

# Best Practices For Communicating Legal Fees and Expenses to Clients



Clients want transparency about fees and expenses. It's essential for a strong client relationship, but how do you provide this information effectively?

Clear communication about fees isn't as straightforward as it might seem. The challenge lies in the details: How much should you disclose? How frequently? In what format?

Handled well, transparent communication can foster trust and provide clients with the confidence they need in your firm.

## Establishing Client Trust

Over the past two decades, the public's trust in lawyers has fluctuated, according to [Gallup's annual poll](#) on honesty and ethics in various professions. In 2023, only 16% of Americans rated attorneys as having very high or high standards of honesty and ethics, marking a significant decline from previous years. This is down from 21% in 2022 and a high of 22% in 2019.

## Lawyers

	Very high	High	Average	Low	Very low	No opinion
	%	%	%	%	%	%
2023 Dec 1-20	2	14	52	22	9	1
2022 Nov 9-Dec 2	3	18	50	19	9	1
2021 Dec 1-16	3	16	50	21	9	1
2020 Dec 1-17	3	18	48	24	6	*
2019 Dec 2-15	4	18	49	19	9	*
2018 Dec 3-12	3	16	51	21	7	1
2017 Dec 4-11	4	14	53	19	9	1
2016 Dec 7-11	3	15	45	26	11	1
2015 Dec 2-6	4	17	44	25	9	1
2014 Dec 8-11	5	16	45	22	12	1
2013 Dec 5-8	3	17	45	23	12	1
2012 Nov 26-29	4	15	42	28	10	1
2011 Nov 28-Dec 1	3	16	43	27	10	1
2010 Nov 19-21	4	13	47	24	11	1
2009 Nov 20-22	3	10	45	28	12	1
2008 Nov 7-9	3	15	45	25	12	1
2007 Nov 30-Dec 2	2	13	49	25	10	1
2006 Dec 8-10	3	15	42	27	11	2
2005 Nov 17-20	3	15	46	25	10	1
2004 Nov 19-21	4	14	45	24	11	2
2003 Nov 14-16	3	13	47	25	11	1
2002 Nov 22-24	2	16	45	25	10	2
2001 Nov 26-27	4	14	50	23	8	1
2000 Nov 13-15	3	14	42	29	11	1

\* Less than 0.5%

Source: Gallup

This perception is far from ideal. In an industry where trust is vital, being viewed as average can be a significant barrier. Clients are placing their legal matters — and often their personal lives — in your hands. They need to believe not just in your expertise but in your integrity.

Open and honest communication is key. Clients want clear answers to specific questions: Are you an expert? Do you care about your clients? Are you a good fit for their needs? Among these, one question stands out: Are your fees reasonable?

Clients seek clarity on fees and expenses, expecting detailed and timely information. This transparency reassures them that they're getting value for their money.

## **How Do You Explain Fees to Clients?**

Your clients have a hidden, unspoken, non-negotiable expectation: They want to feel they're getting more value than what they're paying for. It's an implicit test. When they ask about fees, they're really asking, "Are you giving me more than I'm paying you?" The answer must always be yes.

To convey this, follow these best practices for communicating legal fees:

### **1. Align Financial Interests**

Clients want to see that your financial interests align with theirs. Be upfront about whether they are willing to pay for certain fees or if they find them unreasonable. Avoid surprises and ambiguity by clearly explaining what each fee covers and why it's necessary. Transparency here builds trust and shows you respect their investment in your services.

### **2. Clarify Fee Structures**

Engage your clients in a detailed discussion about the different fee structures available, from flat fees to hourly billing. By discussing these options and their implications, you help clients choose the arrangement that best suits their needs and budget. Making their expectations explicit and realistic at the outset avoids misunderstandings and sets a clear financial foundation.

### **3. Demonstrate Value**

Show clients a detailed breakdown of fees and services to demonstrate the value you're providing. Outline your fees and expenses clearly and completely. Highlighting the specific benefits and outcomes they can expect from your services will reassure them that their money is well spent.

More specifically, here's a few ways you can show clients your worth:

- **During your first meeting**, provide a comprehensive overview of the anticipated services and associated costs. Outline the expected fees for each step and discuss how these services protect the client from legal pitfalls.
- **Throughout the case**, keep clients informed with regular updates. Include a summary of hours spent and tasks completed, so clients see the ongoing effort and expertise involved.
- **On invoices**, provide detailed breakdowns of all services and expenses. Include a description of each service and its benefits. For instance, instead of "Appeared at preliminary hearing," you might note, "Represented client at preliminary hearing to argue for dismissal of unfounded claims."
- **At the conclusion of a case**, provide a summary report that outlines all the services performed, the outcomes achieved, and how these align with the client's goals.

By integrating these methods into your practice, you clearly demonstrate the value you provide, ensuring clients understand and appreciate the expertise and effort behind each fee.



## 4. Track Everything

Meticulous [tracking of time and expenses](#) is fundamental to transparent and accurate billing. Every timekeeping employee should rigorously record their time, regardless of the fee arrangement. To do this at your law firm, implement these practices:

- **Detailed time tracking:** Implement a robust time-tracking system where your team records every task with precision. Each entry should specify the task, time spent, and its relevance to the client's case.
- **Expense tracking:** Record all expenses meticulously, from filing fees and court costs to travel and expert witness fees. Use [software that allows you to categorize and itemize each expense](#). Categorizing these helps clients see exactly where their money is going.
- **Document write-offs/write-downs:** Document write-offs and write-downs clearly. If you decide not to charge for certain services or reduce a fee, record the reason and communicate this to the client. Explaining such adjustments builds trust and shows clients you are fair and considerate.
- **Time tracking technology:** It's really difficult to track all of these moving parts without legal time tracking software. Bill4Time, for example, provides a comprehensive solution for managing time and expenses. It allows your team to log hours and expenses in real time, categorize entries, and generate detailed reports. See how it works by [scheduling a free demo](#).

## 5. Set Policies and Procedures

Create a comprehensive list of fee and expense types and implement a “cost capture” policy. Clarify billing for soft costs (e.g., copies, scans, postage) and hard costs (e.g., travel, lodging, meals). Define how your firm handles unexpected variances, discounts, and write-downs. Clear policies ensure consistent and fair billing practices.

Bill4Time can significantly aid in implementing these policies with its comprehensive feature set. For instance, Bill4Time's expense tracking feature allows you to categorize expenses as soft or hard costs directly within the system. You can also pre-set categories for common expenses, such as travel or photocopying, and assign them to specific client matters automatically.

## 6. Add Details to Agreements

Your retainer/fee agreement should explicitly outline all fees, expenses, and firm policies. Include specific details about hourly rates, fixed fees, retainer requirements, and any potential additional costs.

Additionally, clearly define what services are included and any that may incur additional charges. This protects both you and the client by setting clear expectations. For instance, specify that court filing fees, travel expenses for depositions, and expert witness fees are additional costs that the client must cover.

A well-drafted agreement serves as a reference point in case of any disagreements. It ensures that both parties understand the financial obligations and can refer back to the document if any disputes arise.

## **7. Preemptively Deliver News About Unexpected Costs**

If there are significant deviations from the budget or unexpected expenses, communicate this immediately. Pick up the phone or send an email to explain the situation before sending the invoice. Provide a detailed explanation of the unexpected costs, including why they arose and their impact on the overall budget.

Add this explanation to the invoice as well, ensuring that all involved parties are aware of the changes. For example, if an unforeseen court motion requires additional hours, detail this on the invoice with a note explaining the necessity.

## **8. Be Descriptive on Invoices**

Ensure invoices are detailed, including who to pay, how much, due dates, and a breakdown of hours and fees. List each service provided, the time spent, and the corresponding charge. Highlight what you did versus what you provided. For instance, instead of just listing “Research,” specify “Researched case law precedents for client’s litigation.”

Clear and detailed invoices help clients understand what they are paying for and reduce the likelihood of disputes. This level of detail reassures clients that they are being billed fairly and accurately.

## **Communicating Fees to Earn Your Client’s Trust**

When it comes to money, clients want a full accounting of the fees and expenses associated with their matters. Clients need to know if your fees are reasonable and justified, and they want to see a clear breakdown of every cost. This boils down to one critical question: “Are you giving me more than I’m paying you?” The answer should always be a resounding yes.

This is where effective time and expense tracking comes into play. By using software like Bill4Time, you can effortlessly manage and communicate your billing processes. It helps you track billable hours, categorize expenses, and generate detailed, itemized invoices that clients appreciate. With such clarity and transparency, you build trust and confidence in your services. So why not give it a try? Your clients—and your bottom line—will thank you. [Try Bill4Time for free.](#)