



## Do These Three Things to Ensure an Effective Client/Referral Source Entertainment Program

Solo and small law firm attorneys know that building personal relationships with their clients and referral sources goes a long way in ensuring long and profitable business relationships. A surefire way to build personal relationships with these key audiences is to spend time “off the clock” with them.

Engaging with clients and referral sources on a regular basis outside of the office in a more relaxed social setting can help attorneys build their books of business. But an entertainment program that is not strategic can end up costing more money than it is worth and can rub clients and referral sources the wrong way.

Here are three things solos and small firm attorneys can do to make sure their entertainment programs are effective.

### 1. DO THE MATH

There are two sides to the math coin: taxes and return on investment.

As for taxes, the Tax Cuts and Jobs Act of 2017 [eliminated the deduction](#) for entertainment expenses purchased for business purposes. Previously, businesses could deduct 50% of the cost of entertainment expenses, as well as 50% of business meals if the taxpayer or one of its employees attended the meal and it was neither lavish nor extravagant.

[Now, only the meals deduction is available.](#) That means that if, for example, an attorney takes a client to a baseball game, the food and beverages the attorney purchased are 50% deductible, but the cost of the tickets for the game are not.

As for a return on investment, it is important to keep in mind that the money a law firm puts toward its client and referral source entertainment program is an investment in future business. This money should not be viewed as a sunk cost. It should, however, be tracked to determine what kind of returns, if any, it is generating. For example, \$1,000 in entertainment expenses over the course of a year that goes toward one referral source may seem in the abstract to be a significant expense. But if a law firm can show that that investment led to \$10,000 in business, then that investment yielded a 10x (or 1,000%) return.

Taking taxes and return on investment together, attorneys and their firms must understand that while they may no longer deduct entertainment expenses from their taxes, such expenses are investments with potential returns that can spur growth at those firms by increasing revenues and profits.

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## 2. KNOW YOUR AUDIENCES

Clients and referral sources are not cut from the same cloth. They are unique and unlikely to share all of the interests that a particular attorney has when it comes to life outside of the office. For that reason, attorneys need to ensure that when they entertain, they do so in a way that makes the clients and referral sources feel comfortable. After all, an uncomfortable social outing is unlikely to strengthen a relationship.

That means attorneys must have a general sense of what various clients and referral sources consider to be entertainment. Some clients might love a day on the golf course. Others might enjoy sampling beers and food trucks at a beer garden. Over time, as an attorney gets to know his or her clients and referral sources at a deeper level, it will be easy to plan events accordingly. But when relationships are still in formative phases, attorneys cannot afford to force their guests into situations that only entertain the attorneys.

## 3. BE STRATEGIC

Once attorneys understand what kinds of investments they should be making, and the activities they should be inviting those people to, they can devise a strategic plan for doing so.

This plan will take into account the seasonality of certain activities. For example, in some cities, golf may only be an enjoyable activity in May through September. Thus, that activity would be prioritized during those months. For clients and referral sources who enjoy indoor activities or whose entertainment would come in the form of meals at restaurants open year-round, seasonality isn't as big a concern.



The strategic plan should also take into account the frequency of get-togethers. Having already crunched the numbers, attorneys are likely to find that entertaining certain clients and referral sources is more likely to lead to future business sooner than entertaining others. These should be prioritized to ensure that attorneys are getting quality time with them several times a year.

## EFFECTIVE ENTERTAINMENT IS HARD WORK

Like many things that come with running a law firm, in order to effectively entertain clients and referral sources, work must be done behind the scenes. Doing some math, understanding who their clients and referral sources are, and then strategically creating an entertainment program which incorporates that information will go a long way toward helping solos and small firm attorneys ensure that such programs are an effective tool for growing their firms.

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