Vol. 24 No. 24 The Journal of the Allegheny County Bar Association December 2, 2022

LAWYERS JOURNAL

LAW PRACTICE MANAGEMENT

Effective solutions to small law firm billing issues

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Operating a small or even solo law practice comes with its advantages and disadvantages. While a leaner staff means less overhead and more adaptability to industry challenges, it also means limited bandwidth and less access to administrative support. This can cause a number of billing and payment issues, which ultimately have a negative impact on the firm's bottom line.

Let's take a deeper look at those issues and ways you can overcome them in your solo or small firm.

What are common billing issues for small firms?

One of the biggest headaches smaller firms face is late payments or even non-payments from clients. Often times, solo or small law practices do not have the funds or enough administrative staff to stay on top of all of their invoices. This makes it far too easy for clients to fall behind on payments or not pay at all after their case has already been handled. Smaller firms are also less likely to take action against their non-paying clients for fear of negative repercussions, especially when they have a relatively small customer base.

Lack of administrative support and billing expertise also allows for mishaps when it comes to attorneys logging their hours. If billable hours are logged late, inaccurately, or not at all, it makes it very difficult for the firm to have any ground to stand on when a client falls behind on payments.

Ways to solve these issues:

Fortunately, there are a number of ways to improve your billing process and ensure that those invoices are properly drafted and paid in a timely manner. Get creative with your billing structure from the get-go.

First things first, you must have a fee agreement in place. Before you do anything for your client's case, it's critical that you have a mutual understanding of the legal costs and fees involved. An effective attorney-client agreement helps you set reasonable expectations and quickly establish trust with your new client. At the very least, this agreement should include:

• Fee basis: a summary of your firm's base fees, including descriptions of specific costs associated with referrals and appeals.

• Expenses: a description of your out-of-pocket expenses for which the client is responsible.

• Calculation of attorney's fees: an explanation of how your fees will be collected and the factors that will be taken into account, such as expenses paid on behalf of your client and any fees owed to a referring attorney.

Be diligent about your fee agreement. Now that you have a clear fee contract in place, it's important to remain diligent about your agreed upon terms.

One way to do this is by implementing an evergreen retainer provision. With an evergreen retainer, your client pays a certain amount of their legal fees in advance and agrees to deposit the remaining amount of money on a regular (usually monthly) basis. In this case, the client is paying smaller sums more frequently. The retainer is calculated based on the original agreed-upon fee and is adjusted as the scope of work changes. This allows you as the attorney to work against the money in the trust account and not go over the budget before receiving another payment.

Of course, you always have the right to withdraw from a case if the client has not submitted payment. Don't be afraid to send them your Motion and proposed Order to Withdraw. Sometimes this action alone is enough to motivate your client to pay you.

Stay on top of your invoicing. Many small firms struggle to stay on top of their invoicing. This can make a big impact on your bottom line. It is extremely important that you prioritize putting a system in place to manage and keep track of your client invoices.

There are a number of small strategies you can use to start improving your billing process:

• Make the invoice due upon receipt. When you send out a client invoice, make it clear that the owed amount is due as soon as the invoice is received. This way, you avoid creating a work deficit by giving them 30 days to delay or forget payment when you have already started on their case.

• Send your invoices at the beginning of every month. Many attorneys recommend sending your invoices at the beginning of the month because this is typically when your clients have received their paycheck and bills are top of mind.

• Follow up in a timely manner. Make sure that you follow up no later than one week after you've sent out your invoice. This gives you the opportunity to touch base with your client and ensure that they understand what they owe and when they owe it.

• Log billable hours as soon as possible. Whether you're a solo firm or a small team, you have to stay on top of logging hours. Maybe that means taking time at the end of every day or sitting down with your firm once a week to comb through everyone's cases. Regardless, the sooner you log your billable hours, the better. This helps you to stay on top of your invoicing and makes it easy to create work-in-progress (WIP) statements, so you know how much work you're doing on a case and exactly how much it's costing.

• Keep a "billing bible" in your firm. Several law firms recommend using an internal billing "bible" or standardized terminology manual for billing. This helps you keep your language streamlined across all documents, particularly when it comes to client invoicing.

• Adopt an online payment solution/ make it easy to pay.

Regardless of the size of your firm, adopting an online payment solution is your best bet for resolving any billing woes. With the right payment partner, you can count on secure and reliable payment processing no matter where you are. Adopting an online payment solution also offers your clients multiple payment methods, which makes it convenient and easy for them to pay you. As a result, your clients are more likely to make their payments and make them on time.

The easiest way to ensure your client pays you is by setting up automated payments in advance. For example, LawPay's Scheduled Payments feature allow you to maximize cash flow by guaranteeing your invoices get paid on time. After an easy one-time setup, you can watch payments roll in automatically – and stop chasing after late bills.

Small and solo law firms have their share of headaches when it comes to billing but implementing a few of these easy strategies can go a long way toward improving your bottom line. In fact, adopting a tailored online payment solution can also be a transformative option for your firm and take a significant amount of work off of your plate.

LawPay makes it easy for your clients to pay. See for yourself what LawPay can offer your firm at *www.lawpay.com*. ■