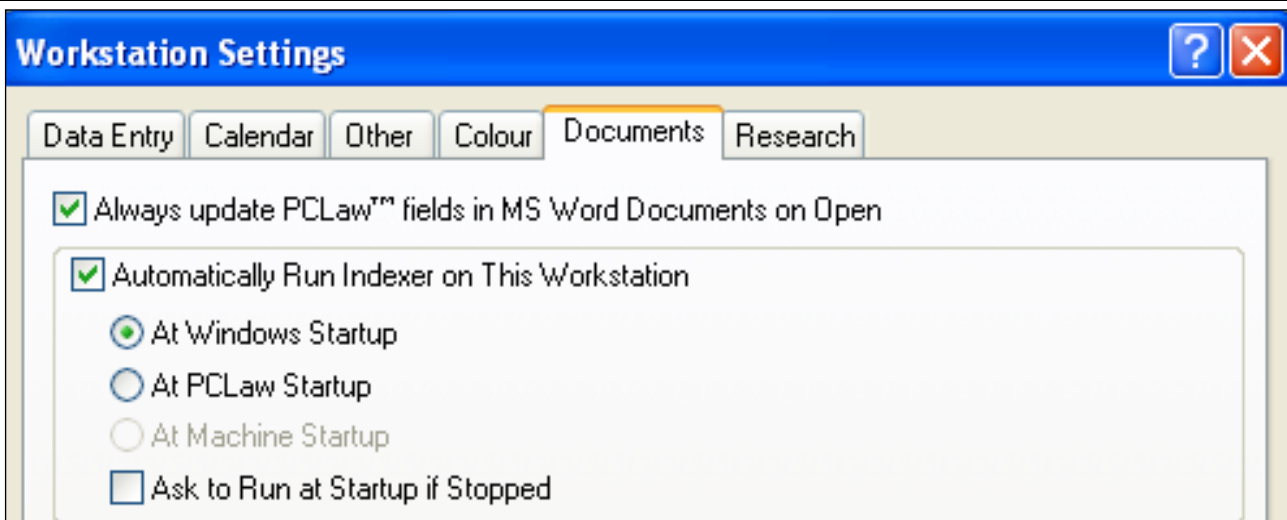
Options → Connections Settings → check “Use this set of books when connecting with other programs. Ensure this is selected at all workstations. Under Connection Login, fill in the user name and password to be used by default. This allows the connections to run without interruption



Restart PCLaw™ (to effect the changes)

Document and E-mail tabs appear in Matter Manager. If the tabs are not there, click on Add Tabs and select the missing tab.

Document tab appears in Workstation Settings. Check “Automatically Run Indexer on This Workstation” on one computer ONLY – preferably the server. The Indexer runs in the background to track new documents and changes to documents, and adds them to the search list within Document Management.



Enable Connection with Windows Explorer allows you to right click on documents and add them to PCLaw™

Enable Connection with Microsoft Word provides the PCLaw™ Document toolbar in Word.

Document Listing appears in the Reports pull down menu.

Getting Started

The first step is to start attaching word processing documents, e-mail messages and other files to matters in PCLaw™. Some firms elect to go forward from a particular date, leaving old files in a legacy filing structure and saving new files from that point forward in PCLaw™. If you store files created in a legacy system, PCLaw™ copies the file--it does not move it--so duplicate will be created. The document is saved to a matter and can be accessed from the "Docs" tab of Matter Manager.

Users can choose whether or not to save documents in PCLaw™. PCLaw™ does not force you to save every document in PCLaw™. As with the implementation of any new system, make sure your firm has clear guidelines on how it is to be used.

Also note the documents are not stored in PCLaw™. Documents can still be accessed using the windows file structure by a user without PCLaw™. PCLaw™

just organizes the documents in a standard way.

For all methods of adding document to PCLaw™ you are prompted with an “Add PCLaw™ Document” window:

Matter:	Client:	Name:	
Re Line:			
T/Bals:			
Unbd D:	A/R:	Gen Rtrn:	Trust:

On this screen, complete information on the document including choosing a Matter, Author, Document Type and Description.

Document Types

Use document types to classify documents, e-mail, and precedents into related groups such as affidavits, contracts, or incorporation documents. Document types

consist of a four digit alphanumeric abbreviation and a short description. Use or modify the Document List tool to add and maintain a list of document types.

Closing Files

When you archive Matters with Documents, the documents are moved from the Active Folder to an Archive Folder within the PCLawDocs structure. If you re-open a matter the documents are moved to the Active Folder. Documents are not deleted when you close a file unless you choose "Destroy Matter Information".

E-Mail Management in PCLaw™

E-mail is a component of document manager in PCLaw™ and works in conjunction with Microsoft Outlook only. (PCLaw™ Version 10 does not link with other email applications, including Outlook Express.)

E-mail can be added to PCLaw™:

- as it is being sent; or
- from any folder in Outlook.

Matter Manager → E-Mail tab lists e-mails associated with a matter.

How to set up E-Mail Manager in PCLaw™

Options → Connection Settings → Outlook Tab

Select "Enable Connection for E-mail Tracking and Timer" and choose one of the following options:

- Record sent items by default;
- Ask to record sent items; or

- Never record sent items by default

Note:

- All E-mail saved in PCLaw™ must be associated with a matter
- E-mail is saved in PCLaw™ after it has been sent – cancelling the save does not prevent the email from being sent
- E-mail can only be recorded in PCLaw™ one at a time – multiple emails can not be selected and saved to PCLaw™
- E-mail can be viewed, forwarded, and deleted from within PCLaw™ document manager or E-mail tab in Matter Manger.

Contact Management:

Along with managing the documents, time and deadlines on a file, a practice management application should also organize all the people in and around the file. Those people would include: lawyers, secretaries, clients (and their secretaries, spouses and other important people), experts, witnesses, suppliers, doctors...etc...

The contact manager should be able to not only show all of these people and associate them with the file, but they should also allow you to track all calls and correspondence with these people. The contact manager should also allow you to maintain a master index of their contact information that only has to be updated once and reflected on all files if it changes. If any person in your database is associated with another file, then adding them to the new file should be as simple as a couple of mouse clicks.

You should also be able to view the record for communication on the file with any of these people on any particular file, any particular date or particular matter. Searching for any information – a record of a communication or a contact – should also be straightforward and fast.

Most communication managers will also be proactive – prompting you to contact a client or deal with a file on a default time frame. For example, if you haven't 'touched' a file in 14 days, the system should be capable of generating a reminder to you in this regard.

Since the time and billing is integrated with the contact management, it should be straightforward to not only keep a record of the communication, but to log the billable time associated with that communication.

You can also set up a precedent to include a "report to client" as one of the steps to be taken after an appropriate period of time has passed or step has been taken on the file. This will create a to-do on your calendar to keep the particular client informed and avoid one of the main complaints of clients - namely of their lawyer not keeping them in touch.

This "file-oriented" approach is the major difference between a contact manager (such as Microsoft Outlook) and a legal case manager.

Contact Management in PCLaw™

PCLaw™ provides a firm-wide contact database. Managing contacts firm-wide means that changes are made in one location, with one entry. All persons interacting with the firm are contacts, including vendors, clients, opposing counsel, expert witnesses, consultants, etc. While contacts can exist

independently of matters, associating contacts with matters helps you track all parties related to a matter. Contacts can also be associated with documents and events.

A central database of contacts facilitates Conflict Checking. Contact information can be exported or printed to labels.

Adding a new Contact

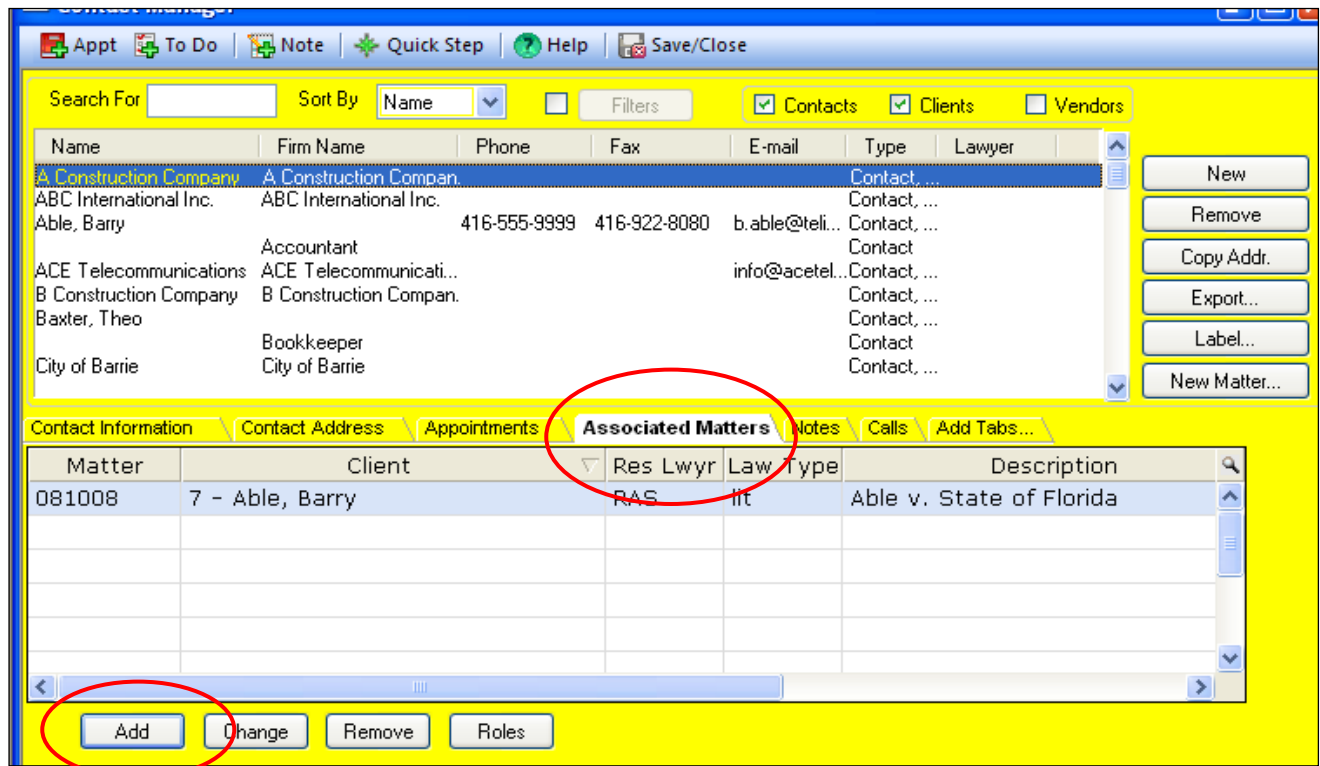
File drop down or **Practice Management button** → **Contact Manager** → **New**

The screenshot shows a 'Contact Information' dialog box with the following fields and controls:

- Title: [] First: [] Middle: [] Last: []
- Firm Name: [] Display As: Person (dropdown)
- Position: [] Type(s): (dropdown) Lawyer: (dropdown) Private:
- Buttons: Conflict (circled in red), Copy Address
- OK, Cancel, New Matter, Help buttons on the right.
- Main Address section: Address1, Address2, City, Province, Postal, Country, Use As Main Address (checked).
- E-mail section: Bus E-mail, Home E-mail.
- Memos section: [] Spell... button.
- Contact section: Bus Phone, Home Phone, Cell Phone, Other Phone, Pager Number, Bus Fax, Home Fax, Bus Web Page.

The Contact information to be completed is self explanatory. The Conflict box is new to Version 9, allowing a conflict check at the time of entering the contact to avoid duplications.

Once you create the contact, it can be associated to matters by clicking on the Add button and selecting the associated matter.



Conflict Checking:

Case management software allows you to search your Contacts list to determine if you have a conflict regarding a new potential client. Since this can be done 'on the fly' then surfacing a potential conflict can be done oftentimes on the first call when a potential client is attempting to make an appointment.

Furthermore, since practice management software will also track people associated with the file, it will also show you the 'role' they play (party, lawyer, consultant, witness etc.) on a file. This can help avoid situations where someone that you may be cross-examining on a file as a witness approaches you to act for them.

Conflict Checking in PCLaw™

In PCLaw™, a conflict search checks all clients, matters, contacts, vendors, calendar events, phone calls, notes, billings, and documents in Document Manger. Matching rules can be set according to the drop down options below.

File Conflict List

Options

Name Matching Rule: Name Contains

- Name Contains
- Name Starts With
- Exact Match
- Full Phrase

Show Full Re Line/Memo

Active and archived matters will be searched

Name:

Name:

Name:

Name:

Name:

Name:

Name:

Name:

Name:

OK

Cancel

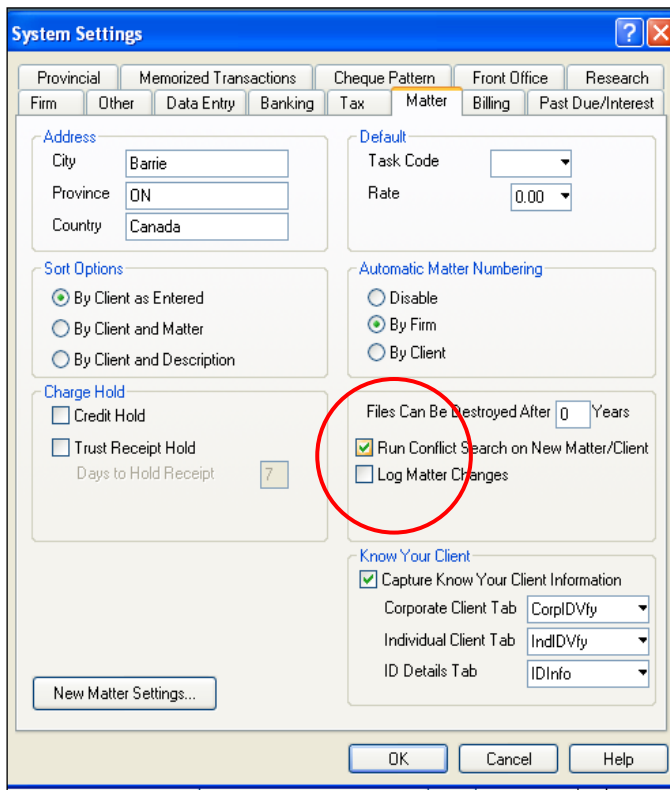
Help

Load Last

A File Conflict List is created with drill down capabilities. Up to 12 names can be search at once

Conflict searches can be set to run automatically when a file is opened

Options → System Settings → Matter Tab



Conflicts can also be checked under:

File → Client → Conflict Search

Global Search

The Global Search function is a customized search. Users may select which fields in PCLaw™ to search, making the search as broad or limited as required.

Because of the ability to customize this search, the Global Search is **NOT** considered a conflict search.

The Global Search is found under File → Client → Global Search

Search

Matters (Active and Archived) Time Dockets

Clients/Contacts/Vendors Billing/Disbursements/General Bank/Trust Bank/Payables

Appointments/Phone Calls/To Do's Documents

Notes

Options

Name Matching Rule:

Show Associated Matters for Contacts Show Full Re Line/Memo

Show Associated Matters for Clients

Look For

Name: <input type="text"/>	Name: <input type="text"/>	<input type="button" value="OK"/> <input type="button" value="Cancel"/> <input type="button" value="Help"/> <input type="button" value="Load Last"/>
Name: <input type="text"/>	Name: <input type="text"/>	
Name: <input type="text"/>	Name: <input type="text"/>	
Name: <input type="text"/>	Name: <input type="text"/>	
Name: <input type="text"/>	Name: <input type="text"/>	
Name: <input type="text"/>	Name: <input type="text"/>	

Phone Call Management:

Today virtually all practice management products will log calls and should be able to create a time and billing entry and a reminder from a logged call. They should also be capable of organizing all your phone calls and emails. Incoming telephone messages should appear in an "Unreturned Calls" area. At a minimum they should contain information on the caller, the file and whether or not the call is urgent (if it is, then some warning should appear on top of whatever else is on your desktop along with an audible phone alarm).

From your call slip you should be able to return the call, make notes about the call, create a call-back reminder, convert the phone message to a To-Do, create a time and billing entry and print a memo about the call.

All your phone messages should remain under your unreturned calls area until clicked Returned. In this way you never miss or lose a phone message.

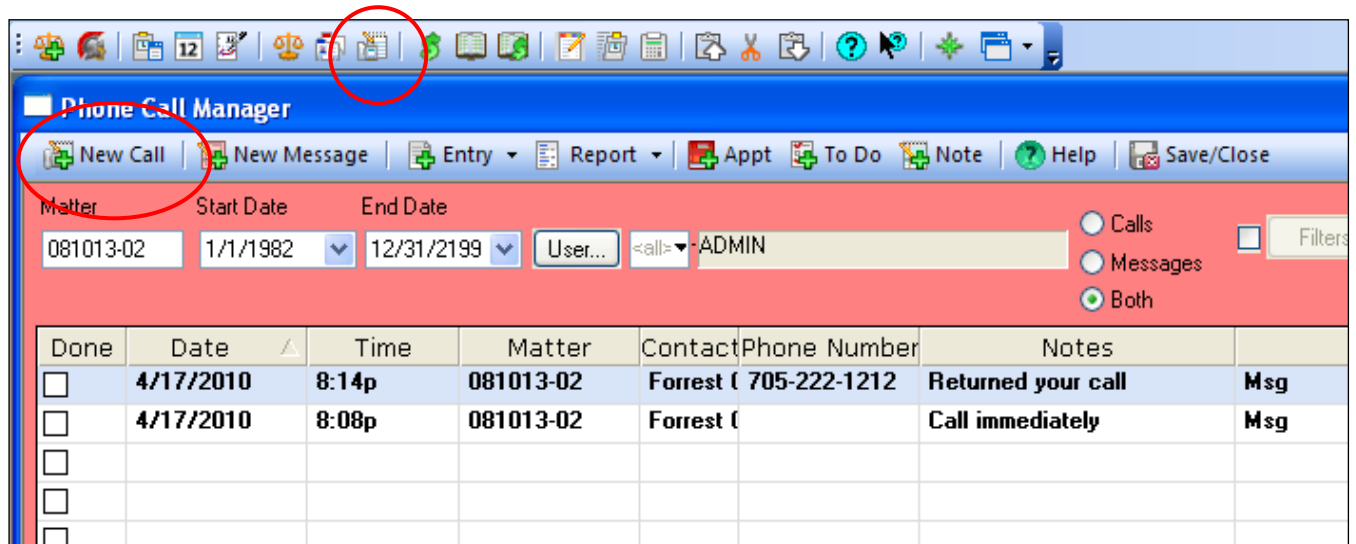
Furthermore, since all calls are logged and timed, you can say to someone "yes, I returned your call at 11:07 on the 14th and spoke to your secretary - I left word for you to call after 4 pm that day."

Also since all calls are logged and indexed, you should be able to pull up a list of all calls, all messages and all emails for a particular client, file and lawyer or for a particular day.

Phone Call Manager in PCLaw™

PCLaw™ can centrally store phone call information in the Matter Manger Tab.

The circled icon will open the Phone Call Manager. Or it can be accessed under File → Phone Call Manger.



Launching the New Call button, will open the follow screen:

Complete the details as required. Note the ability to set a **Timer**, post a **Time Entry**, or **Create a To Do** from this screen.

Message Manager is an **inter-office** tool, to send messages to PCLaw™ users. Notification of a message can appear on the user's workstation.

Selecting New Message in Phone Call Manager opens the New Phone Message Window

Done	Date	Time	Matter	Contact	Phone Number	Notes	Msg
<input type="checkbox"/>	4/17/2010	8:14p	081013-02	Forrest (705-222-1212	Returned your call	Msg
<input type="checkbox"/>	4/17/2010	8:08p	081013-02	Forrest (Call immediately	Msg
<input type="checkbox"/>							
<input type="checkbox"/>							
<input type="checkbox"/>							

New Phone Message

Information

Contact New Phone # Matter

Taken for User... ADMIN -ADMIN Date 4/26/2010 Time 8:25p

Notes

Action

Completed Urgent Please Call Returned Your Call Will Call Again

Matter:	081013-02	Client:	22	Name:	A Construction Co
Re Line:	State of Florida v Jones				
Unbd D:	0.00	Unbd Hrs:	6.00	Unbd Fees:	1200.00
A/R:	1607.81	Gen Rtnr:	0.00	Trust:	0.00

OK Cancel Print Help Spell

If each user in PCLaw™ is set up with a Unique Name, this Messaging system is designed to be an electronic replacement for handwritten message slips.

Once the Message is sent to the user, it will appear on their workstation if they are logged into PCLaw™. If they are not logged in when the Message is sent, the user will receive a Message regarding unread messages upon logging in to PCLaw™

Click **Change Phone Message** to open the various options for returning the phone call.

Efficiency Tips

Deposit Slips in PCLaw™

The deposit slip feature allows you to select receipts posted in PCLaw™ to be included in a deposit. Before you take receipts to the bank, use PCLaw™ to total and print a deposit slip.

The benefits are that you **no longer have to hand write bank deposit slips**. PCLaw™ will include each receipt that you select for inclusion on the deposit slip on a form that you can attach to your cheques and present to your bank. This **reduces the risk of human error** in transposing numbers or addition errors.

Secondly, it **saves time when reconciling** the bank statement. The bank can be **reconciled by deposit slip (total)** instead of by individual cheque.

Under the "Tools" drop down menu, select "Deposit Slips". This window will appear

The screenshot shows a dialog box with two main sections: 'General' and 'Trust'. The 'Trust' section is selected with a radio button. It contains a dropdown menu set to '1', a text field containing 'Trust Bank Acct 1', and two date pickers for 'Start Date' (1/1/1982) and 'End Date' (12/31/2199). To the right, a 'Tools' menu is open, displaying options: 'Order Checks', 'Forms & Supplies', 'OK', 'Cancel', 'Help', 'Printer', 'Change', and 'Reprint'.

After selecting the appropriate bank account and date parameters, a list of all eligible payments received will be displayed.

The screenshot shows the 'Deposit Slips' window with the following details:

- Bank Information:** Bank: Trust Bank Acct 1, Branch: 53 Bayfield Street, Holder: Law Firm, Transit: 123, Acct #: 123456789.
- Deposit Information:** Slip NO: 2, Date: 2/5/2009, Template: DEPSLIP.
- Output:** Both (selected).
- Receipts Table:**

Entry#	Date	Received From	Matter	Orig...	Paymen...	Amount
✓ 9480	2/5/2009	Colleen Cowan	08-1153	Cheque		200.00
✓ 9478	2/5/2009	Colleen Cowan	08-1144	Cheque		1000.00
- Buttons:** Select All, Deselect All, Remove Entry, Total: 1200.00.

On the list of receipts:

- To select a receipt to include on a deposit slip, click the receipt. A check mark will appear to the left.

- To de-select a receipt to include, click the receipt. The check mark will disappear.
- To select all the displayed receipts, click Select All
- To de-select all the displayed receipts, click Unselect All.

NOTE: to permanently remove a receipt, click the entry to highlight it and click Remove Entry. Use this button to remove receipts that are automatically deposited to the firm's account (for example credit card direct deposits or wire transfers).

NOTE: print 2 copies of the deposit slip –one for the bank and one for your records. Some banks will accept this deposit slip without transferring the total to the bank encoded deposit slip.

Month End Closing Procedures in PCLaw™

Why close months in PCLaw™?

Months should be closed on a regular basis in PCLaw™ to:

- prevent future changes to reconciled/finalized amounts; and
- allow matters to be archived and closed.

If necessary, a month can be re-opened. However, the closing steps will need to be repeated if changes are made to the month(s) re-opened.

What do to prior to closing a month in PCLaw™?

Prior to closing a month end in PCLaw™, the following must be completed:

- All bank accounts reconciled with the bank statements;
- All billings and adjustments posted for the month—only unbilled time may be

entered or adjusted in a closed month; and

- Run "Verify Data Integrity" – this utility should be run from the server under PCLaw™ "admin" rights, with no other users in PCLaw™. Make a backup of the data before running this utility. This utility checks for inconsistencies in PCLaw™, sorts the data files and recreates index files to ensure PCLaw™ runs at optimum efficiency. Select all data areas to verify. (*Warning – this utility may take a long time to run depending on the volume of data and speed of your system*)

What reports are printed (saved to PDF.)?

1. GL Reconciliation Report – compares journal balances to their corresponding G/L control accounts at month end. Investigate amounts (if any) in "Differences" column by comparing totals to the actual journals. Do NOT go any further until you correct, or fully understand, the reason for any amounts in the "Differences" column.

From the Reports tab → GL Reconciliation → Report Month As At select end of month date from drop down box → click Reread GL Information. Must be logged in as "Admin" in PCLaw™ to run this report.

2. G/L Statement Reports:

- General Ledger Details
- Trial Balance
- Balance Sheet
- Income Statement (comparative)

From the G/L tab → G/L Statements, checkmark all four boxes under statement selection, General Ledger (template "GL"), Trial Balance (template "TBAL"), Income Statement (template "COMPINC"), and Balance Sheet (template "BALSHEET"). Checkmark Detailed Report under Current Report Period.

3. EOM Report Group

- **Billing Fees Journal**

- **Client Summary** - called "summary" (select other tab to exclude matters with zero balances)
- **GST Report Summary**
- **Receivables Listing**
- **Write Up/Down Journal**
- **Payables Listing** - change the "Invoice End Date" and "Payments Up To" to the last day of the month you are closing. Click Ok.

From the Reports tab → Report Group → EOM (End of Month) → click "Run" and enter start and end date for the month being closed. To review/change reports included in the EOM group, click Change and add, remove or disable reports as required.

What to look for on each report?

GL REPORTS

Balance Sheet – represents the financial picture of the firm at a fixed point in time. "Total Assets" (things of value owned by the firm) must equal "Total Liabilities" (amounts owed by the firm or obligations of the firm) & Equity/Capital (the owner's interest in the firm)".

Income Statement – represents how the revenue of the firm before expenses, is transformed into net income (or loss) after all expenses have been accounted for over a set period of time. Review the current month's totals in comparison to the same month last year; review the current year's totals in comparison to the prior year. Work on the differences that seem out of line and watch for changes – both good and bad.

General Ledger Details - scan through the details to look for anything out of the ordinary. Did an item get entered into the wrong GL account? Is there anything in "Suspense" that should be reallocated?

Trial Balance – Listing of all GL account balances at a point in time. Other reports/journals are compared to the totals on this report—the debits and credits must equal.

EOM REPORT GROUP

Billing Fees Journal – required by the Law Society to be kept.

Client Summary - The total Trust, Receivables and Unbilled disbursements (less general retainers—if any) should match the corresponding GL account balances on the Trial Balance. *(These comparisons are done by the GL Reconciliation Report).*

GST report – the General Reconciliation Balance (“GRB”) and the Running Balance (“RB”) should agree with the GST GL account total on the Trial Balance. The “Period Totals” balance will differ from the GRB and the RB because this reflects the current period (i.e. month) only.

Payables Listing - The total amount of Accounts Payable should match the total in the Trial Balance. *(This comparison is done by the GL Reconciliation Report).*

Receivables by Client - The total should match the Accounts Receivable in the Trial Balance. *(This comparison is done by the GL Reconciliation Report).*

Write Up/Down - If an account was written up or down after it was rendered the details would show up here. This report will be blank if there were no write ups or write offs.

Ready to close the month?

It is suggested, though not required, that you be the only person in PCLaw™ before closing a month end. Make a backup of your data before closing a month end. The final procedure is very quick to process.

From the G/L tab → select End of Month – “Close Month Of” will be pre-populated with the oldest month remaining open. DO **NOT** CLICK “Purge old entries”. Click “OK” to close.

Cheque Requisition in PCLaw™

Allows users to request cheques be issued on the general bank account.

Requests can be reviewed, amended and then released. Cheques will not appear on the general bank journal until it is released.

REQUEST CHEQUE: Data entry → General Bank → Request Cheque

Complete the details as on a typical cheque (note the cheque number is grayed to confirm it is a request only)

RELEASE CHEQUE: Data entry → General Bank → Release Cheque

Use Release Cheque to select, change, remove, or process requested cheques. Select the starting cheque number and the date.

RELEASE CHEQUE REPORT: From the release cheque screen, provides a list of marked and/or unmarked requested cheques.

Note: the same functionality is available for trust under Data entry → Trust Bank.

Time Entry Ranking On Invoices

New to Version 10 – posted time entries can be manually sorted to appear in the order you specify on the final invoice. This can be done through:

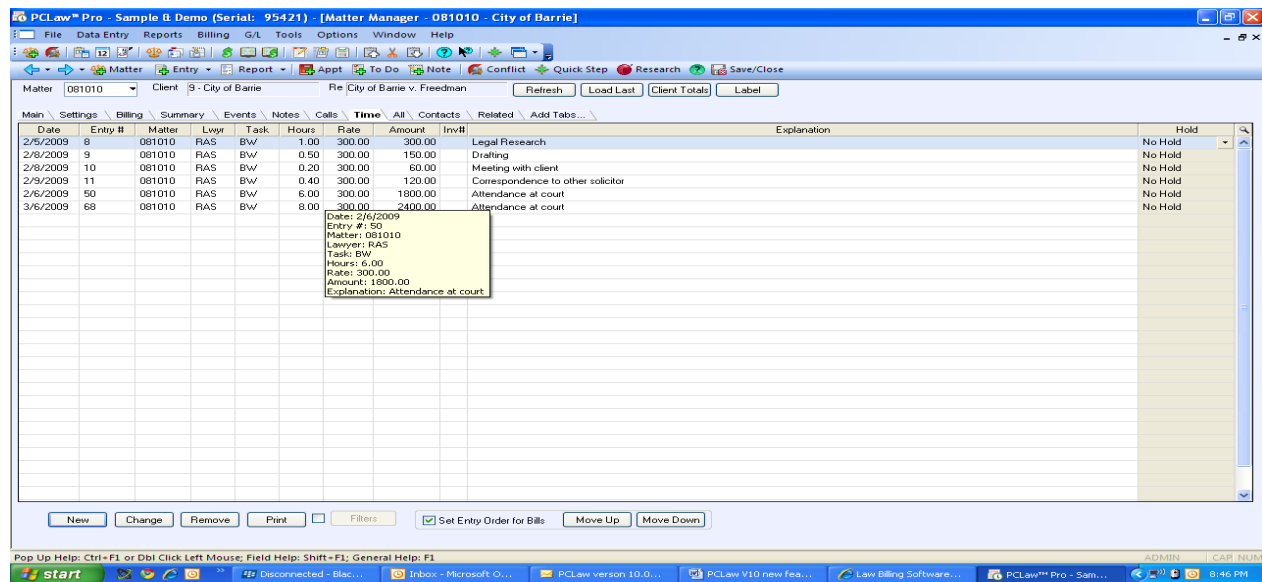
Matter Manager → Time tab

Register → Time tab

Options → Select Charges for pre-bill, create bill, request bill and settlement statement

Advantage – entries can be sorted into a logical order making it easier for clients to understand their invoices.

Earlier versions – time entries sometimes appeared in an illogical order on the invoices.



Editing and Refreshing a Pre-bill

New in Version 10 - a "refresh" button has been added to the Display Documents window toolbar

Advantage - allows users to see the revised prebill or settlement statement on the screen after a change has been made. The document updates in seconds, without leaving the initial screen.

Earlier versions – if an item was changed, users had to close the pre-bill and recreate it to see the changes.

Note: this option is not available on Create Bill or Request Bill

Paying Off Previous Balances at Time of Billing from Trust

New in Version 10 – ability to transfer from trust to general at time of billing to pay an old outstanding accounts receivable balance

Advantage – eliminates the need to perform a trust to general transfer prior to billing to apply trust funds to a prior accounts receivable balance. This can be done manually at the time of billing or as part of an automatic transfer.

Earlier versions – a separate trust to general transfer cheque had to be prepared prior to billing to pay existing accounts receivable.

Cash Flow Management

By

Colleen M. Cowan and David J. Bilinsky

In tough economic times it is more important than ever to understand your finances and watch your bottom line. Where are your billings and receipts coming from, and what are you spending money on? Come to this session to learn about the essential hidden and lesser used features of PCLaw™. These features can give you insights from reports on firm cash flow, lawyer productivity, billing realization rates and more. You will also learn how proper training and support can help you do more with this product.

Cash Flow Management

By Colleen M. Cowan and David J. Bilinsky

1. Introduction

Managing cash flow is a fine art. Especially in these tough times, you have to carefully watch the flow of cash in and out of your practice. Good cash management assures the life of your practice; you will have the cash on hand when you need it. However easy to state, it is difficult in application, as we have seen with so many businesses tottering on the edge of bankruptcy. Accordingly, this session is aimed at getting at the basics of cash flow management for a small practice.

If you don't already have an accountant to act as an advisor and a part-time bookkeeper to keep your financial records in good shape, I would recommend that you shop around and find one of each that are recommended by other lawyers who have successful small practices. I have seen many lawyers try to keep their financial records and postings themselves; the (relatively) small amount of money that you spend on a part-time bookkeeper familiar with your accounting system and your practice will be money well spent. They will keep you on top of deadlines and draw potential problems to your attention before they become big problems. Furthermore they will free you to do what you do best - practice law - while they do what they do best - keep your financial books in proper form.

I am asked many times by lawyers to advise them on the cheapest accounting system they can buy. Oftentimes, I spend an hour explaining to them that a proper integrated (general, trust and practice management) legal accounting system will pay for itself many times over in just the first year by allowing them to not only report on required historical results but also allow you to forecast your goals in financial terms and track your progress in real

time. That kind of power is invaluable and can make the difference between being successful and just getting by.

What can a proper financial system tell you? Greater detail is in the full article, but a good system can provide you with the ability to:

- Set a budget (which is a forecast of your income and expenses) and track your progress towards meeting your goals of keeping expenses in line and achieving your income expectations.
- Determine your cost of providing an hour's worth of services. We all know what hourly rates lawyers are charging; without any analysis of what it costs you to render an hour's worth of services you have no idea of where your break-even point is on a file – and whether or not you can benefit by moving to fixed-fee quotes.
- Determine if your timekeepers are recording their time accurately, writing off excessive amounts of time or achieving a businesslike and acceptable realization rate.
- See if your accounts receivable are ballooning and if so, why.
- Create a good 'dashboard report' that allows you to see the financial workings of your firm and in particular, how the finances of the firm are matching your expectations (see the full article for a suggested dashboard report). Early warning of a problem(s) can allow you to take action – now – before you are facing financial crises.

2. The Basics of Cash Flow Management

The objective of good cash flow management is to be able to pay yourself your expected draw (and any bonus in good times), on time and in the amount expected while maintaining all salaries, payables, government remittances and other cash needs of your practice. This is not easy - while salaries and remittances are regular and predicable, there are always

unexpected expenses. Many times these can be taken in stride provided the practice has maintained a 'cushion' in their general bank account to cover unexpected expenses. However, in our experience many practices manage cash flow by the cheque book method - so long as there is cash in the bank, they draw it out - leaving the practice continually undercapitalized and vulnerable.

1. What are your Financial Goals?

The first objective is to know what it is that you expect by way of a draw from your practice. Or as we are fond of saying, pay yourself first, since no one else will..

Of course we all know that expenses have to be paid in a timely fashion; however if you don't plan to pay yourself your draw, you end up in the position of paying yourself what is left in the bank account after everyone else is paid. And that results in putting yourself last. We think proper financial/cash management can turn that around....

So take a bit of time and plan out what you want from the practice. One way to do this is to work backwards - take your expected Income and multiply it by 2 to 2.5 ...that roughly anticipates the overhead of your practice. Now divide that number by your desired hourly rate - that will give you a rough idea of the number of billable hours you must put into your practice in a year. If this is satisfactory - great. If not - go back and adjust as necessary. This is the first step to scoping out your income, anticipated expenses, draw and what you must do to get there.

2. Write a Business Plan:

A business plan is your forecast (or stated goals) of your practice. As well as your budget, you outline what services you wish to market, how you will

market those services, how to distinguish your services from the competition, and how to operate your business.

A business plan:

- Is the only way to measure progress – by having a written statement that summarizes the goals of your practice and allows you to design the financial reports that will measure your progress.
- Refocuses and revitalizes your practice, particularly if you are feeling lost or adrift. The process of thinking about and crafting your business plan allows you to start thinking of how you can change your practice and move it from where it is to where you would like it to be...
- Organized explanation of how to start and manage your practice. Particularly if you are just settling up in practice, your business plan will be your assessment of your strengths, weaknesses, your competition and the environment in which you will be practicing. How can you maximize your strengths and differentiate yourself from the competition?

3. The Budget: Where it all begins...

A budget is a forecast or plan of your future financial performance. It's the financial piece of your business plan. Without a budget you are flying blind... and as the expression goes, "failing to plan is planning to fail." Many lawyers, in our experience, budget by the cheque book method - the look at the balance showing in the cheque book - look at the proposed expense and decide whether to spend the money based on the balance in the account. However, this is equivalent to flying blind - you haven't contemplated the expenses that are already coming your way when you decide to spend a fair whack of your available cash. And that can lead to cash flow problems down the road!

A budget will provide you with insight into your expenses (a fair whack of the fixed expenses can be determined in advance). Variable expenses – those that ride with the volume of business... can be guesstimated by the expected revenues you will receive.

You should prepare a detailed, month-by-month budget for at least the initial 12 month period. Include all known or anticipated expenses, and when they will come due. Factor in an additional amount (anywhere from ten to twenty per cent is a safe bet) for unexpected expenses, since it is Murphy's Law that costs will always be greater than you expect, particularly as the volume of work increases. Build in marketing time and expenses, too, and don't forget to include your draw. After all, if you don't look after yourself, no one else will!

If you already have an earnings track record, look back for historical data to spot trends and seasonal fluctuations. If you're just starting out, you can still make an educated estimate based on your marketing plan. Use a conservative estimate of how much business you will initially attract. Then, compare your estimated income and outgo on a month by month basis. If you show negative cash flow for several months in a row, do you have the funds on hand to meet that need? If not, where will those funds come from?

Once you have set out well-defined income and expense targets, you will be able to judge for yourself whether you are meeting, exceeding or falling behind your goals. Review the goals you have set on an ongoing and regular basis and, if you find yourself failing to hit your target, take corrective action by cutting unnecessary expenses and thinking strategically about potential new business – before it's too late.

The care and forethought you put into correctly anticipating your future income and expenses can spell the difference between success and failure for your practice. If you ignore the initial signs of trouble, you may find that

you are quickly out of business, and possibly facing even greater debts than when you started. With a budget you are on the first step to taking control of your financial future - by anticipating cash flow needs well in advance.

In any case, you are far better off with a simple budget document that you revise than not having one at all. You can find a budget for a law firm at:

In building your budget, you will need to think about two different types of cash needs:

1. Your initial capital needs for setting up your practice.
2. Your ongoing capital needs to finance the running of your practice - known as your working capital.

In most practices, 70% or so of a firm's overhead can be allocated to rent, salaries and technology. Technology falls into both initial needs as well as working capital needs as you upgrade, replace and add to your technological infrastructure. Having to suddenly replace a computer or printer/scanner can throw a wrench into your cash flow planning, which is why it isn't a bad idea to build in the regular replacement of your technology right into your budget. Rent and salaries can be anticipated and they fall into the working capital needs.

4. The Income Statement (Profit and Loss)

The Income Statement reports on how the revenue of the practice before expenses, is transformed into net income (or loss) after all expenses have been accounted for over a set period of time, typically a month or a year. Comparative income statements, showing totals from one period to the next, highlights changes--both good and bad.

However, recognize that the income statement, if it is prepared on the accrual method, may not actually reflect your cash position for the stated

period. The reason is that for accounting purposes, income could reflect bills rendered (but not yet paid) and expenses may include such items as depreciation (which is a gradual write-down of assets which depreciate over time). This isn't to say that an income statement should not be reviewed; exactly the opposite. However, you should recognize that it is not prepared for the purposes of managing cash.

We recommend that you review an income statement comparing the current month to the same month last year. Then look at the current year to date totals, compared to the prior year to date totals. While the figures will rarely be the same, try to understand the fluctuations. If you understand why revenues are down, or why certain expenses are up, you can work to improve the situation. Look at your income statement compared to your budgeted income and expenses. Work on the differences, as discussed earlier in the section on budgeting.

5. The Balance Sheet

Whereas the Income statement looked at the practice over a stated period of time, the Balance Sheet captures the financial position of the firm at a fixed point in time.

It is a snapshot of the:

- Assets - things of value owned by the firm;
- Liabilities - amounts owed by the firm or obligations of the firm;
- Equity or Capital - the owner's interest in the firm - the excess of the total assets over total liabilities.

From a cash management perspective, the balance sheet is of very limited usefulness.

6. The Statement of Changes in Financial Position (Statement of Cash Flows):

This is a financial report that is particularly relevant if you run your accounting system on the 'accrual' system (as most law practices and businesses in Canada do), rather than the 'cash' system. It reports the amount of cash at the start of the period, adds in all cash received by the practice and deducts the amount of cash going out to arrive at the net total of cash remaining at the end of the period. In short, it explains the net change in cash in the business over a specified time period (typically a month). It also provides information on how the cash was used in the business over the stated period of time: whether it was used for operating, financing or investing activities.

It is relevant in an accrual system since:

- The accrual system has its strengths -but one weakness is the misalignment between income, expenses and 'cash'.
- It brings everything back to 'cash' – ie Real Money!
- It accounts for all cash receipts and expenditures for a given period, allowing you to see a true indication of the cash available to you for that period.

Accordingly, this one statement should be prepared regularly and given the attention it deserves.

7. Reconciling your Bank Statement(s)

Reconciling the bank statement(s) on a timely basis is not only critical

to the success of your business, it is a required task by the Law Society. But it shouldn't be done simply because it must; equally important are reading and reviewing the bank reconciliation(s)--and knowing what to look for. Lawyers cannot delegate this responsibility--particularly for the trust account. Some one in the office needs to follow up on:

- outstanding trust deposits--when did the funds get deposited into the trust account and why the delay?;
- uncorrected bank errors--notify the bank in writing for correction to be made before the end of the following month;
- state dated trust cheques--contact the client (payee) and reissue;
- unchanged trust balances --is there a reasonable explanation?; and
- negative trust balances--funds must be replaced in trust immediately!

In my work as a practice management advisor, I have taken calls from many lawyers who have had funds sitting in their trust account for literally *years* and who now want to send these funds to the Law Society to get them off their hands. However, if they had reviewed their trust account reconciliations regularly in the past, they would have realized years ago that these funds were just sitting in their trust account. It does not look good for the lawyer to say: "I guess I should have noticed and having noticed, done something about these trust funds years ago." Furthermore, they now have to justify to the Law Society why these funds have just been sitting in their trust account for all this time: Typically the Law Society will ask: "Didn't you notice these funds just sitting there in your review of the monthly trust

account listing?". Do yourself a favour - regularly review your trust account reconciliations (along with your monthly trust account report) and take action where funds appear to be sitting in your trust account getting stale.

8. Unbilled Fees & Disbursements:

Time (and disbursements) do not benefit you just sitting in your accounting system. It is best if they are billed and turned into an account receivable (*and then into a paid account*) as soon as possible (and there is a measure of this called 'velocity'). Accordingly it is important to track your unbilled time and disbursements by file, by client and area of practice see how long they have been sitting unbilled. You would be looking for amounts sharply out of line in order to then closely look at those files, clients or lawyers in order to stop the bleeding...

9. Managing Your Receivables

Dave and I both have the pleasure of working with people from different law firms every day. We see, and understand, the various challenges small law firms face. One of the common challenges is managing your receivables. The next section is designed to make that job easier--to use features in PCLaw to keep the cash flowing into your business with little additional work

1. **Work from trust retainers whenever possible**

Most law firms require clients to provide a trust retainer before starting work on a file. However, once the initial retainer is gone, getting paid for the ongoing work often becomes the problem. If, instead, we require clients to agree to keep a minimum retainer

balance on the file, we can effectively eliminate the receivable.

We realize this is an over-simplification, and will not work in all circumstances. But when this type of trust retainer agreement is appropriate, we can adjust the settings in PCLaw so that it reminds clients of their agreement when a bill is rendered. If the trust balance needs to be replenished, a note similar to the following can be set to print automatically on the invoice:

"The minimum trust retainer balance for this matter is: \$XXX
PLEASE REMIT IN
TRUST \$XXX
to maintain your minimum trust retainer balance."

Fortunately, PCLaw will do the math (see *Appendix A—PCLaw Minimum Trust Retainer*)

2. Advise clients of interest charged on overdue accounts

We all know it's not the interest income we are after. We really just want our invoices paid. But we want to give clients incentive to pay our invoices faster.

The Law Society of Upper Canada stipulates the maximum interest rate lawyers can charge a client on overdue accounts. The maximum interest rate is the prejudgment interest rate set by the Ministry of the Attorney General. This rate is subject to change quarterly. These rates can be found at the Ministry of the Attorney General website: (http://www.attorneygeneral.jus.gov.on.ca/english/courts/interest_rates.asp).

In addition, the Law Society requires that the applicable interest rate, and your terms, be shown on the invoice delivered to your client. Make sure your billing template is customized to include this information. The Canada Interest Act requires the interest rate to be stated in an annual rate (and you can choose to also provide it on a monthly rate).

3. Follow up on unpaid accounts

Following up on unpaid accounts can be a time consuming task. It must be done; but, there are a thousand competing demands on your time. So, you need to find an easy and efficient way of reminding clients that you expect to be paid.

PCLaw "Past Due Notices" are an easy way to send a reminder. These Notices work well because all the information is already in PCLaw. Interest can be set to calculate in accordance with the prescribed prejudgment interest rates discussed in the previous section. And unique phrases can be added to print on the Notices depending on whether the account is over 30, 60 or 90 days. These Notices can be e-mailed or customized to mail in window envelopes (*see Appendix B—PCLaw Past Due Notices*).

It is important to note that interest charged on these Notices is not added as income to the practice unless it is received. No entries are made to the client ledger as a result of running Past Due Notices.

4. Improve your collection realization:

Your collection realization rate is the percentage of your billed fees which is actually collected. Collection realization rates are often overstated because attorneys tend to leave uncollectible receivables on the books for extended periods of time, sometimes years, rather

than admit they will never be collected.

To determine how the firm is doing, the firm has to acknowledge that there are only a few possible outcomes when billing:

- 1) WIP is partially written-off of time before billing since the stated time is acknowledged to be too steep;
- 2) The bill is rendered and collected;
- 3) The bill is partial collected with the balance written off; or
- 4) The entire bill is written off.

Accordingg to statistics from the Commercial Law League, receivables in excess of 1 year have only a 28.4% chance of being collected. Receivables in excess of 2 years have only a 12.5% chance of being collected. Read about the 'curve of gratitude' noted below.

Evaluate your receivables using these statistics to calculate the likelihood of bad debt, and then compare what you have collected and what remains as collectible in your receivables against what you billed. Also compare these numbers to benchmark data. This is another area which can yield tremendous additional profit for the firm, without putting in longer hours, simply by tightening up or implementing good receivable management practices. Write-off the acknowledged bad debts - if you should ever recover them, then you can always reinstate the bill. But by writing off the bad debts, you get to also deduct the GST that you remitted on those bad-debts against the GST that you are remitting - thereby at least putting *some* cash back into your pocket! (*see Appendix C—PCLaw Provisional Write Offs*)

5. Keep track of the collection status

Someone in the firm must stay on top of the accounts receivable. You may ask someone in your firm to be responsible for the task of following up on overing accounts. But you still want to be kept up to date on the collection status.

One of the lesser known features in PCLaw is the use of "Collection Notes". These notes are easy to enter in the Matter Manager section of PCLaw. However, they can be set to show on the receivables report. Now as you review your receivables report, you can see the collection status. (*see Appendix D--Collection Notes*)

On the "Receivables by Client" Report, change the "Layout" to "Default with (coll memos)". Your information will print right on the receivables report.

6. Shorten your billing turnover rate:

Your billing turnover rate is the length of time, on average, that it takes for a bill to be sent to the client after the work has been done. The figure is determined by dividing your year-end work in progress (WIP) figure by the average amount you have billed monthly during the preceding 12 months. For example, if a single lawyer averages billing \$20,000 per month and has \$60,000 worth of unbilled work (WIP) on the books at the end of the year, his billing turnover rate would be 3 months ($\$60,000 \div \$20,000 = 3$ months).

Some types of work are customarily billed only at the end of the matter, and this can throw the numbers off. Clearly, though, the lower this number, the better off you are financially. Clients can't pay your bill until you send it, and the sooner they get it, the greater chance it'll be paid.

10. Managing Your Credit

If you run your own practice, then your personal credit and your business credit are oftentimes entwined. Most small business owners use their credit cards for office purchases, typically to earn travel and vacation points but also since credit cards can be a short-term, interest-free loan if they are paid in full and on time. The problem is if you use them to finance an office expense only to find that the expected receivables that you had counted on to pay the credit card balance - evaporated. Now you are in a triple-bind - the credit card is due, your personal credit record stands to take a hit, and you have less credit available to you than before. This situation can be the tipping point for a practice that is on the edge. Accordingly, don't neglect your personal finances and as we have stated, aim to 'pay yourself first' in that you plan to have sufficient cash at all times to meet your draws as well as the expenses of the practice.

We recommend using a separate credit card for business purchases. Avoid intermingling business and personal expenses on the same credit card statement. Your bookkeeper will thank you, and you will save yourself time and grief if you are audited by CRA.

There is one rule to be followed: No matter what the organizational structure of your firm, owner compensation should always be made from profits. When you borrow money to pay firm owners, you are actually withdrawing capital, which is necessary for growth and sustenance, from the firm. You are also weakening the financial foundation of the firm.

If you don't have a cash reserve - build one. Examine your monthly cash requirements and compare this to the average balance in your general account. Now accumulate cash to 2, 3 or even 4 times your average balance (place it in an account on which you can earn some interest but where it is

easily accessible) to serve as a 'nest egg'. The alternatives to not having sufficient cash if receivables take a hard hit – namely going to the bank for further debt or taking drastic measures such as laying off staff – may not be possible or may have their own price in terms of reduced capacity.

3. Financial Analysis - Ratios

In this part of the paper we look at some of the more common financial ratios that are used to evaluate law firm finances:

1. What is your gross profit margin?

Your income statement (also known as a profit and loss statement, or P&L) will show revenues, expenses and gross profit or loss (before taxes and draws). This is your most granular of profitability statements.

Your gross profit margin is your gross profit divided by your total revenues. For example, assume as a solo that your profits were \$250,000 on revenues of \$500,000. Your gross profit margin is $\$250,000 \div 500,000 = 50\%$. According to the Altman Weil 2005 Small Firm Economic Survey, looking at average income and expenses per lawyer in firms with one to 15 lawyers, lawyer income was 57% of revenues, with all other expense categories consuming the remaining 43% of gross revenues.

If your gross profit margin is substantially lower than this figure, then you should be taking steps to increase your profitability – now!

2. What is your debt-to-asset ratio?

Your financial software can produce your Balance Sheet – that shows your assets, liabilities and equities. Take just your assets and liabilities for a moment...and divide your total debt by your assets. Rather than looking at

this for just one year ...compare how this has changed over time....is the ratio getting larger (indicating that your debt is increasing relative to your assets) or is it dropping (indicating that your debt is decreasing relative to the growth of your business).

3. What is the breakdown of your A/R?

While your total accounts receivable tells you the total amount owed to you by your clients, your accounts receivable report should also be aged 30, 60 and 90+ days.

Here it is useful to look at trends over time... how has the over 90+ category changed? Has it gone up? Growth in your accounts receivable, and particularly in your over 90 days category, can indicate poor client selection, poor collection practices, too much billable time put into a file relative to its worth, or a combination of all three.

Regardless, growth in your over 90 days category should be examined closely to see if there is a cash flow crisis down the road (*see Appendix E—PCLaw Aged Receivables Report*)

4. What are your cash flow needs?

Most practices live and die by their cash flow. Accordingly, it is vitally important that a firm be able to forecast not only their expected cash revenues but also their cash needs – and to determine if there will be a shortfall.

Your budget is the starting place here – it will tell you your expected expenses and their timing. Next look at your work in progress (WIP) and what can be billed in the next 30 days. Of those short-term billings, how much can reasonably be expected to be collected? Will that amount be

sufficient to meet your cash flow needs? If not, how will you make up the difference?

Delaying or deferring expenses can only be done for so long. Eventually you will lose your credit with one supplier, then all suppliers and, lastly, with your bank.

Cash Flow Management is more than just checking your bank balance. If you are using PCLaw, check out the "Cash Flow Planner" report. This snapshot report summarizes totals for cash on hand, accounts payable by due date, aged accounts receivable, aged WIP, bills sent month to date and cash in month to date. (*see Appendix F—PCLaw Cash Flow Planner*)

5. What is your WIP over 180 days/ total WIP?

Work in progress (WIP) represents an investment by the firm in client files. However, it is a short-term investment – it should be converted into paid billings as soon as possible to avoid the investment reducing in value. We all know that the longer WIP sits unbilled, the lower the chances of collection. Accordingly this ratio looks at the percentage of WIP that is over 180 days old as compared to total WIP. By tracking this over time, you can determine if your WIP is aging too long..and that may indicate a problem in file selection (*problem clients are oftentimes not billed to avoid antagonizing the client*) or a problem lawyer (procrastination) or a too-great dependence on contingency files. Either way, it bears investigation when it starts trending the wrong way (*see Appendix G--PCLaw Aged WIP Report*).

6. What is your Lawyers Income as a percentage of paid billings?

Lawyers constantly ask if their overhead is too high. The typical benchmark

is that (gross) income should lie between 60-65% of paid billings (these days it may be trending towards 40-60%). Of course, practices vary and so do staffing levels and office rent (since staff and office rent are the two biggest components in overhead). But, if your income is too low, then you should be looking at your office efficiency and effectiveness, your daily billable hourly targets (they may be too low), and seeing if you can move to lower cost office space.

7. What is your Total Debt/Net Fixed Assets?

To what degree are you financing yourself through debt (line of credit etc.)? Increasing debt is a good way to increase your productivity – but only up to a point and only if that debt obligation is put back into the practice to increase capacity. If you have been borrowing to pay draws and other non-productive items, then you have a growing problem on your hands....as the debt will become due and you have not increased your income producing capacity to handle it. By tracking this ratio over time, you can see if you are maintaining an equilibrium or sliding further into debt.

8. What is your Realization Rate?

Virtually every firm carries bad debt on their books. But how much is too much? A firm that does hourly rate billing should aim to achieve a 95% realization rate – collecting all but \$0.05 of every dollar they bill. Unfortunately, most firms lie between an 80-90% realization rate for hourly-rate work. However, if you are a contingency fee biller, then your realization rate should be 150% - to make up for the fact that some contingency files do not result in any payoff. A low realization rate typically indicates a poor client-intake and selection process – you can tighten up your client intake, improve your realization rate and work easier too (see *Appendix H—PCLaw Billing Realization Report*).

9. What are your Annual Billable Time Expectations?

Every lawyer in private practice should have a billable hour goal – even if they only work on contingency work. There are many reasons for so doing ..but perhaps the best is that without the time put into a file, any analysis as to profitability is all but impossible. Furthermore, law firm budgets are based on lawyers achieving a certain annual billable target (say \$400,000)– divide that by 231 (the typical number of work days/year) to arrive at your daily billable expectation ($400,000/231 = \$1,732.00$). Divide that by your standard hourly billable amount (say \$250) to arrive at you daily billable time expectation ($\$1,732/250 = 7$ billable hours/day. Now you can track your daily time and see if you are meeting, falling behind or exceeding budget (see *Appendix I—PCLaw Time Summary*).

10. What is your Effective Hourly Rate?

Once you know the billable time put into a file: divide the fees collected on a file by the total time put into a file (which should be at least the time billed), and you arrive at your effective hourly rate. Now – here is where it gets interesting: compare your EHR to your quoted billable hourly rate – are you below, equal or above your quoted billable hourly rate? (see *Appendix H—PCLaw Billing Realization Report*).

11. What are your Associates Salaries as a percentage of their Billings?

By now if you have gathered that setting financial targets is a theme in this article, you are correct. Accordingly, associates should be expected to bill (not collect, as most firms allow partners to write-off associate time and that should not impact this calculation) at least 3 times their annual salaries. If their numbers are actually closer to 4 times their annual salary, then it may be time to think about a raise...(see *Appendix J—PCLaw Billing by Lawyer*).

12. Financing Your Asset Purchases

Every firm must take its cash and spend it either in operations, investing or financing the practice (or in draws!). Initially the financing to set-up a practice typically comes from the lawyer's own pocket book.

13. How you can Grow yourself into Financial Difficulty

There is a well-known Lag in being paid on new work while you are still financing ongoing client disbursements and office expenses. The typical lag is 105 days; however if you are incurring client expenses, typically these are due in 30 days. Accordingly, you have to be careful from a cash flow management perspective if you are rapidly growing, as you can actually grow yourself into a financial mess as your payables outstrip your cash in the bank.

14. Where is your business coming from?

Knowing where your business is coming from is valuable information. This information helps us spend our advertising and promotion dollars--and time--more effectively. How much business actually came from the yellow pages? the advertisement in the local paper? or the seminar you held? Who is referring business to you?

A lot of valuable marketing information can be gathered when a file is opened. Make it a standard practice to find out how clients got your name. Track this information. If you are using PCLaw, require the "Referral Type" field to be completed for all files. The referral type may be a contact within PCLaw (a specific person). Or a referrals source, such as the firm website or a specific group you are a member of. The options are customizable for your tracking purposes.

How do you get this information out? Under "Reports", "Clients", "List of Clients", click on the "Other" tab. Click on "Summarize by" and "Referral Type". Within this report, you can select the date range you are interested in. (***see Appendix K--Referral Types***)

15. What business are you in?

Businesses evolve over time. Preferred areas of practice change with experience and market conditions. What areas of law within your practice are growing? What areas of law are more profitable? Where should you focus your efforts?

Every file opened in PCLaw requires the "Type of Law" field to be completed. But instead of opening all real estate files with one law type (i.e. real estate), use this field to specify the type of real estate work (i.e. residential purchase, refinance, sale, private mortgage, commercial). The types of law can be customized for your practice. It does not take any extra work, and the reporting options by law type are extensive. Most productivity reports can be sorted by law type. The more detailed the input, the more valuable the results (*see Appendix L—PCLaw Type of Law*).

16. Productivity Reports

The reporting options in PCLaw are extensive. Here are a few favourites we suggest you review regularly to help ensure the long term stability of your firm:

1. 1. Lawyer WIP, Billing and Collection Summary:

The beauty of this report is that it allows monthly comparisons, by fee

credit lawyer, of:

- a. time worked;
- b. fees billed;
- c. fees collected; and
- d. fees written off.

To keep your cash flow consistent, each of these totals should be consistent. If any one area falls too far behind, your cash flow could be in jeopardy. For example, if you work but don't bill.....or bill but don't collect....or collect but don't work....Any one of these totals out of whack could be a warning sign (*see Appendix M-PCLaw Lawyer WIP, Billing and Collection Summary*).

2. 2. Productivity by Client:

This report shows client balances sorted in descending order by a number of criteria. You can specify the date range to see your top 10 (to top 100) clients by fees paid (maybe due a "thank you"), unbilled disbursements (maybe time to bill and recover your cash paid out), total receivables (maybe the focus of your collection work) or unbilled fees (maybe time to bill!) (*see Appendix N--Productivity by Client*).

3. 3. Client Summary:

This report provides file by file summary totals for all account balances--billed and unbilled time, billed and unbilled disbursements, receivables, trust, date last billed and last entry date. Given it covers lots of file balances, it can be run to:

- a. decide which files to bill by reviewing unbilled totals and date last billed;

- b. list files with no docketed activity since a specified date (i.e. why-- is there a need to review the file); or
- c. list files with negative unbilled disbursements or general retainer balances--both "no-no's" requiring corrective action (*see Appendix O—PCLaw Client Summary*).

4. Financial Tips

Here are a collection of tips to help you manage your finances and cash flow.

1. Look at your Compensation System:

Look carefully at your compensation system. Are you rewarding those efforts that will ensure the long and short-term viability of the firm? What are you rewarding? The Lexis 2007 Managing Partner Forum Survey ranked the most and least important factors in partner compensation.

The results are as follows:

1. The top factor in partner compensation is working attorney fees received (at 30%).
2. In second place is origination credit (at 29%) .
3. Billable hours is in third spot (at 13%).

The bottom three factors (from the bottom up) are:

1. Recruiting, mentoring and training associates (1%),
2. Role in Firm governance (1%) and
3. Teamwork and firm citizenship (3%).

Interesting, the survey found that Cross-Selling services was not taken into account at all in terms of partner compensation. Now - in a tough economy, cross-selling services to existing clients is low-hanging fruit! Ask yourself why wouldn't you reward lawyers for cross-selling!

2. Look at your suppliers:

While doing business with dependable suppliers is to be commended, you may be paying too high a price. Look around to see who else you can use and whether they are hungry enough to cut you better deals than the ones that you have at present. Alternatively you can approach your current suppliers and try to negotiate better deals while still remaining loyal.

3. Get familiar with the "line of gratitude" and bill accordingly:

There are several versions of this, but the general idea behind it is that there are points during the representation when clients are more psychologically ready and willing to pay for legal services. For example, at the first appointment the client is likely to be extremely anxious about the matter and willing to sign a fee agreement. If you put drafting and presenting the fee agreement off until the work is well under way, the client has less incentive to sign – you're already working on the matter without it, after all.

The same is true for sending your bill. The sooner after the case has concluded that the bill is sent, the better your chances are of getting paid. The longer you wait to send the bill, the more ephemeral your services, and the benefit of them, will seem to the client.

4. Send bills electronically:

This is a multiple benefit: one, you reduce your expenditure on paper, envelopes and stamps (also enhancing sustainability!); two, your bills arrive faster, thereby (theoretically) increasing the velocity of cash into your office; three, you can direct the invoice directly into the inbox of the right person in

the organization and avoid any possible delays by your invoice being shuffled in the office. Recognize that according to the LexisNexis 2007 Law Firm Economic Survey, top quartile firms have a Total Cash Flow Cycle Time (days to bill + days to collect) of 155 days. Bottom quartile firms take 170 days. Tightening this up is in everyone's benefit - especially if you are starting to face cash flow issues.

5. Bill Regularly:

Billing regularly allows your client to plan. Your cash flow is a lot more predictable if you bill on a regular basis. Some firms find themselves billing when they need cash, and that kind of crisis management is very problematic. The more regularly you bill, the more manageable your work in progress will be.

6. Spread Your Billing Out:

Get rid of the old "batch file" mentality - there is no good reason to bill everyone once a month, all at the same time. There are a lot of advantages to spreading it out a little. Consider billing A-L the first week of the month and M-Z the last half of the month. Your billing person will not be so pressured to make the once a month billing thing happen.

The additional benefit of billing this way is that it creates a better flow of cash receipts throughout the month

7. Time Your Bills to Your Client's Payment Cycle:

Ask your clients how they wish to be billed - they may have particular requests which, if met, will speed up the payment of your bills. Furthermore, if you find out a client pays their bills the 3rd of every month, make sure your bill is in their hands a week before that. Timing is everything!

8. Draft Bills Clients Rush to Pay:

You don't get paid unless you bill – and the sooner you bill, the more likely you are to get paid. Remember, bills are a communication tool. Read How to Draft Bills Clients Rush to Pay -- <http://www.abanet.org/abastore/index.cfm?section=Main&fm=Product.AddToCart&pid=5110495>

9. Charge interest on past due invoices – and give discounts for early payment:

Many attorneys include the ability to charge interest on past due invoices in their engagement agreements, but then fail to do so. Typically, an attorney will wait until an invoice is two years past due, and then, in exasperation, send an invoice for retroactive interest. That has no effect on payment, but can sometimes make the attorney feel better briefly! If you really want to make sure clients pay promptly, you should notify your clients that you will by including an appropriate, and conspicuous, provision in your fee agreement, point it out to the client when going over the agreement, and then set your time and billing program to automatically apply interest charges as soon as the invoice is past due. (Note: In Canada in order to charge clients interest you must notify them in advance (prior to sending the invoice) of your intention to do so, and state the amount to be charged as an annual percentage rate.)

Some innovative firms even give discounts for early payment. Most clients will ride you for about 30 days, particularly if you do not include a due date on the invoice. By offering a small discount (such as 2% if payment is received in 10 days) you can encourage your clients to benefit themselves by paying you sooner.

10. Allow clients to pay by credit card:

It used to be an expensive proposition to take credit cards. The merchant account provider took hefty percentages, and you had to purchase or rent expensive hardware and software. That's not the case anymore. Fees are very low, and virtually all transactions can be completed by telephone or online.

Even corporate clients who can afford to pay immediately often prefer to pay by credit card in order to accumulate rewards like frequent flyer miles. And clients who may be too embarrassed to admit they cannot pay your bill in full, and feel they cannot send an "on account" payment, can pay you in full and then pay off the credit card balance as their cash flow permits. Collection then becomes the credit card company's problem, not yours.

If you do decide to begin to accept credit cards, be sure to review your state's rules of professional conduct. Rules regarding the acceptance of payment by credit card differ from state to state.

11. Client satisfaction drives all financial metrics:

If we haven't said it before, client satisfaction is the ultimate key to profitability in the law firm. The only way to create a consistent and sufficient flow of revenue is to have a sufficient and consistent pool of clients who are willing to hire the firm, pay their bills on time, and recommend the firm to friends and colleagues in need of legal assistance who will do the same.

- Some keys to creating this pool of clients are:
- Perform adequate intake
- Strive to understand the client's objectives (emotional and legal)
- Adequately explain the legal process
- Create realistic expectations (and eliminate unrealistic ones)

- Keep your clients informed
- Stress client service among staff
- Seek feedback about your services and implement client suggestions

12. Institute procedures to protect your bank accounts:

If an employee is determined to steal from you they will probably succeed. Nonetheless, you can greatly cut down on the temptation by instituting procedures to protect your bank accounts – both firm and trust. Hopefully you will not have to go thru what Bennett Jones in Calgary went thru when a trusted employee was found to have embezzled hundreds of thousands of dollars. Here are steps that you can take to protect your bank accounts:

- (a) Insist that all firm bank statements be delivered to a designated firm member (partner, shareholder) without being opened.
- (b) Review each deposit ticket and check, including signatures and endorsements, for unusual erasures or corrections before you allow the statement to be reconciled, and make sure that all staff members know you are doing this. This will greatly cut down on staff temptation to “borrow,” even temporarily, from your accounts.
- (c) Always reconcile bank statements within two days of arrival in the office. Again, make sure the staff knows this is being done.
- (d) If you don’t reconcile the statement yourself, always carefully review the reconciliation within a day or two. (Remember that a trust account must always balance in two ways. First, the amount in the trust account must balance with the amount in the bank. Second, the amounts held for all clients (including any firm monies deposited to cover bank charges) must equal exactly the balance in the account.)
- (e) Once the account has been reconciled, place the statement and canceled checks in secure storage where staff cannot gain access to

them.

(f) Conduct spot audits of your trust account, including individual client ledgers. The total of all client ledgers should match the total in the trust account at any given time.

(g) Always use only sequentially numbered pre-printed checks. Periodically review your supply of checks to make sure that you don't run out. Never, no matter what happens, use temporary checks or counter checks or make ATM withdrawals. Never allow wire transfers out of a trust account. If you must wire funds to a client or to make sure that a mortgage payoff is received by a certain date, make sure that the bank will allow only one lawyer/partner/shareholder to authorize wire transfers. Employees should never be able to authorize wire transfers. If you have a real estate closing practice, maintain a separate trust account for these transactions and do not run closings through your regular client trust account.

(h) Never allow "cash back" from trust account deposits. If a client brings you a paycheck or other third party check as a retainer or for payment of a fee due, deposit the full amount in the trust account and then write the client a check for the difference due to him or her.

(i) Always carefully review everything you sign, especially checks, and require that the appropriate documentation, such as settlement statements or bills, be presented with the checks or other documents for your signature. Don't fall into the habit of unquestioningly signing anything a trusted employee puts in front of you. If you're too busy to review now, make the staffer come back later or set aside a special time each day to sign checks.

(j) Keep a running list of all outstanding checks and review it monthly. No check should ever remain outstanding for more than two months without investigation and resolution.

(k) Give all employees who have responsibility for handling funds in your office at least two weeks of vacation every year and make sure that they take it all, preferably all at one time. This can be hard on a solo

practitioner or very small firm, but it will almost always ensure that if there are any problems with bank accounts they will have time to surface. This is how banks protect themselves.

(l) If you allow employees to handle funds, always do a criminal background check before hiring, check references carefully, and obtain a fidelity bond from your local insurance agent

13. Remember cost-free methods to reward employees:

According to Maslow's Hierarchy of Needs, only the first two levels of need involve material goods. Physical and security needs require money to be met, but the other needs – social, ego, and self-actualization – are capable of being met without any expenditure of funds. This is a fancy way of saying that you can often provide the greatest rewards to your employees without spending a dime.

Remember that, often more than anything else, your staff members just want to be appreciated and to have a feeling of being a valuable member of the team. Be generous with your praise, and when a staff member goes above and beyond the call of duty, as often happens in the busy law office, write a brief note of thanks, take them with you for the post-trial celebrations, or just send them home a half hour early. Rewards like these are worth their weight in gold, and they don't cost you a thing but a few minutes of your time and consideration.

14. Fire unprofitable clients:

Once you've determined your effective hourly rate (EHR) for particular clients and practice areas, you will know which are profitable and which are not (you should have *already* fired clients who didn't pay their bills on time!). Rather than invest your billable hours on clients and matters which are unprofitable, you should, instead, spend your time on the work of more profitable clients –

or free up time to market your services to better quality clients. That means that you will need to periodically select some clients to fire.

Make that decision based strictly on the numbers – not emotions. When it's purely a business decision, and not personal, it's much easier to look the client in the eye and explain why you can no longer assist them. You may be pleasantly surprised to find out that they would rather face a rate increase than switch attorneys; sometimes they know better than you what a bargain your services are!

Conclusions

Now – once your financial technology and systems are in place, here is a “Readers Digest” list of the top 10 ways to focus your practice and achieve a greater financial return based on focusing on the financial performance of your firm:

1. Determine your overall Profit and Loss for last year.
2. Compare your Profit and Loss against your forecasted Budget (*or draw a budget for this year if you don't already have one*).
3. Find out your Profit or Loss on a File by File, Client by Client and Practice Area by Practice Area basis for the last year.
4. Crunch the numbers and determine your 5 most profitable (and least profitable) Files, Clients and Practice Areas. Think about how to strategically move your firm away from the least-profitable areas.
5. Set your Strategic Direction, Vision and marketing plans to pursue the most profitable Files, Clients and Practice Areas (and drop the 5 least profitable ones from your business plan and from your marketing. After all, you have already shown that your time results in a greater return in other areas).
6. Set up your annual Budget for next year– targeting your Annual Income after expenses, your total expenses and your target gross income. Build in \$\$ and time to pursue your target market!

7. Determine if alternative billing arrangements can be used to your advantage and structure your systems accordingly.

8. Tweak your Compensation/Measurement System so that it supports your strategic plan (and isn't eat what you kill...).

9. Be ruthless on dropping clients and files that do not meet their financial obligations on a continual basis (according to your new written fee agreement).

10. Bill – regularly and often.

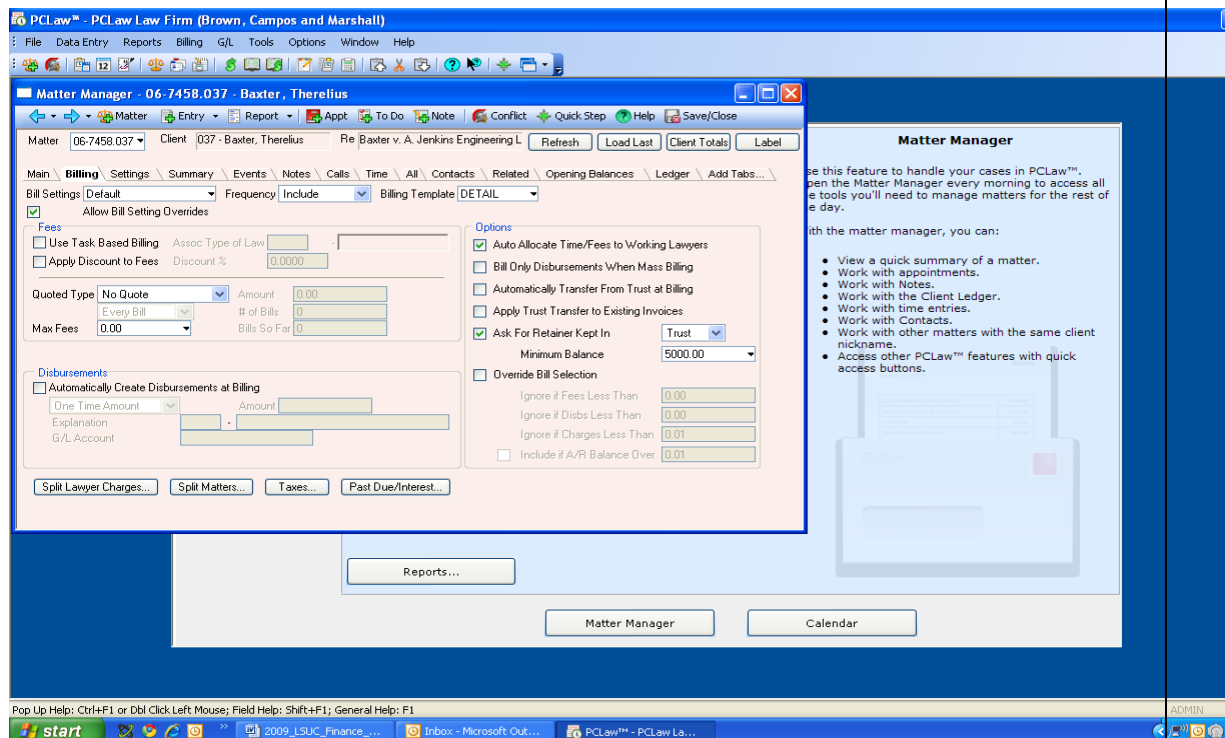
The numbers that underlie a law practice are just as important as rendering good service to the client. They ensure that your law practice continues as a business and meets your personal and professional needs in the same way that your services meet the needs of your clients.

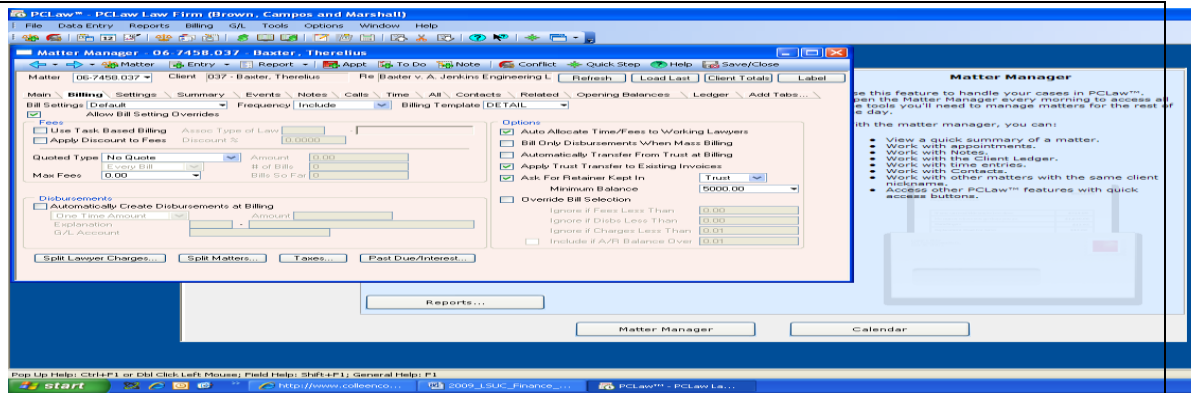
© 2009 Cowan and Bilinsky.

5. Resources

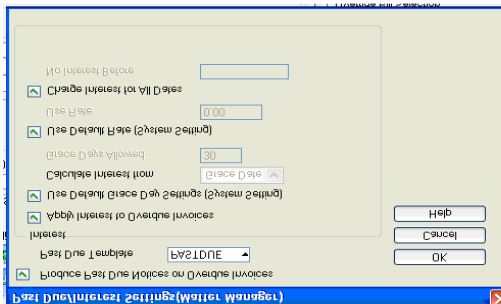
1. Appendix 1 - PCLaw Details:

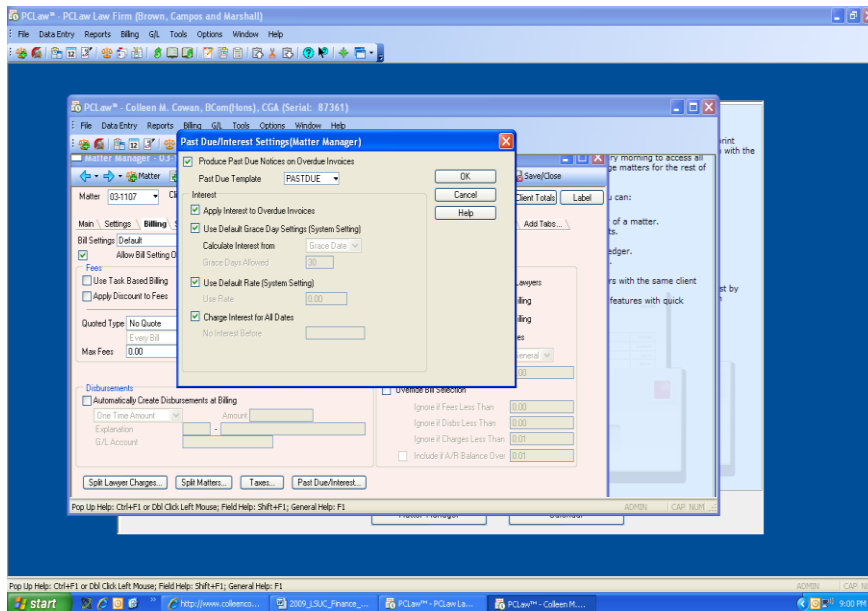
- **Appendix A--Minimum Trust Retainer**– Under Matter Manager, Billing tab, select “Ask For Retainer Kept In”; select “Trust” from the dropdown box; and enter the agreed minimum trust retainer beside “Minimum Amount”. Ensure the billing template supports this feature (try the default “DETAIL.RBF” template)





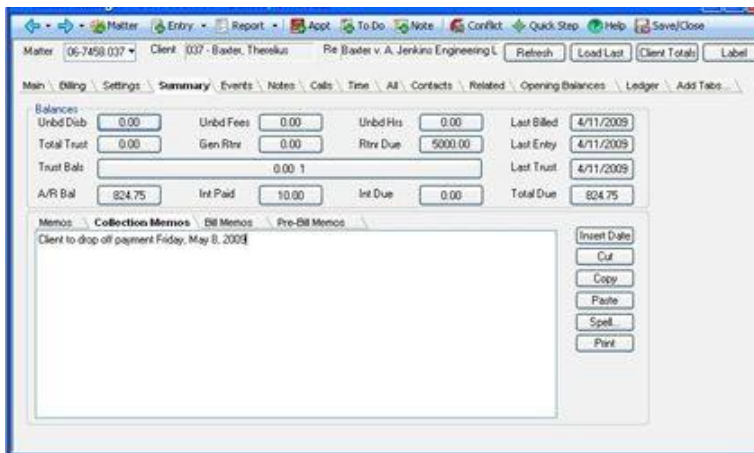
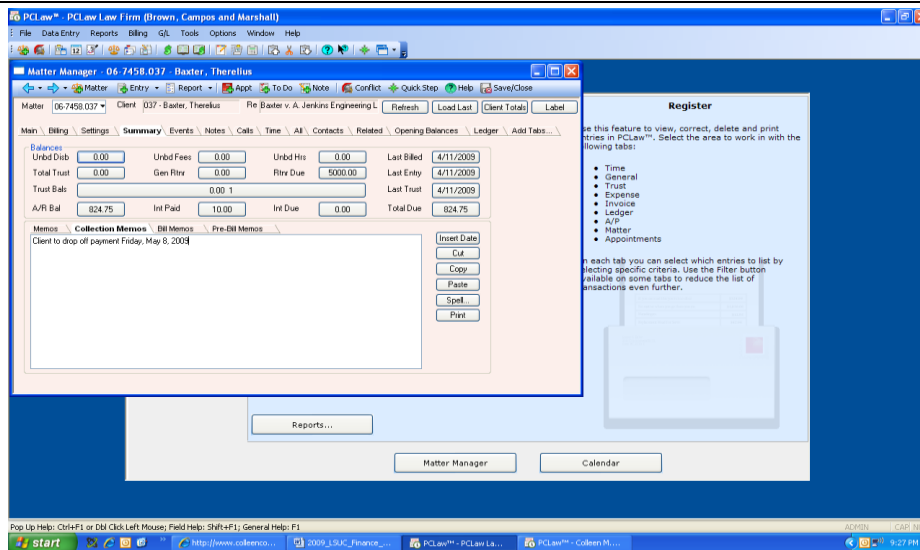
- **Appendix B--Past Due Notice** - Under System Settings, Past Due/Interest, set the interest rate calculation option. Click on the setting "Use Rate Table"; click on the button "Set Rates"; insert the quarterly prejudgment interest rates set by the Ministry of the Attorney General.
- Under Matter Manager, Billing Tab, set the interest options for the file.



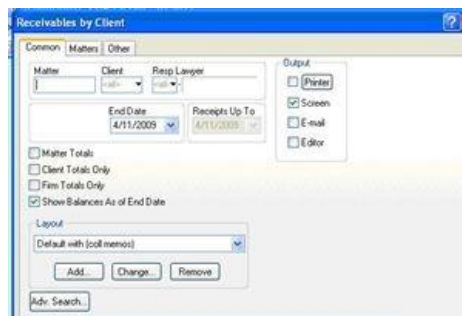
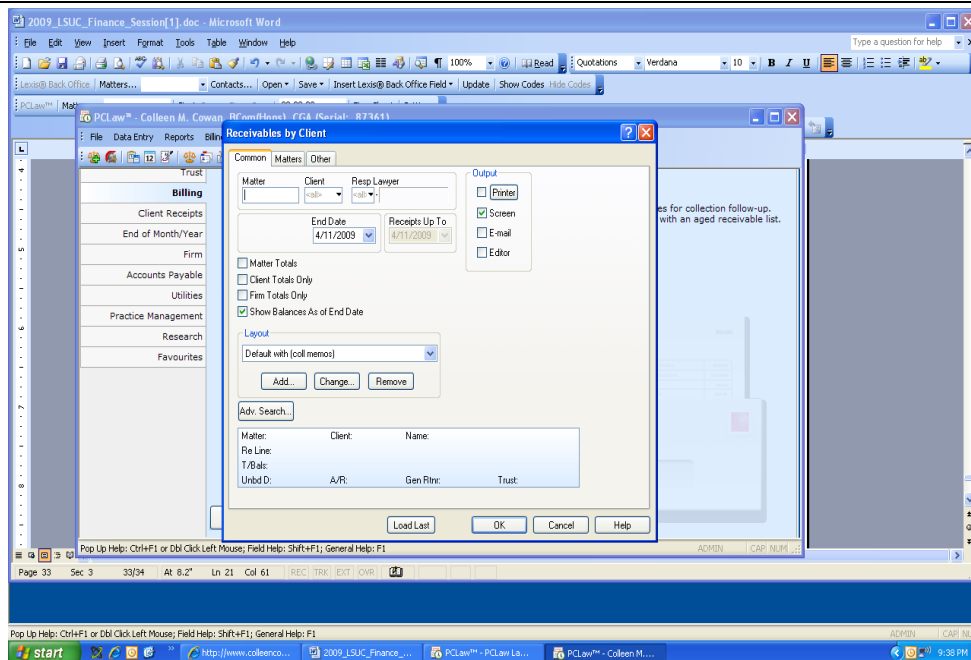


- Appendix C--Provisional Write Offs** – Under Billing, Provisional Write Off Bill – Use this option if you are unsure about the collectability of an account. In accounting terms, it is similar to setting up an allowance for doubtful accounts. A provisional write off affects only the general ledger and the GST journal. The difference in the general ledger posting from a regular write off, is that instead of crediting the Accounts Receivable, the provisional write off is posted as a credit to “Provision for Bad Debt”. A provisional write off discounts the entire outstanding amount of an invoice; you cannot create a partial provisional write off. The amount will still show as unpaid on all reports, but for tax and GST purposes it has been reversed.

- Appendix D--Collection Memos** – Under Matter Manager, Summary Tab, Collection Memos, enter notes about the current collection status.



Under Reports, Accounts Receivable, Receivables by Client, change the layout to "Default with (coll memos)" from the drop down box.

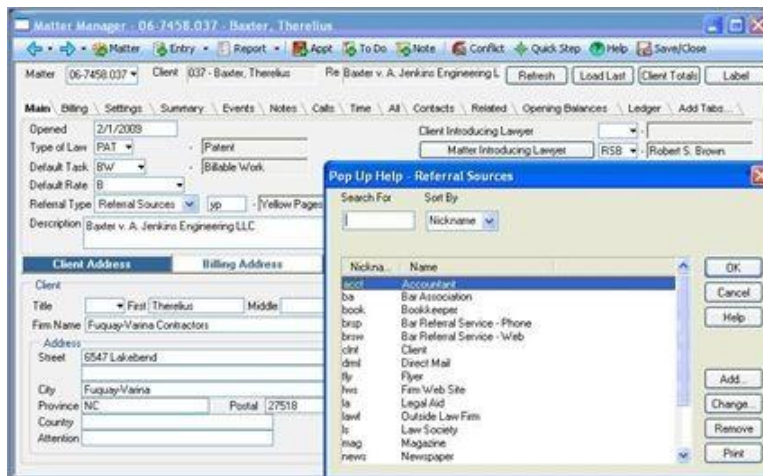


Your Collection notes will now print on the receivables report.

- **Appendix E--Aged Receivables Report** – Under Reports, Receivables, Receivables by Client.
- **Appendix F--Cash Flow Planner** – Under Reports, Cash Flow Planner.
- **Appendix G--Aged WIP Report** – Under Reports, Clients, Work

In Progress (request details or totals only).

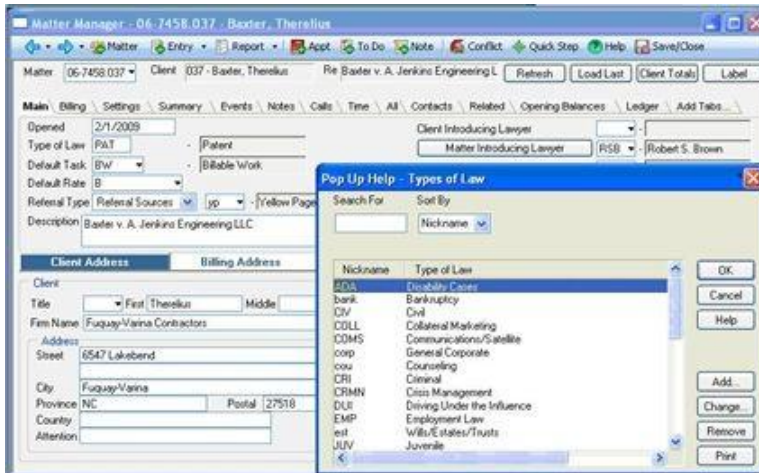
- **Appendix H-- Billing Realization Report** – Under Reports, Productivity, Billing Realization.
- **Appendix I--Time Summary** – Under Reports, Productivity, Time Summary, enter the date range you are interested in.
- **Appendix J--Billing by Lawyer** – Under Reports, Productivity, Billing by Lawyer
- **Appendix K--Referral Type**– Under Matter Manager, Main Tab, click the drop down box beside “Referral Type”. Select “Contact” if the referral is from someone in your PCLaw contact data base. Select “Referral Sources”, and double click the box beside it to open the Referral Sources pop up help. Select a referral source or add sources to customize to your needs.



Extract the information under Reports, Client, List of Clients, Other tab, Summarize by, Referral Type.

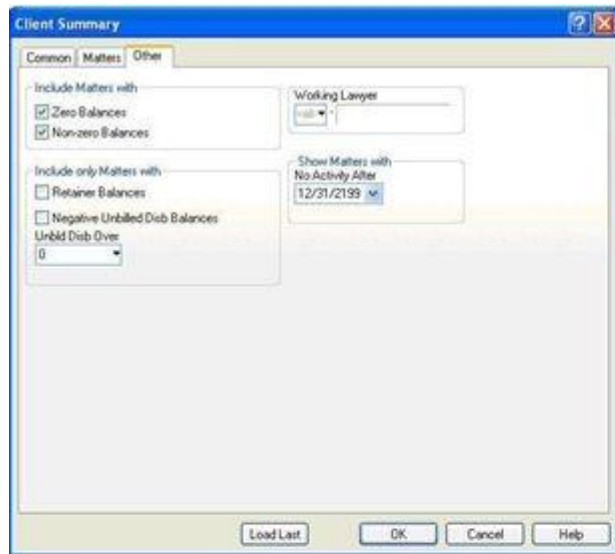
- **Appendix L--Type of Law** – Under Matter Manager, Main Tab,

Type of Law. Double click to open the Pop Up Help and customize your list.



- **Appendix M--Lawyer WIP, Billing and Collection Summary** - Under Reports, Productivity, Lawyer WIP, Billing and Collection.
- **Appendix N--Productivity by Client** - Under Reports, Productivity, Productivity by Client.
- **Appendix O--Client Summary** - Under Reports, Client, Summary. Select the "Other" tab to print reports including only Retainer Balances (general), Negative Unbilled Disbursements, or files with no activity after a specified date.

i.



2. Appendix 2 - Web sites and Resources

- Law firm finance resources on the LawPro.ca web site:
<http://www.practicepro.ca/information/default.asp?ename=PF#PF>
- LawPro magazine - particularly the last issue on Surviving the Slide:
<http://www.practicepro.ca/LawPROMag/default.asp>
- Law Society of Upper Canada practice management resources, particularly the Lawyer Bookkeeping Guide and the Paralegal Bookkeeping Guide:
<http://rc.lsuc.on.ca/jsp/home/practiceResourcesHome.jsp>
- Ministry of the Attorney General prejudgment interest rates
<http://www.attorneygeneral.jus.gov.on.ca>

3. Appendix 3 - 50 Financial Tips To Help You and Your Firm Survive and Thrive In A Down Economy

Materials originally prepared for a presentation for the ABA Center for CLE in 2009. Used with Permission.

By:

1. George Leloudis, Moderator: Firm Administrator, *McGuire, Wood & Bissette, PA*, Asheville, NC
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4. Edward Poll, *Edward Poll & Associates, Inc*, Venice, CA

Start out on the right foot

1. Retainers, Retainers, Retainers: The best way to ensure cash flow and financial security is to get a retainer before starting any work. The amount of any retainer should reflect the total anticipated fee and to seek to determine the client's ability to pay for future services. If you advance payment by obtaining retainers you will increase revenues. (RD)
2. Adjust your rates – up or down: This is a time to be flexible in your rates and adjust rates down where you need to be competitive. However, you should also watch for opportunities to charge premium rates for specialized services where you hold a competitive advantage. (RD)
3. Know your bottom line: You cannot know where to set your rates unless you are looking at your financial data. You must know what your breakeven point is to determine how low you can afford to take your rates and still accomplish your profit goals, maintain cash flow, but still retain quality clients. (RD)
4. Value billing for appropriate cases and clients: Where you know the cost of doing business and you have a sophisticated client and you have a trusting relationship, you can provide for value billing ... This can be in one of many forms including flat fee, contingency fee or variations of the hourly fee with a bonus (or subtraction) for good/poor service and/or results. If we can build the Empire State Building on a fixed fee contract, we can do the same even with complex litigation. (EP)
5. Increase client communication: Failed client expectations lead to an uneasy relationship between the lawyer and client which results in less aggressive billing, write-downs, and write-offs. When the client is unhappy with the lawyer, the opportunity for achieving full value for the lawyer's services is compromised. Communication is the key to managing client expectations and avoiding failed expectations. (AG)
6. Be receptive to special arrangements for long-standing clients: Your clients may be facing difficult

economic times and you need to take the long view and not discard them in an effort to get receivables paid. Set up a meeting and work with the good clients to get through these troubled times with the relationship intact. Properly handled, you will buy a lifetime of loyalty. (AG)

7. Know when to say no: When the competence level isn't sufficient, when the client is one that you don't want to serve, when the client has already seen 3 or 4 attorneys before you, when you are already too busy to take on another matter, when you have negotiated a fee that is too low and you do so only because you want the money, that is the time to say no to the client. Failure to do so will bring resentment, ill-will and quite possibly an error subject to a malpractice claim. (EP)

Work smart

8. Record time on a daily basis: When times get tough, lawyers with bad habits need to improve how they manage their practice. Lawyers who do not record time on a daily basis lose substantial dollars. Lawyers who wait until the end of the week to construct their time sheets may miss out on 30 – 50% of their billable time. (AG)
9. Expand role of paralegals: Paralegals are an important aspect of the delivery of legal services in successful firms. The increased use of paralegals is particularly appropriate under current circumstances. Qualified paralegals assist lawyers in offering better client service at a lower cost, while returning a profit to the firm. (AG)
10. Prevent lawyers from slowing down the work: Work expands to fill available time, which gives many lawyers the impression of being busy when they are not. In a slow down, it is important for lawyers to process work at normal speed and use the extra time on other productive matters, such as marketing or bringing increased efficiency to their practices. (AG)
11. Outsource appropriate jobs: Solo and small firms must follow the lead of large firms and more aggressively outsource jobs that can be done at a lower cost by outside vendors. Solo and small firms would be well served to outsource, among others, bookkeeping, IT work, transcription of dictation, or document review. This free time should be used by attorneys to do paid legal work and to market their services to obtain new high quality clients. (RD)

Bills to be paid

12. Change your billing cycle: Be sure to bill no less than monthly. But, the billing need not be on the last day of the month. It could be on the 15th or any other day of the month ... Having different billing cycles (e.g., weekly) for portions of your practice (e.g. one-fourth) will have the impact of evening out your

cash flow intake. (EP)

13. Shorten your billing cycle: You need not wait for one month. You can bill twice a month or even weekly ... or bill after a particularly good event occurs and the client is more favorably disposed to pay sooner than later because of the glow of victory. (EP)
14. Send statements after a particularly beneficial psychological event: See 13 (EP)

Collect, collect, collect

15. "Age" your account receivable once a week: Be sure you keep track of how much each client owes you ... With weekly updates, you can thank the client who has paid and gently nudge the client who hasn't ... and you can withdraw when you don't get either money or the right answer from the client as to when he will pay. (EP)
16. Stop work! Stop work when you don't get paid. Your first loss is your best loss ... and your smallest loss ... don't keep working until huge sums are owed and the client will find it even more difficult to pay (EP)
17. Hire someone to help collect: The attorney is both the salesman and the line man ... in other words, the attorney both makes the sale and gets the client as well as the one who does the work. Adding the collection function not only is not the attorney's highest and best use of time, it also confuses the client. The client will not know the exact reason for the call. It may be to collect; after all, the client knows he didn't pay the bill. Or, it may be that the attorney needed information. Because the client isn't sure, we'll see an entirely different dynamic between the attorney and client and not one that is conducive to good attorney-client relations. (EP)
18. Develop a system to address overdue bills and assign an administrative person to manage it: Lawyers wait too long to address problematic receivables. By waiting until a bill gets 90 days old before taking action, the lawyer has "trained" the client to not worry about the timeliness of payment. Once a bill is that old, getting movement from the client is particularly difficult. At 30 days the client should get a letter with the message that nonpayment is not acceptable and within 45 days the client should receive a call with an invitation to meet with the lawyer if immediate payment cannot be made. (AG)
19. Act on accounts receivable, but observe ethics and court rules: Do not allow yourself to extend so much credit to a client that you believe that you cannot quit working, or that you must sue the client for payment. However, remember that in most jurisdictions the courts and most administrative forums require you to file appropriate motions and obtain permission before withdrawing. Until the motion is allowed, you must still provide sufficient representation to prevent prejudice to the client. In some

cases courts may even require you to represent the client in trial. Prevent those types of burdens by acting early to withdraw so you do not get stuck in bad cases. (RD)

20. Utilize credit cards: When dealing with consumer clients, make credit card payments after 30 days part of the standard process and part of your fee agreement. Credit card companies are in the business of financing all kinds of expenses. That should not be a service provided by lawyers. (AG)
21. Offer discounts on old receivables: In a situation where you will be doing no further work with a client, offer to discount an old bill for immediate payment. Do not provide this offer to ongoing clients as it may provide the wrong incentive. (AG)
22. Offer discounts on bills paid within 10 days: This is a technique that works well for other businesses and will work for lawyers. Bills with time sensitive discounts go to the top of the pile. (AG)
23. Offer discount for clients who maintain adequate fee deposits: Another technique is to offer a discount on hourly rate bills to clients that maintain a fee deposit so that bills can be paid shortly after they are issued. (AG)
24. Use remittance envelopes: Include a stamped, self-addressed envelope for a check by return mail. Reduce or eliminate all the constraints to writing and mailing a check to you .. from the client. (EP)

Take it to the bank

25. Don't wait to deposit checks: Don't accumulate checks. Any single check merits getting deposited into the bank. Too many bad things could happen. The client could stop payment on the check. Someone could have sued the client and attached his bank account, wiping out the funds needed to pay your check. (EP)
26. Deposit all checks from clients: Even if there is a dispute, deposit the check ... if you know of a dispute, place into your clients trust account so the funds are blocked away and be applied to client billings once the dispute is resolved. (EP)
27. Negotiate immediate access to deposits: That way you can use your money right away rather than wait 48 or 72 hours (EP)
28. Consider an automatic bank sweep: Set minimums for your checking account. At the end of the day, everything above this amount will automatically get switched from the checking account to the money market account where your money will earn interest. (EP)

Check the temperature

29. Focus on client satisfaction: Remember that clients are simply individuals who often do not communicate about unmet expectations. They often will not tell you about a bad experience or unmet expectations; they will simply quit coming back. The only way to prevent the loss of clients that result from unmet expectations is to learn of the disappointment and fix it if possible, make amends if you cannot fix it, and prevent it from happening in the future. Depending on the client, ask personally, have someone in your firm ask, or, at a minimum, seek to have a client survey completed. (RD)
30. Change practice methods to eliminate failed client expectations: Failed client expectations are the single most cause of lost revenue from existing work. Improve client intake. Make sure clients have realistic expectations as to how the case or matter will proceed, how long it will take, the range of possible results and the cost. Stay in communication so you can manage them through any change. Never surprise a client with the amount of a bill. (AG)
31. Monitor and evaluate productivity using the standard financial reports available to you: Make sure the firm's accounting system provides adequate financial reports. Make sure you can track billable hours, aged work-in-process, billings, billing realization, billing turnover rates, receipts, collection realization, aged accounts receivables, collection turnover rates, and the volume/price analysis. Financial data can be firm wide, but also sorted by practice group and/or individual lawyer. (AG)

Evolve

32. Restructure partner compensation system to reward desired behaviors: Many partner compensations systems fail to reward desired behaviors. Take a look at your firm's system and make sure that the system isn't rewarding the wrong behaviors. The partner compensations system should fairly divide profits, but it also needs to serve the firm as a management tool. (AG)
33. Restructure associate and paralegal compensation systems to reward desired behaviors: Associates and paralegals can be incentivized by money. Make sure the firm is sending the right message to its associates and paralegals and that those messages are reinforced by the compensation system. (AG)
34. Adjust partner compensation and benefits to reflect current and future value: Not only should compensation reflect desired behaviors, but partnership compensation must be seen as fair by each partner. For smaller firms, I believe this requires flexible compensation agreements that can accommodate many variables including the number of billable hours the attorney can work now, the number the firm may expect in the future (for example – when an attorney returns from a family leave), whether the attorney offers a premium service that drives demand for the firm and results in higher rates now or is expected to in the future. (RD)
35. Evaluate practice area trends and reallocate resources: Most practice areas have lifecycles. Learn

how the lifecycles work and be forward looking in predicting changes and adjusting the firm's allocation of resources. (AG)

36. Plan strategically: Many firms, especially solo practitioners, go on automatic pilot after several years, but now they must plan strategically to use each firm member's greatest skills, to sustain practice areas that continue to generate appropriate rates, develop new practice areas that provide premium rates, move away from practice areas that are becoming a commodity, or determine if the commodity service can become a profit center with a volume practice. Only after this analysis has been done can the attorney and/or firm plan to make those changes that allow continued growth in the future. (RD)
37. Innovate to gain clients: Try to think beyond your current service areas and fee models. Consider how you can solve client's need to be able to have a firm budget for legal expenses. As discussed above, this includes considering "flat fee" agreements, and may include providing services pursuant to a "classic retainer" agreement. You should expand your role with a client to become a trusted advisor, a business consultant, compliance expert, or, if you see opportunities, create separate non-legal ventures, following ethical guidelines separating the businesses, to provide premium services that your clients need. (RD)

Stay ahead of the curve

38. Remind your attorneys that the law is a profession: But it's also a business and all attorneys must act in a business-like way in order to succeed. (EP)
39. Make strategic cuts: I am talking about making strategic cuts in both personnel and expenses. Consider if it time for your firm to layoff unproductive personnel, individuals who are not team players, and use technology to ensure that you do not need to replace a retired staffer. Firms should consider reducing real estate costs by allowing attorneys and legal assistants to work from home and share office space. In addition, reduce research cost by using free case law research tools provided by your state or local bar association. (RD)
40. Identify opportunities to upgrade: Consider hiring in this down economy to bring in attorneys, legal assistants, and staff that will increase the quality of your personnel. Look for attorneys that have left sophisticated practices that can upgrade the services you provide. Also, look for the attorneys providing premium services that may be future stars in their practice areas. (RD)
41. Eliminate clients that are not paying: Do not tolerate the financial drag caused by transient clients who simply fail to meet their payment obligations. While good longstanding clients should be accommodated to the extent possible in these troubled times, you cannot afford to apply that level of generosity to all clients. (AG)

42. Change your governance model to speed up decision making: Many traditional law firms engage in over-deliberative governance models, which result in a very slow decision making effort. In these changing times, firms need to evaluate their decision making process and make sure it meets the needs of the fast paced world in which the firm operates. (AG)
43. Make practice group leaders responsible for group revenue and profitability: In most firms, practice group leaders took on responsibility for leading the group and in managing the substantive issues of the practice area. As the role of practice group leader evolved, it has become necessary for the practice group leader to have responsibility for revenue and expense budgets, as well as the profitability of the work performed by the lawyers in the practice group. (AG)

Carpe diem

44. Market to existing clients and ask for referrals: The easiest client to get is the client you already have. These clients trust you and know that you provide a good service. Now, tell those clients other services that you and your firm do well. Also, ask them to tell their peers that you are a recommended service provider. There is no greater selling point than to have a real endorsement from a client. (RD)
45. Blog, write articles, speak: Remember that clients prefer to hire reputable experts in a given area of the law because they want to know that they are in good hands. One means of providing reassurance to potential clients is to write articles, blogs and speak about the areas of the law that you know well. Not only does it provide an excellent marketing opportunity, but it also allows you to show your knowledge in a given area. (RD)
46. Internet social networking: I don't know if we will be talking about internet social networking tools ten years from now, but today it is the place to be. The growth in these services is astounding. Social networking tools such as LinkedIn, Facebook, and Tweeter allow you to build communities that provide support, referrals and mentors, and, on occasion, even a client. Attorneys use these tools to also demonstrate knowledge and expertise, and like all marketing, if well done, it will pay dividends. (RD)

Leverage

47. Develop a cash-flow statement: The single most important financial statement. It will project when you will need to borrow money, to hustle for more business, or to increase collection efforts. It will also tell you when you will have sufficient reserves to make the capital investment you've wanted or to increase your own draw. (EP)

48. Reduce variable expenses: Most expenses are variable, not fixed, and will increase or decrease based on the revenue flow. Keep the fixed expenses to a minimum and then reduce the variable expenses when things get tight ... this will help get you through the rough spots. (EP)
49. Analyze accounts payable and long-term debt to identify inadequate ROI: Firms take on many different expenses as they mature. These include such things as the print libraries, on-line research tools, the real estate lease, employee benefits, telephone and cell-phone charges, internet access and equipment leases. If you have not reviewed these expenses in the last year it is time to do so. Ask yourself if you are still receiving a good return on your investment. For example, is anyone reading the library books, do you need the electronic research libraries, can you reduce your real estate expense, or document storage fees. (RD)
50. Restructure personal and business debt load: Many attorneys are so busy worrying about billable hours and the client's needs that they have not looked at their personal and business debt to determine if they are getting the best terms. Talk to your mortgage broker and see if you can lock in existing lower mortgage rates and if you use a revolving line of credit for your firm, see if low rates can be locked in. (RD)

Bonus round...

51. Increase your monitor landscape: Looking for increased efficiency for you and your staff, consider giving everyone a new monitor. Studies indicate that using either two 18 inch (or bigger) monitors or one really large monitor, at least 24 inches, can increase word processing productivity by 40% and spreadsheet productivity by 50%. The efficiency benefits result from the ability to have critical data open side by side so you don't have to open and close windows to complete tasks. (RD)
52. Turn off email pop-ups: This applies not only to emails, but telephone calls, tweets, and other actions that interrupt you when you are working on tasks. One Microsoft study found that each time an individual reacted to an email notification, visual or sound, that on average it took 16 minutes to get back on task. If you react to four notifications during a day, you will lose over an hour of productivity. (RD)

