Year-end Planning for Lawyers

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It's December and year-end is quickly approaching. Remember those good intentions you had back in January to organize your law firm? They'll now be put to the test. Before your schedule is consumed with holiday activities and last-minute travel plans, now is a good time to focus on what needs to be done to wrap up the business year and get a head start on the year ahead. As an attorney and business owner, year-end can become the most stressful time of the year. To help you out, we've put together this guide to four main areas on which to focus between now and year-end, while your business may be slower than usual.

1. **Your cases**
2. **Your clients**
3. **Your finances**
4. **Yourself**

Your Cases

Like many other small businesses, many law firms don't evaluate their business situation in real time—either they review their results after they've occurred, or not at all. Being able to evaluate your cases implies you were collecting actionable data along the way, whether in your law practice management software, using Excel spreadsheets, or on paper (if you're still using that). When analyzing your cases from the previous year, you'll want to ask yourself:

- How many new cases did you get this year, by practice area?
- What cases were more profitable?
- Did you hit any home runs or have that one big case?
- What cases did you enjoy working on the most?
- What case was your biggest headache?
- Who referred the most and/or best cases to you??

Asking yourself these questions will help you look back and reveal the strengths and weaknesses in your business and assess what may need to be put in place for next year.

What can you do over the next few weeks to tidy up this year's cases and start fresh on a solid foundation?

- Run an open matter report and review it to see if any of these cases are complete and have an open balance owed.
- Close the matters that can be closed. Scan the file, pull out originals you are required to save, or return to the client. Then cherish the sound of your shredder. Send letters thanking your clients for their business.

Tip

To make this process more efficient, use a task system to track each step and create a document automation process to generate the letters.

- If clients owe money, remind them in your letter and create a follow-up task to check on payment status during the first week of January.

Tip

COLLECTION TIP. If the amount due is beyond 180 days, the chances of collecting 100% of this is slim to none. So go ahead and offer to discount the bill in hopes they will pay before year-end. Here is a unique approach to dealing with these aging accounts: in the letter, ask them to send an amount they feel they can afford or represents the value they received.

Tip

To find outstanding bills in Clio, you can look in Bills for those bills Awaiting Payment or run the Accounts Receivable report in Reports.

To discount a Bill in Clio, apply a Credit Note.

- Is it ever too late to send a closure/end of case/thank you letter? In doing your assessment, you may come across matters that were completed six months ago and never sent a letter. Year-end gives you the perfect opportunity to follow up with these clients, as you can craft the letter as an "end of year check-in with your clients" to let them know you enjoyed working with them and remind them of the services you provide. Over the holidays, your clients will be around a lot of friends, neighbors, and family—if the conversations turn to needing a lawyer, you can be top of mind.

- Review the status of all your active cases. Record notes on each matter in a place you can easily access. Courts may be closed on or around dates where items are due. Do you have all the court holidays entered in your firm calendar?

Tip

If you're a Clio user, learn how to use Clio's Cascading Tasks to set up a series of tasks so you can stay on top of these cases.

- Prioritize your open matters so that in January you have clarity around which cases need to be worked on. This exercise may also reveal that you have too few open cases, which means a dry spell ahead. If that's the case, you'll need to spend January getting your marketing and business development plans in shape for a strong start to the year.

Another outcome of prioritizing your open cases is getting a sense for which cases you have been avoiding working on, which may be why they are still hanging out there open. If you are not enjoying a particular type of case or client, maybe this serves as a "check your gut" moment to pause and decide if these cases are worth spending your time. The likelihood of you doing your best work is at risk and the likelihood that these are profitable cases is questionable. Refer these cases out and use it as an opportunity to build a good referral relationship with a local lawyer.

Your Clients

These final weeks of the year tend to be slow for taking on new cases, so use this time to focus on your current clients: your source of income for the first part of the new year.

1. Pick out your 5-10 best clients from the past year. First, define what a best client looks like. These may be the clients that always paid on time. Or the ones who provided you with documents on time. Or the ones who referred you other "good" clients. Maybe they were just genuinely nice people to work with. Look through your client list and start rating your clients from the past 12 months.

Tip

You need a way to capture this rating system in your database so you can develop reports on your rated clients. Clio's custom fields are a great tool for capturing this data. When you produce the report and are able to separate where your revenue for the year came from, you will likely see that 80% of your revenue came from these best clients. Without capturing and analyzing this data, you will never know.

After looking at your list of "A" rated clients, pick up the phone and call them. Let them know they were/are one of your best clients and you enjoyed working with them. If appropriate, offer to take them out to breakfast in January and set up your first business development meeting for the new year. Keep this list in a place where you can review it every week and continually ask yourself "How can I get more clients like these?"

2. For your current clients who are your source of income for the next few months, do something memorable when sending out their December invoice. Prepare a case summary outlining and highlighting tasks completed, milestones reached, and any upcoming dates and deadlines. This is a great way to remind them of the work you have done on their behalf and may make paying the bill a bit easier, even during the holiday crunch.

Tip

For estate planning clients, the holidays are the time of year when children are getting engaged and they will have the need to update their estate planning documents. Using your nicely organized client database, run a list of estate planning clients who have children around the age of getting married. In their letters, include a note about your services for young couples.

Is your database not that well organized? Well then, you have a new New Year's resolution: start capturing more data about your clients so you can make more strategic decisions. Using Clio's custom fields and custom field sets you can capture all the data you want about your clients. You can also use all of this data to create documents using Clio's document templates.

Your Finances

So what can you focus on in December to help evaluate your numbers and plan for a stronger year ahead?

1 Run the accounts receivable report and spend time on collections.

Looking at this past due invoice report, there may be another "uh-oh" moment, but also a sense of hope. This money, if collected, could be in your next paycheck before year-end and just in time for the holiday spending season.

December can be a tough month to do collections and you may be kicking yourself for not having been on top of this all year—or at least starting earlier. In December, clients are focused on the holidays and upcoming expenses related to gifts, travel, and festivities. But it is also the time of year when companies give out bonuses. Your client may have an additional source of revenue in December to pay your invoice. Provide a small incentive and consider offering a discount if paid before year-end. If you represent businesses, they are usually looking to pay all their expenses before year-end, so do them a favor and send their bills early during December.

Tip

On active cases, bill every two weeks in December but include a letter explaining the change in your billing process. You are a small business owner. They should understand and respect the fact that you are being proactive and working on your business' year-end.

Looking for more great advice on year-end collections? Check out this article.

2 Review what is in your trust account.

This is a great time of year to make sure that you have been diligent about moving money from trust account to operating account as fees were earned. It's also a great time to make sure all of your client ledgers are in balance.

Run your Work in Progress (WIP) report and see if there are any expenses or time sitting out there that you can invoice and pay yourself, transferring trust funds to operating before year-end.

If you have money in client ledgers, run their individual client ledger report and send them a copy so they have a current record of all the transactions during the past year. This is also a great opportunity to stay in touch with your current clients and show them you're on top of things.

3 Review your revenue, expenses, and budget.

One of the best tools to use for this is a firm's financial tracker spreadsheet that is a combination of the following all-in-one report:

- Actual prior year revenue/expense
- Current year budget revenue/expense
- Actual current year numbers by month
- Current YTD actual compared to YTD budget
- Opening and ending check account balance
- Profit/loss by month (which is different than the checking account balance)
- Accounts receivable each month

In one report you have a bird's eye view of your firm's financials. Once built, it's easy to maintain and carry over from year to year.

Monthly Nut =	$0.00																
	Actual 2014	Budget 2015	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD Actual Total	YTD Budget	YTD Variance
Beginning Check Register			2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00			
Cash Inflows (Income):																	
Revenue collected - Practice Area 1																	
Revenue collected - Practice Area 2		0.00	0.00	0.00	0.00	0.00	0.00	0.00							0.00	0.00	$0.0
Total Revenue (hrs * rate) * 90% collection realization rate			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	#VALUE!	#VALUE!
Total Fees/Revenue		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	#VALUE!	#VALUE!
Misc Income		0.00	0.00												0.00	0.00	$0.0
Total Cash Inflows (Revenue.Other Fees)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	$0.0
Cash Outflows (Expenses):																	$0.0
Client Advanced Costs to be Reimbursed																	$0.0
Sales and Marketing																	
General and Administrative																	
Other- Misc																	
Miscellaneous																	$0.0
Subtotal - Expenses		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	$0.0
Other Cash Outflows:																	
Loan Principal															0.00		$0.0
Draw				0.00	0.00		0.00								0.00		$0.0
Subtotal			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		$0.0
Total Cash Outflows (Expenses)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Ending Operating Acct Balance			2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00			
Profit Lose		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00		$0.0
Accounts Receivable			$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00			$0.0

Get a free template of this dashboard here.

There is a great deal of value in using this type of report:

- You can keep an eye on revenue, broken down by practice area or attorney with an easy comparison to prior year.
- Comparing the prior year's actual numbers and current year's budget keeps you aware of areas where you may be overspending, underperforming, or doing great.
- Having the opening and ending balance of your operating account lets you see the yearly trends or patterns and if you are starting the month out with less in the bank than you thought you would be.
- Keeping your accounts receivable on this report lets you see if this number is growing by the month. It also keeps the need for doing collection work in front of you—this is money being left on the table for one reason or another.

4 It's going to be tax season before you know it, so use this time in December to do the following:

- Look at your account called "Owners Draw" and make sure the entries in this account are correct. These are expenses you ran through the business as non-business-related expenses.
- Clean out the pile of receipts in your drawer/purse/wallet/car and make sure you have properly reimbursed yourself for any business-related expenses you paid on your personal credit cards or personal checking account.
- Review your calendar for appointments and places you traveled that were business-related and make sure you have prepared expense reports for mileage.

Yourself

This is probably the most difficult thing to spend time on when you look at the above list of things to do to prepare for year-end, but also one of the most important. It's kind of crazy to think you could actually make time to spend on yourself when this list of tasks is so long. It is also kind of daunting when the above tasks are cutting into billable time and then, on top of that, taking time off to relax will mean even less billable hours. Quite frankly, it's a bit scary.

So how can you squeeze in a few hours or days to spend on yourself and actually feel good about doing it? First, get in the mindset that it's not just okay, but necessary. Let your clients know you will be unavailable during a period of time. Actually use that email out-of-office feature and change your voicemail message. These simple actions alone will make you feel better and committed to taking time for yourself.

Block it off on your calendar. Whether it's an hour to have lunch with a friend or go shopping with your kids—and have them add it to their calendar as well to let them know you are trying to be proactive in taking a break from work. Your friends and family will be happy to help you commit to it.

Take time to enjoy the holiday events. Get out, take a deep breath, and feel the energy of being out and about.

Do something really crazy—like go to a yoga class or workout with a trainer. Maybe you have a client in this line of business. Let them know you are going to stop by and attend a class. How fun would that be!

Start your New Year's Resolution a bit early and commit to taking a walk or run (or if you are lucky enough to live in warm climates, a bike ride) every day. This can actually be great alone time to gather your thoughts and generate some creative ideas for your practice in the new year.

With this as your game plan, you'll be all set to finish up the year, tying up any remaining loose ends and setting yourself up for success in what promises to be a highly competitive year ahead.

Happy New Year, from all of us at Clio!

Peggy Gruenke
Owner, LegalBizSuccess

As owner of LegalBizSuccess, Peggy combines her technology, entrepreneur and legal experiences to bring results and a competitive advantage to solo attorneys and small law firms. She is committed to being results-driven by measuring her ability to reduce attorney involvement in operational activities while at the same time increasing a law firm's efficiency and profitability. She focus on serving the needs of solo practitioners and small firms and prices her services to fit accordingly.