

# The Difference Between Legal Fee Financing and Payment Plans



“Buy Now, Pay Later” options are becoming increasingly popular at checkouts. These short-term financing options allow consumers to finance both everyday and big-ticket purchases in the hundreds or thousands of dollars to make payments easier.

Now, the short-term financing trend has made its way to the legal industry. Legal fee financing is an alternative payment method that law firms can offer to relieve the burden of high one-time bills and improve access to legal services for the clients who need it most.

Learn more about legal fee financing and other alternative payment methods to provide a more client-centric experience at your law firm.

## What Is Legal Fee Financing?

Legal fee financing is an alternative funding solution that allows clients to pay for their legal costs in regular intervals. The payments are typically set up as monthly payments, giving clients time to manage their legal fees instead of a high lump-

sum payment.

With legal fee financing, your law firm receives the full payment amount up front, then the client pays a third-party creditor in installment payments. Traditional financial institutions may offer loans, but legal fee financing often involves short-term loan creditors. The [American Bar Association](#) offers guidance on how law firms can help clients with financing options.

## **How Is Legal Fee Financing Different from Payment Plans?**

Though they both involve installment payments, there are a few key differences between legal fee financing and payment plans:

### **Legal Fee Financing**

Legal fee financing helps firms grow their client base by broadening client access to legal services. Unfortunately, that also comes with extra costs. For example, if a client misses a payment, they could end up with a lot of interest that will increase their total cost, or worse, involve significant debt or collections.

There are downsides for law firms as well. Offering legal fee financing gets you paid up front and improves cash flow, but the tradeoff is monthly processing fees that can get expensive.

Pros:

- Helping clients pay for legal services more easily with smaller, more manageable payments over time
- Broadening and diversifying the client base for your law firm
- Getting upfront payments for legal services without burdening clients

Cons:

- Clients may struggle to make payments with interest and end up in collections
- Installment payments have monthly process fees for the law firm that can add to monthly expenses

### **Payment Plans**

Payment plans allow clients to pay over time with a number of different models, including installment payments, subscription models, and more. There are no additional fees for these options – there’s just an agreed-upon amount that clients pay on a predetermined schedule until the balance is paid off.

Without the added interest and fees, payment plans are a more client-centric option that allow clients to handle large bills within a schedule that works for them, while also giving your firm steady cash flow.

Pros:

- Flexible payment arrangements to suit clients’ needs
- Improved access to legal services and a diversified client base
- No additional fees or interest for clients or law firms with on-time payments
- Multiple payment models to suit a variety of clients

Cons:

- With payment plans, law firms don’t receive upfront payments for legal services
- Breaking up large legal bills for complex cases can create poor cash flow

## **Benefits of Offering Multiple Ways to Pay**

Offering multiple ways to pay benefits your law firm in many ways, including:

### **Client Convenience**

Legal fees can be challenging for some clients, especially during economic downturns. Not everyone has the means to pay large legal bills at once, but they still need legal help to address their issue. Offering multiple payment options – including payment plans – allows clients to choose a way to pay that works best for their budget.

### **Gain Insights from Reporting**

Multiple payment methods that are tracked digitally ensure that you have [accurate, real-time reporting](#) to continuously improve your firm’s client experience. Once clients make payments, they’re automatically posted to the account and synced within your accounting platform. Over time, you can see what payment options work best for your clients and the state of your firm’s cash

flow and accounts receivable.

## **Reducing Physical Checks and Payment Methods**

Some clients may prefer physical checks and invoices, but the legal industry is increasingly shifting to digital methods. Offering different payment options and digital [delivery of invoices](#) and payments allows clients to choose the method that works best for them. And on your end, you won't need to deal with the administrative burden of manual billing and collections, checks getting lost in the mail, and manual data entry.

## **Get Paid Faster**

If you're relying on a manual invoicing process, it takes time to update invoices, send them, wait for the checks to come, and register the payments. This delay is bad enough, but if payments are late, your firm could struggle with the burden of poor cash flow. Flexible payments reduce the likelihood of having to devote a lot of time each month to following up on late payments.

## **How to Adopt Payment Plans with Bill4Time**

If you want to offer payment plans and alternative fee arrangements at your law firm, there's no better way than [Bill4Time Payments](#). This payment option allows you to accept online payments and process all transactions within the system – without the need for third-party services or integrations.

Bill4Time also supports [custom payment plans](#) according to your client's needs to avoid missed payments and make the experience more convenient. You can create payment plans for weekly or monthly installments, offer financial flexibility, and ensure your law firm gets paid on time. Bill4Time has automated payment reminders as well to help your clients stay on top of their bills.

## **Streamline Law Firm Payments with Legal Billing Software**

Flexible payments are about more than just helping your clients – they can be a huge advantage for your firm. With multiple payment options, you can provide access to legal services for a wider base of clients, bring in more consistent revenue, and make a difference in your clients' lives.