

Transforming Your Law Practice to be More Profitable and Enjoyable (Part 1)

By Rocco DeFrancesco

Are you ready to do something many attorneys are not yet willing to do? Are you ready to acknowledge the problems with the current practice of law model?

Problems with the current model

What's wrong with the current practice of law model that has been used by attorneys for the last 100 years?

- It's expensive.
- It's not overly profitable.
- It's not client-focused (it's not about comprehensive solutions, it's about secular problem solving).
- It's not overly rewarding.

Let's take a closer look at each issue.

It's expensive

The fact of the matter is that it's expensive to run a law practice. The list of costs seems endless (rent, insurance, employee salaries, advertising, phone/technology, health insurance, and the list goes

on), especially if you're an owner in a solo or small practice. As an example, health insurance endured another increase for small group plans of 4 percent in Michigan in 2018,¹ which is in addition to the 5 percent increase in 2017 and other increases in prior years.² For individual health plans, the average increase for silver plans nationwide is 34 percent in 2018.³

It's not overly profitable

While some attorneys are doing well, many attorneys are not. Many struggle to get by and are certainly not living the lifestyle they thought they'd be living. Visit any small- to medium-sized town and ask lawyers how they're doing financially; many will tell you they're struggling.⁴

Ask state bar associations how their members are doing and they'll tell you many are struggling financially. In certain areas of law such as estate planning and other document specialties, competitors like LegalZoom® have commoditized the industry and driven down prices.

The average student loan debt for law school graduates was \$140,615 in 2012, and with increasing law school tuition rates over the years it's a wonder if many attorneys would have been better off choosing a

different career.⁵ A recent study indicated that only 48 percent of attorneys making \$50,000–\$100,000 strongly agree that their degree was worth the cost and 52 percent of those surveyed are struggling or suffering financially.⁶

It's not overly client-focused

Most lawyers are hired to deal with a particular issue, not provide comprehensive solutions to truly help clients with their overall well-being. For example:

- A client needs estate planning documents. A lawyer creates the documents, gets them signed, and, typically, that's it.
- A client is the victim in a car crash and sustains injuries. A personal injury lawyer takes the case, typically gets a settlement, takes his or her one-third for fees, and sends the client down the road.
- A client needs help with a patent. A patent lawyer helps with the patent application and once the patent is issued, moves on to the next client.

What additional help could have been given to these three clients?

- In addition to estate planning documents, many of these clients also need help with

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their finances, long-term care expenses, retirement planning, college planning for kids or grandkids, and more.

- Car crash victims represent the classic clients who receive big money in a settlement and then lose it or blow it quickly. These clients need advice to help them save or grow that money so it will last for years to come.
- After a client obtains a patent is when the work really starts. This client would benefit from help with asset protection, estate planning, income tax planning, corporate structure, financial planning, and more.

The point with the above examples is that many clients are not receiving comprehensive help from their attorneys. Attorneys may be solving secular problems, but is that what we should be doing? Is that what's best for the client? Is that what's best for the attorney? I would submit that the answers are no, no, and no.

It's not overly rewarding/enjoyable

I've asked many attorneys over the years if they enjoy what they do for a living, and the vast majority respond that they do not. Attorneys acknowledge it's difficult to deal with the expenses and headaches for less money than they've ever made.

I no longer practice law. I train, mentor, and help advisors of all kinds (attorneys, CPAs, financial planners, and insurance agents) provide better and more comprehensive advice to their clients. I don't miss practicing law and consider myself a recovering attorney.

What may surprise you from my interactions with CPAs, financial planners, and

insurance agents is that most tell me they still enjoy what they do. They find their work more rewarding than many attorneys do, and most of them use a more profitable business model.

So I ask, would you recommend that a soon-to-be college graduate go to law school? I wouldn't. Incidentally, I recently found out that my law school, Valparaiso University Law School, stopped taking new enrollees and is considering closing. Why? In part because of a decline in student applications and noncompliance with admission standards.⁷ When you couple high student loan debt with low starting salaries for many law school graduates, it's no wonder law school enrollment is way down from its peak in 2010.⁸

Learning from CPAs

Many attorneys have a hard time admitting they're wrong. And many, myself included, are self-professed know-it-alls. Because of this, many attorneys have a hard time learning or taking advice from others.

Guess what? We don't know it all and we can learn from others. In this instance, attorneys can learn a lot from what many CPAs have done to transform their business model over the last 10-plus years. Some CPAs have moved from an hourly billing practice that isn't overly profitable to one that incorporates other services.

The American Institute of CPAs (AICPA) is the national governing body for certified public accountants. In my opinion, this organization is light years ahead of the American Bar Association when it comes to helping its members create a profitable business model.

The AICPA allows members to become *securities licensed* as well as *insurance li-*

censed (fixed life and annuities). In fact, the AICPA has put significant effort in helping members learn retirement and investment planning through its own personal financial specialist (PFS) designation.⁹ The AICPA also has a guide discussing which investment advisory business model CPAs should use and why.¹⁰ With the help and support of the AICPA, CPAs can earn substantial non-hourly billing revenue by offering financial planning/insurance services to clients.¹¹

CPAs also happen to be considered trusted advisors in our country. The fact that they have been able to offer financial planning and insurance services to clients for decades has not hurt that reputation, but *enhanced* it. An AICPA survey shows that CPAs who offer financial planning services don't lose clients because of it, but instead, retain more clients.¹²

Conflict of issues

Those in the legal community who are against an expanded business model worry about attorneys exerting undue influence on clients or taking advantage of clients if they were to offer advice on financial services, insurance, and annuities.

As I stated, CPAs have been doing this for years and are seen as their clients' most trusted advisors. Is a CPA a more ethical advisor than an attorney? I say no, and it is my opinion that attorneys who want to become the trusted advisor can take a page out of the CPA playbook by adding financial planning and insurance services to their practice which should strengthen their relationships with clients.

Did you know that one of the largest registered investment advisors in the entire country is Plante Moran Financial Advisors, the Southfield-based CPA firm? Plante Moran manages \$12 billion in assets.¹³ The gross revenue from that alone should be in excess of \$10 million a year in non-fee revenue. Plante Moran has proven the expanded business model works without harming their client relationships. In fact, its full-service model has helped it become one of the largest accounting firms in the country.¹⁴

What about conflicts of interest through offering other services to their clients? Plante

Moran received ACG New York Champion's Award for CPA firm of the year in 2017.¹⁵ What does that tell you?

It's time for a change. It's long past time for attorneys to evolve.

Coming attractions

In Part 2 of this article, I'll outline the three different business models attorneys can use to implement a multidisciplinary practice of law model. This is the model with expanded services.

I'll also identify the extra services that should be offered to clients and how much additional revenue the average law office can expect to generate annually (this will shock many readers). ■



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