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Three Money-Saving Tips for Solo Practitioners

If you are a solo practitioner, the amount of money you earn is dependent solely on your own efforts.

There's freedom in that reality—and a challenge, too (not to mention a fair bit of fear). If you aren't satisfied with the amount you are taking home, it's on you to change things. The first step in doing so is getting a handle on the economics of your law firm. Two of the most important numbers to calculate in understanding your financial picture are your annual revenue and the amount you pay in overhead. Determining your overhead cost could be the subject of its own article, but make sure to include both significant expenses (rent, accounting services, salaries for non-timekeepers, insurance) and those that are smaller but still add up (office equipment, parking, bar dues). Subtracting overhead from revenue will give you the amount of money you made in any given year.

At a solo law firm, it's generally said that your overhead should represent no more than 45 percent of your revenues. If it exceeds that number, you should be rethinking some fundamental aspects of your firm (like moving out of that fancy office and into something more reasonable). Many solos use work-from-home arrangements and technology tools to get their overhead ratios substantially lower than the 45 percent mark.

Regardless of their exact overhead ratios, many solo practitioners would like to make their firms more profitable. There are two ways to do this: increase revenues or decrease overhead. Focusing on increasing revenues makes a lot of sense—there is virtually no limit to the amount of extra revenue you can earn, while you can only reduce overhead so much. Nonetheless, for solos feeling a pinch, most methods of reducing overhead can be implemented relatively quickly and are fully within the lawyer's control.

For the most part, it will be obvious where a lawyer can achieve the greatest savings on their overhead. Real estate and administrative salaries, in most cases, are the large costs. But here are three less obvious sources of overhead costs where solos can achieve meaningful savings over time.

Marketing: One Altman Weil paper recommends that solo practitioners spend up to 5 percent of their revenues on marketing, advertising and business development activities. That's a healthy piece of the pie. Solos who are spending close to that amount on marketing and not seeing returns from it should consider cost-saving alternatives. There are a lot of attorneys who go the DIY route for marketing, given how easy it is. Take website design. This is a critical part of any firm's marketing efforts; your website being the virtual "front door" to your business. And now, thanks to services like Squarespace®, websites can be a nominal expense. Check out the K Bennett Law website, which was recently named one of the 10 best law firm websites of 2018 by *Lawyerist*®—and was made on Squarespace.

It also costs nothing for lawyers to nurture relationships with reporters, write articles for trade journals and pursue other PR opportunities that can pay off down the line.

Malpractice Insurance: Yes, you should bid out your malpractice insurance to make sure you are getting the best rate. That much is obvious. But there are additional steps that solos can take to lower their risk profile, and in turn reduce the quotes they receive from all carriers. Four specific actions, in particular, will be meaningful to insurance carriers. First, malpractice insurance attorneys should use a centralized diary or docketing system to manage court deadlines and other important dates. This is a biggie to insurers, since about a third of malpractice claims result from missed deadlines and other administrative errors. Second, solo practitioners should have an established procedure for checking against conflicts of interest. Third, they should make religious use of engagement letters (and use them to define the scope of engagements precisely). And fourth, they should issue disengagement letters to establish that a representation has ended.

Technology Planning: Technology can be a significant cost for a solo practice. And for the most part, that cost is well worth the savings of time and money that result. But when it is used carelessly or without thought, technology can really inflict a lot of pain and expense on a firm. Something as simple as failing to install updates on a computer can render it useless. Likewise, skipping training on a software product, or using it incorrectly, can result in many lost efficiencies. Solo practitioners should consistently inventory their technology needs. From word processing to practice management software, practitioners and their staff need to know the ins and outs of all technology implemented in their firm. Industry professionals recommend doing an audit on new technology a month after its implementation to see if any additional training or tweaks are necessary. This ensures everyone at the firm is on the same page and up to speed on the latest technology offerings.

Reducing overhead isn't glamorous—certainly not as glamorous as winning a big contingency case or securing a new client. At the same time, solos who give thought to each of the above factors can use them to increase their profits at the end of the year, which might be reward enough.

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