

Pay Day

Tips for improving collection of legal fees.

BY DANIEL ROBERTS

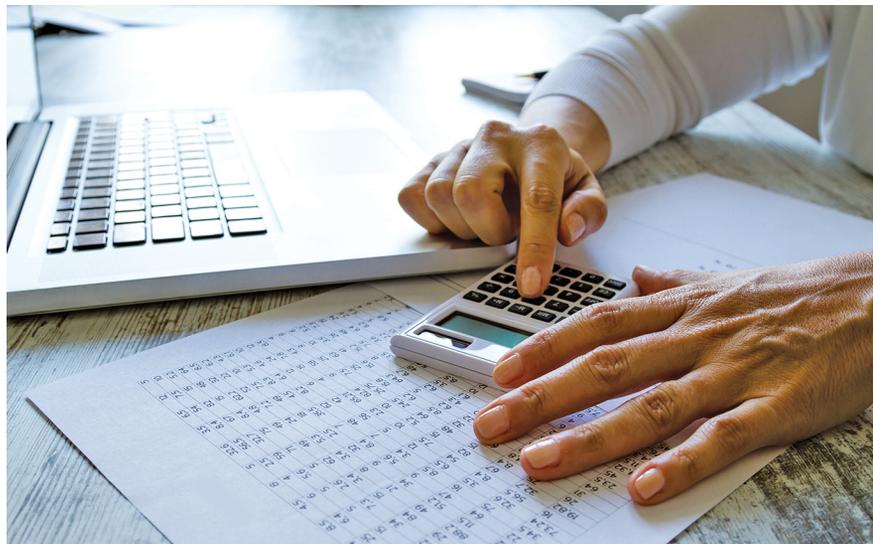
Handling cases without being paid is simply bad business: You incur unnecessary malpractice and ethical complaint exposure and suffer the loss of money and staff time. Worse, you lose valuable time you could have spent on other fee-paying cases. Yet invoicing clients and collecting legal fees are constant challenges to many lawyers. Here are three simple tips that will help.

1. SET EXPECTATIONS AND ESTABLISH BOUNDARIES.

It is important to do this in your initial consultation. Often, we want the business and are concerned that too much discussion about payment will cause the client to go elsewhere. In an hour-long conversation, you should spend at least five to 10 minutes discussing payment. Go over the scope of the legal work, the increments involved (for example, the phases of a litigation case), the method of billing (fixed fee or hourly), and your hourly rate, if applicable. It has been shown repeatedly that clients do not respond unfavorably to the hourly rate unless it appears exorbitant. They are more concerned with the total cost for handling their case. So, to the best of your ability, give the client a good faith estimate of the range of expense likely to be involved. Explain what will happen if the fees are not paid. It is very important to get the client to agree and commit to the fee arrangement during this initial conference. Don't just state what the charges will be—engage the client. Ask questions to get answers that will reflect the client's agreement with and commitment to your fee structure and schedule.

2. KEEP GREAT TIME RECORDS.

This, in itself, is a challenge to many attorneys. However, it is important not



only for the collection of your legal fees but also as a defense against potential malpractice or ethical complaints. You must be accurate. A client will focus on any perceived inaccuracy, such as the length of a meeting you both attended. Use current technology; paper time slips don't cut it anymore. There are many practice management and billing/time recording systems available as software and online. Choose one and use it consistently. Be sure that at the end of each day, your time is fully accounted for. Waiting until the end of the billing period to organize your time records can result in some time not being billed or the temptation to write off time. If, in fairness to the client, you need to reduce the billable portion of some of your legal work, do it when you record the time initially.

Another cost of unorganized records is the loss of your billable time. I once had a coaching client who waited until the end of the month to go over her scattered time records and produce invoices. It took her two days to do this. As a result, she lost valuable hours that she could have spent on billable work or enjoying personal time.

3. WRITE A BEAUTIFUL INVOICE.

The goal is to have the client feel appreciative for the work you have done and happy to pay your fees. Communication is key. The invoice needs to detail the work you (and your staff,

if applicable) have performed on the client's behalf. It is vital to include the date each service was performed as well as the time spent and a clear description of the action. Detail each action taken. Rather than just stating what was done, such as "Telephone conference—2 hours," make it read more like this: "Telephone conference with engineer Ted Smith regarding preparation of expert witness testimony for trial—2 hours." Additional effort spent here can have a real effect on payment.

The billing process also provides a great opportunity to give the client an update on his or her case. Take the time to draft a letter to go along with the statement explaining the progress made to date on the client's legal matter. If you have told the client in the initial conference that you will give regular status updates (an excellent idea), this is a perfect opportunity to do that and build goodwill at the very time he or she receives the bill for your services.

If you implement these three tips, your receivables will decrease and your collections will increase. **TBJ**



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