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Materials herein do not constitute legal or financial advice, and is presented strictly as illustrative of major concepts and for informational purposes.

[Date]

Wealth, Wisdom,
Wellness, and Wine
Series 2
Presentation for
Tarrant County Bar
Association

Practice Management: Starting and Managing a Law Practice – Business and Financial Planning

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Vice Chair – Bob Leonard

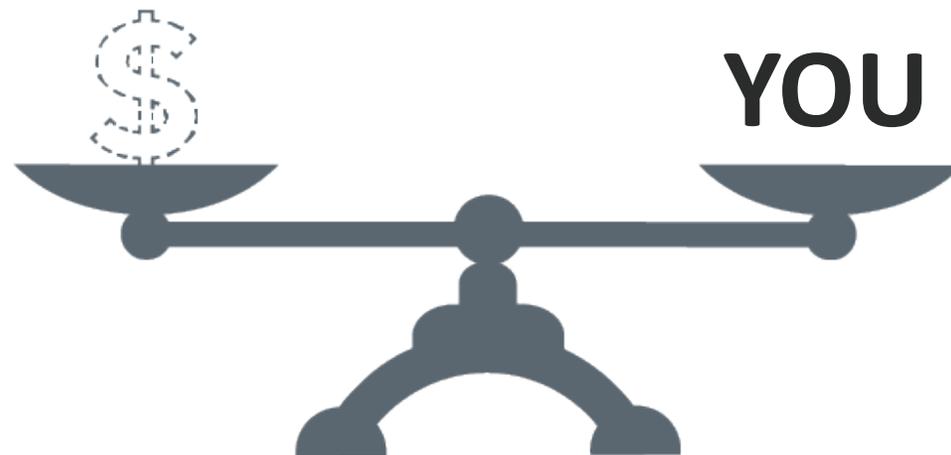
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To Be Successful, We Need a Plan

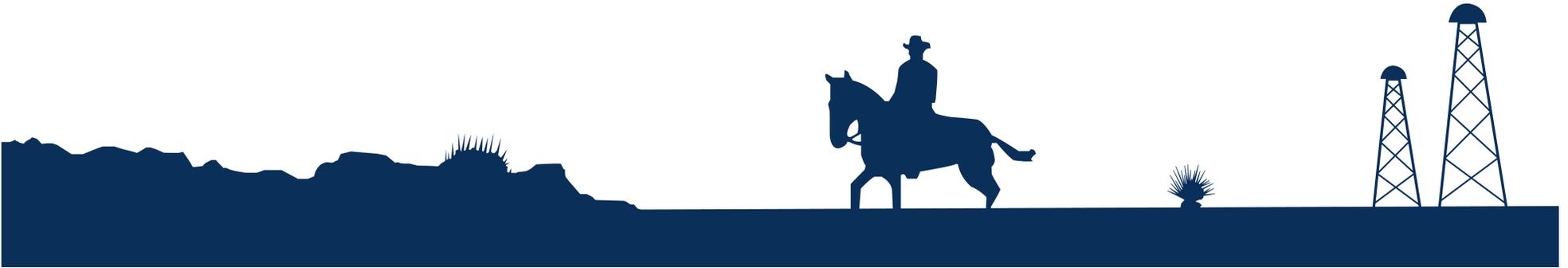
WHY?

Many lawyers begin practicing law without a clear roadmap of where they are going and how they will get there.



Multiple Choice – which statement below is false?

- a) ATTORNEYS HAVE TWICE AS MANY DIVORCES AS THE GENERAL POPULATION
- b) ATTORNEYS EXPERIENCE ANXIETY AND DEPRESSION UP TO FOUR TIMES THE GENERAL POPULATION
- c) ATTORNEYS COMMIT SUICIDE AT THE RATE OF SIX TIMES THE GENERAL POPULATION
- d) ATTORNEYS ARE WIDELY LIKED AND ADMIRERD BY ALMOST EVERY SEGMENT OF OUR POPULATION



TO BE SUCCESSFUL – WE NEED A PLAN

**Business
Plan**



**What kind of law?
What kind of clients?
What kind of income?
What kind of image?
How do I annuitize?**

**Protection
Plan**



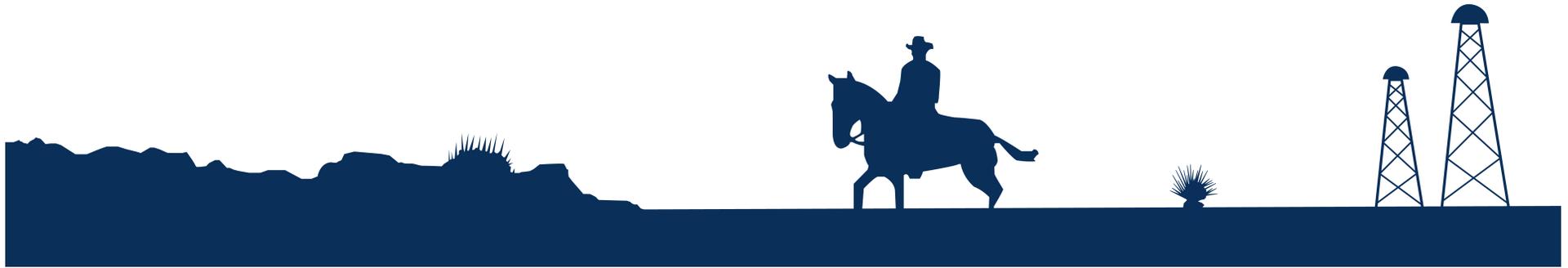
**Emergency funds?
Retirement Plan?
Income protection?
Life protection?
Health insurance?
Attorney Liability?
General Liability?**

**Management
Plan**



**Client workflow?
How will you manage
cash-flow?
Encryption of Data?**

My Business Plan



A Business Plan is necessary in setting your goals, keeping you focused on them. It also provides a roadmap on how you will spend your money, manage your time, and practice law. The Plan will outline your expected costs, and expected income (worst case and best case). As well, emergencies including cash-flow issues must be addressed.

My Law Practice Business Plan

SECTION 1

- What kind of law?
What kind of clients?
What kind of income?
What kind of image?
What will the future look like?

Executive Summary – who you are, what you do, & why you should succeed. See SBA site

Why Do You Need a Business Plan?

2015 ABA Study of E&O Claims found the following:

- SOLOS are bulk of Attorney Malpractice Claims
- Over 50% based on “substantive law” issues
- Next bulk of claims based on filing matters
- Three of the top four areas of malpractice claims are:
 - Personal Injury
 - Wills & Probate
 - Family Law
- One solution is to **SPECIALIZE** and **PLAN**



Elements of My Business Plan

What is your marketing plan to get customers?

What is your market? Size?

Who are your direct and indirect competitors?

How do you market and incorporate Social Media in your business plan?

What makes you different from your competition – how do you differentiate yourself from them?



My Business Plan

Elements Under Executive Summary...cont'd

How much will you budget in dollars and hours to marketing? 5%? 10% 20%

What is your current and annual CASH FLOW worksheet?

How will all the above change in 1, 2, 5, & 10 years?

What is your succession plan? How will you annuitize your practice?

Annuitizing My Practice: Creating Recurring Value or Stream of Income

Think now on how to create *sellable value*

Create “effective relationships” – ongoing relations

Offer free or nominal fee annual client reviews

Branding (apart from name) e.g. Texas Law Hawk

What is your reputation and philosophy to clients?

Implement workflow / client management software

Generally, “good will” is one-times year’s earning

Brick office has more value than a virtual office

My Protection Plan



Protection involves building a moat around your law practice, your finances, and your personal life. This involves preparing for income fluctuations, accidents to your office or person, and even death, all of which could have a major, adverse impact on your family.

My (Life) Protection Plan

SECTION 2

Protection Plan

A. Emergency Funds

A. Retirement

B. Income Protection

C. Life Protection

What will happen to me and/or my family if I have a protracted illness, a business disruption, to change my area of practice, situational depression, or a terminal illness?

A. Emergency Funding: Establishing Various Funding Sources

Savings – Liquid/cash equivalents

Reserves for 6 months to 1 year of expenses

Individual K or 401K

May borrow limited amount IF plan permits it

Home Equity Line of Credit

Explore for emergency borrowing only

Cash Value Life Insurance Policies

Borrow from cash values like own bank

B. Retirement Strategies

IRA (before-tax contributions)

Roth IRA (after-tax contributions)

Individual K (like a 401K but for owner, no nonspouse-employee can participate)

Whole Life Policy (after-tax contributions)

- Cash values may grow & be accessed tax-free to supplement your retirement income, and provide benefits for chronic and terminal illnesses

Defined Benefit Plans (Company paid)

- Pension for high-income earners
-

Retirement Strategies for Small Firms

Below are just a few variables.

SEP IRA a/k/a Simplified Employee Plan

- SOLO employee of firm or small group practices
- Can require employees work for up to 3 of the past 5 years before eligible to participate – but rules apply to all

SIMPLE – for 100 employees or less

- Employer matching / contributions / immediate vesting

401k / Profit Sharing (large groups)

- Can use vesting schedule as a retention tool
- Employer matching

There are many other considerations depending on your particularly business situation, needs, and goals.



What is my (and possibly my family's) most VALUABLE ASSET?

- a) Home
 - b) My Law Practice
 - c) My Life Insurance Policy
 - d) None of the Above
- 

Our most valuable asset is US!

Your law practice has little value without you.

You have future earning capacity, which is the sum of the years of income you could make from working and from social security. Thus, most of you are worth many millions of dollars.

Without you, your family may lose the auto, house, retirement savings, and be forced to completely change their life style to survive.

Without you, your family will be in expensive grief counseling, if possible.



Statistically, what are my chances of having a long-term (6 mths or more) disability?

- a) 1 out of 1,140
- b) 1 out of 523
- c) 1 out of 50
- d) 1 out of 8

What could happen to that most valuable asset – you?

In 2013, Social Security Administration estimated 1 in 4 twenty year olds will become disabled before they retire.

37 million Americans (12%) of US population is disabled (US Census Bur.)

1 in 8 will become disabled for five years or more during their career. And the risk increases dramatically with age.

People 50 or older account for 59 percent of disability claims. - AARP

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Insuring Your Most Valuable Asset - YOU

A typical female, age 35, 5'4", 125 pounds, non-smoker, who works mostly an office job, with some outdoor physical responsibilities, and who leads a healthy lifestyle has the following risks:

- A 24% chance of becoming disabled for 3 months or longer during her working career;
- A 38% chance that the disability would last 5 years or longer; and,
- An average disability lasting 82 months.

Source: http://www.disabilitycanhappen.org/chances_disability/disability_stats.asp



You! So, how do you protect you?

C. Income Protection

Income Protection Insurance:

- **Short-Term** (usu. 6 mths) – usually covers about 60/70% of salary, with a \$1,000 a week cap (generally taxable)
 - For most solos, this is our emergency reserve
- **Long-Term** (usu. 2 yrs to age 65) – usually covers 2/3rds of your salary and may be tax free if paid for with after-tax monies.
 - Will it grow with inflation?
 - What are the exclusions?

Term v. Group v. Whole Life Insurance

Term Life Insurance

Premiums are Level or Fixed for 'term of years'

Group Life Insurance

Premiums increases yearly, terminates when leave group

Whole Life Insurance

Premiums are level, guarantees, and may earn dividends

Where to Buy Insurance?

Mutual Insurance Companies – pay profits to policyholders,

Stock-Owned Insurance Companies pay dividends to stockholders and inflated salaries.

Insurance provided in association with Attorney Bars & Associations are not always competitive.

Use an “independent agent” to help you get a policy right for you (versus a “captive agent” who can only sell their company’s products).



My Management Plan



How you manage your office directly impacts your success. Many successful attorneys say that one of their keys to success is keeping their overhead and costs down, expanding cautiously, and being wary of becoming too dependent on just one or two major clients. How will you manage your resources, and most importantly how can you work more efficiently? Do you use templates, do you maximize technology to create efficiencies, are you able to conduct your work anywhere through your computer or even dell phone?

My Management Plan

SECTION 3

Management Preparedness

- Information Technology
- Client & Doc Workflow
- Cash-flow/billing
- Data, encryption, storage

How do I as a Small Firm Attorney manage all of these moving parts – all of these non-income producing activities?

My Personal Plan



How do you take care of your mental and physical health? Are they a priority? Are you practicing an area of law that you love? If you do, then you will never work a day in your life – or, put another way, never want to retire. We need to pay bills, but it is easier to find the drive if we pursue what we are passionate about – helping people, contributing to new developments of law, defending the innocent, and so on. In this regard, it is helpful to remember why you became a lawyer in the first place.

WE NEED A FEW MORE PLANS

**Wellness
Plan**



When was my last checkup?
Do I have health goals?
Am I at my optimum, physically, emotionally, and mentally?

**Financial
Plan**



Investments?
Insurance?
Tax Planning?
Retirement Strategies?

**Personal
Plan**



Do I have hobbies?
How do I decompress?
Do I have friends?
Do I “value” work
More than family?

My Personal Plan

Future Section on Wellness Retreat

Mar. 2 – Wellness Retreat

Create your own WELLNESS PLAN

Learn how to improve concentration & reduce cognitive decline

Presentations by medical-based, professional mindfulness, by a national IRON MAN winner, hearing devices, and other topics

Coming January 6, 2018 – Wellness Retreat

CONCLUSION

Last Step

- Understand your objectives and concerns
- Evaluate your existing plan
- Review your plan every month
- Post your goals / vision on your desk as reminder
- Review your plan with your advisory board twice a year

Join the Attorney Cross-Coaching PEER Teams ... and participate in helping this Section be relevant to you and your practice.

