

IT'S SEPTEMBER.

WE'D LIKE TO BE THE FIRST TO WISH YOU A MERRY CHRISTMAS, HAPPY HANUKAH AND A HAPPY NEW YEAR!

The end of the year is already coming into view, which means that the holidays — and the end-of-the-year frenzy to collect from clients — are not far away. So there is no time like the present to make sure that 2001 turns out to be financially rewarding for your law firm, even though the economy is making it a lot tougher for most firms than it was a year ago. One way to do that is to keep the flow of new work coming in. Equally important, however, is to make sure that the firm gets paid for the work it does.

Following are 11 steps to take to help make this a profitable year and to let you celebrate the new year in good cheer:

- ▲ **Help your firm understand that the year-end push for 2001 needs to start now.** The economy is unstable and clients are having difficulty paying their bills. The year-end push can no longer wait until the real end of the year. When it comes to collections, treat the fourth quarter the way you used to treat December.
- ▲ **Forget historical patterns of bill collections.** In the past, you could safely assume that collections would increase as the year progressed. That is no longer necessarily true. Now, on a monthly basis, measure monthly revenue projections, and be realistic about whether the firm is underachieving in its collection goals.
- ▲ **Take a hard look at each practice area and why clients are not paying their bills.** Collection strategy cannot be generic and often requires insight into how clients,

practice areas and transactions are set up. For example, receivables associated with intellectual property clients often have overseas and domestic issues; litigation has many parties involved; insurance matters have third-party payers; corporate clients require special billing formats and approvals; estates and trusts matters pay at various points of completion.

- ▲ **Teach clients that their unpaid bills are being monitored.** Create a system in which trained staff members contact clients when a bill has aged past 60 days to find out when it will be paid — and plan to follow up until it is paid. Remember, this may not be an easy year for your clients either. Find out now if your clients are on track to pay their bills, especially those clients that typically make it a habit of paying in December.
- ▲ **Project realistic timeframes for collecting receivables over 90 days.** If the lawyers offer to write a letter to their clients, beg them not to. Inform them that collections

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Happy Holidays *(continued)*

require direct contact and it often takes time for clients to pay. It is a process that must be approached diligently and timely.

▲ Identify bills that will get paid.

Categorize receivables as: (1) those that are collectable, (2) those that are problematic, (3) those that will not be collected.

▲ Identify your lawyers who have particular difficulty managing their receivables.

Ask your lawyers to provide a realistic projection of how much they expect to collect by year-end. Offer to give them any assistance they need. Let them know that while a blind eye could be turned on mismanagement during the recent very good years the firm experienced, it cannot be tolerated in 2001. Don't worry about the attorneys; it is the firm that will suffer if the receivables are not paid.

▲ Remember that clients should pay you immediately.

Regard this as a rule of thumb. When the work is

done and billed and the client has the means to pay, payment should be immediate. Accept no excuses.

▲ Provide clients with a range of legal costs for the initial stage of the engagement.

Ensure that the lawyer and client share expectations about the amount and kind of work that will be done as well as the anticipated costs. Keep the client informed if those expectations change as the work progresses.

▲ Keep those bills coming regularly and consistently.

Remember that clients, too, are weathering the tougher economic climate. Increasingly, they are delaying payments as a result of their cash flow problems. If the lawyers are too busy (or too disorganized) to get their bills out on time, provide them with assistance.

▲ Test clients' ability and willingness to pay by asking for a retainer.

Hold retainers until the end of the engagement, with payment on monthly invoices expected upon

receipt. The good news — potentially — is that the slower economy has resulted in more legal problems for your institutional and non-institutional clients. But be careful not to take on new work without knowing whether the clients have the means to pay. Establish "credit thresholds" on how much clients can run up on their bills before work is halted. Make clients aware of these thresholds.

Do you have a question regarding your receivables? Please send your question via e-mail (clientc@earthlink.net) and one of our professionals will respond, free of charge. At Client Connection, we know how to manage receivables, and we would be happy to share a little of our knowledge with you.

Client Connection assists law firms of all sizes throughout the United States by furnishing accounts receivable management services, developing practical receivable programs, training law firm staff in effective collection methods and executive placement of professional collections managers.