

# Five Principles to Getting Paid for Lawyers



“How can you get out of paying your attorney fees?”

An anonymous user on Quora submitted [this question](#); at first glance, they seem to be interested in accepting their attorney’s hard work on their behalf. They just don’t want to pay for it. Maybe this is an overreaction; perhaps this client has simply run out of money?

Here’s another question.

“What’s the best way to fire an attorney and recoup fees?” The intent of [this question](#) is abundantly clear. The client is dissatisfied, more than that, they don’t want their attorney to be paid for their work.

This is unethical.

## **Delinquent clients are part of attorney billing**

Or are they?

Is there a way to change this for the better? Can you increase the likelihood that your clients will pay your invoice completely and on time? Here are five principles you can use to ensure you're paid well for your hard work.

## **Principle #1: Choose the right clients**

This isn't something you're taught in law school. Rainmaking is an important part of a successful legal practice, yet it's something many attorneys struggle to do well. Many attorneys focus their attention on clients who need their services and agree to pay for said services.

This line of thinking is backward.

Instead, it's more profitable to focus on the clients that meet two important criteria. They must be *willing* and **able** to spend the resources needed to retain your services.

Isn't this the same thing?

Not at all.

- **Clients who are willing to spend:** These clients understand the value behind your services; they also see value in your firm specifically. They're eager to retain you, and they have a respectful tone, and in some cases, a kind of reverence in their tone when they speak to or about your firm.
- **Clients who are able to spend:** These clients can invest the resources needed to retain your services over the long term. They have the time to work with you on their matter, the money needed to solve their problems, and the necessary information to ensure you provide them with a reasonable to ideal outcome.

Your clients should meet **both** criteria.

- **Clients who are unwilling to invest** tend to become vampires. They believe they're the special ones in the relationship, so they require you to bend over backward to keep their business. As their demands increase, the amount of revenue you receive decreases.
- **Clients who are unable to invest** string you along with promises; they use tactics like guilt and shame to tug at your heartstrings. They plead for understanding, for second chances, for more support. These clients drain your time and your bank account.

Focusing on clients who meet both criteria addresses:

- Clients who refuse to pay on time or at all
- Fee disputes from unhappy clients who refuse to pay a cent more than they have to
- Clients who spend less time and money with the firm
- The perception that invoices + follow up is sleazy, rude or offensive
- Losing billables to shrink
- Clients threatening to file a bar complaint

[Research](#) from Hee?Woong Kim et al. shows that there are two kinds of relationships clients have with their service providers.

1. **Constrained relationships.** I have to stay with my law firm to get what I want.
2. **Dedicated relationships.** I want to stay with my law firm.

Choosing clients who have both the willingness and the ability to pay creates both dedicated and constrained relationships. If your clients want to stay, they're far more likely to do what it takes to remain a client (i.e., pay your invoice).

## **Principle #2: Set and enforce firm-wide policies**

With firm-wide policies, your firm operates as a single unit. Attorneys are expected to turn in their timesheets at the same time, LEDEs is standard operating procedure, and everyone uses the same minimum billing increments when adding their time to their timesheets.

If this sounds obvious, it's not.

But it's an important step as this helps firms track their hourly billings, improve utilization and realization rates, and create more accurate revenue projections.

Just one problem.

Setting policies is one thing; enforcing them is another. According to an [Altman Weil survey](#), law firm partners were the number one impediment to change in the vast majority of law firms.

"In 69 percent of firms, partners' resistance to change is an embedded drag on progress, and recent economic successes may obscure any clouds on the horizon - at least for the short-sighted."

Law firm leadership is most likely unwilling to change. If you'd like their cooperation, there needs to be a sufficient amount of pain involved.

- **69 percent** of law firm partners resisted most change efforts (up from 44 percent in 2015)
- **66 percent** of law firms experienced insufficient economic pain to motivate change
- **60 percent** of partners were unaware of what they might do differently

If these firm-wide policy changes will be successful, change needs to be driven from the top-down, firm leaders need to lead by example.

How does this help attorneys get paid?

It's easier to follow client billing guidelines. It's easier to make changes or campaign for client support if everyone is on the same page. Timekeeping is easier and more streamlined, billing, and invoicing more fluid. It's easier to send clients the information they need to make good on their promise to pay.

### **Principle #3: Follow billing guidelines**

Successful client billing begins with communication.

Communication ensures that you're paid completely and on time. If you'd like to avoid a billing dispute, you'll need to identify the billing guidelines that govern the relationship. You'll want to flush out:

- What's required or permissible
- Billing details or steps that require approval by the client
- Actions that are forbidden or unacceptable
- Stop words or hidden rules that immediately flag your invoices for review

The vast majority of billing issues can be narrowed down to communication. Address these issues at the beginning of your relationship with clients. Then, respect any boundaries you and your clients have set to avoid any potential deal-breakers or issues with nonpayment.

### **Principle #4: Make it easy for clients to pay you**

[According to](#) LawPay, law firms that accept online payments get paid 39 percent faster. If you offered your clients Net 30 terms, this means you'd be paid 11.7 days faster. This would have a drastic effect on your cash flow if you received

payment for every invoice faster.

The easier it is for clients to pay you for services rendered, the more likely they are to do it.

Accepting online payments can and will increase your revenue. [Research by Richard Feinberg](#) demonstrated that consumers with credit cards were willing to spend 50 — 200 percent more, above and beyond cash or check expenditures.

### **Principle #5: Use alternative fee arrangements**

A Legal Trends report found 44 percent of law firms list *client's inability to pay all at once* as the most common reason for nonpayment. Firms also state that 31 percent of clients pay late even when they have the funds. This is, of course, the problem; neither party actually wants to communicate.

The majority of your client relationship concerns revolve around money and communication. This is good news because it gives savvy firms a chance to use this knowledge for their benefit.

How do you fix this?

You have a discussion about alternative fee arrangements with clients at the beginning of your relationship. You bring this up as part of your client intake process, presenting the options that work best for you and your client. Research shows [22 of the 650 law firms](#) serving the Fortune 1,000 rely on AFAs. AFA [usage is at an all-time high](#), but it hasn't gone fully mainstream yet.

But flat fee work isn't as profitable!

That's the real reason why so many firms refuse to integrate alternative fee arrangements in their practice. Is this actually true? Here's what an [Altman Weil survey](#) found:

"When asked to compare the profitability of non-hourly work and hourly work, 84% of proactive firms find their non-hourly projects to be at least as profitable as their hourly projects. This is the case in only 51% of reactive firms. Narrowing the focus, 40% of proactive firms report their non-hourly projects are more profitable than their hourly projects, compared to only 10% of reactive firms. The lesson is that firms that make a rigorous effort to understand and manage a new or evolving market tactic like alternative fees generally succeed in doing so, and enjoy increasing benefits over time."

Alternative fee arrangements are worth testing, especially if it produces more revenue for your firm. It's an excellent way to combat the downward pressure on fees, sluggish realization rates, and poor financial performance.

## **Attorney billing is successful when you get paid**

Use these five principles, and you'll increase the likelihood that your clients will pay your invoice completely and on time. Choose the right clients, create the right environments, follow billing guidelines, and you'll find your realization rates continue to improve.

With consistent effort, you'll find you've created dedicated relationships with clients who are eager, willing, and able to spend, no defaults necessary.