

# Transforming Your Law Practice to be More Profitable and Enjoyable (Part 2)

By Rocco DeFrancesco

In the first part of this two-part series on transforming your law practice,<sup>1</sup> I started with the following assertion about what's wrong with the current practice of law model:

- 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 or enjoyable.

I argued that it's time for attorneys to implement the multidisciplinary practice of law model, which includes offering clients advice on life insurance, annuities, long-term care insurance, disability insurance, and financial planning and investments.

CPAs have been using this model for decades and have thrived, and it's well past time for attorneys to start using the same model to help clients. In Part 1, I alluded to three business models that should be examined when deciding how to implement the multidisciplinary practice of law model. This article explores those models and their financial benefits.

## The foundation

Two elements are the foundation for transforming the practice of law from some-

---

Law Practice Solutions is a regular feature brought to you by the Practice Management Resource Center (PMRC) of the State Bar of Michigan, featuring articles on practice management for lawyers and their staff. For more resources offered by the PMRC, visit our website at <http://www.michbar.org/pmrc/content> or call our Helpline at (800) 341-9715 to speak with JoAnn Hathaway or Diane Ebersole, Practice Management Advisors.

---

thing not very profitable or enjoyable to something that can be very profitable and much more enjoyable: (1) lawyers must be allowed to become *securities licensed* and work with past, current, and future clients on financial planning issues; and (2) lawyers must be allowed to become *life insurance licensed* and work with past, current, and future clients on financial planning issues.

## Three multidisciplinary practice of law models

Three models can be used when implementing the multidisciplinary practice of law model, and each has its pros and cons:

### • Model 1—Attorneys give advice in-house and directly to clients

- **Pros:** much higher quality control over advice given; much higher net income; more continuity of advice between legal and financial/insurance.
- **Cons:** attorneys have to learn financial planning/insurance and pass the needed exams; takes time away from attorneys who may prefer to do legal work and not provide the other ancillary services; no distance between the advice given and the law firm.

### • Model 2—Bring a financial planner/insurance agent in-house to give advice to clients

- **Pros:** higher quality control over advice given; higher net income; more continuity of advice between legal and financial/insurance.
- **Cons:** quality control is not as high as model 1; more distance between the advice given and the law firm than model 1, but not as much as model 3.

### • Model 3—Create a new entity to give advice and either staff the

### entity or partner with a local financial planning firm to provide the advice

- **Pros:** higher net income compared to not implementing the multidisciplinary practice of law model.
- **Cons:** quality control is not as high as model 1 or 2.

## Conflicts of interest

You'll notice that conflicts of interest are absent from the con list for each model. Old-school thinking is that attorneys will abuse their relationships with their clients to churn them for financial services/insurance sales.<sup>2</sup> This thinking is wrong. As I suggested in Part 1, CPAs have already crossed this bridge and decided it wasn't an issue. There has been no public outrage because CPAs offer financial services and insurance advice. It's actually the contrary: CPAs who offer these services have higher client retention rates.<sup>3</sup>

In my book, *Bad Advisors: How to Identify Them & How to Avoid Them* (Strategic Marketing Partner, LLC, 2015), I illustrate what is wrong with the financial services and insurance industries.<sup>4</sup> I also make the point that many clients receive substandard advice from financial planners and insurance agents, and I am confident that if attorneys chose to offer these services, they would do a much better job.

On a side note, I want to address a question that has been intensely debated and studied by the American Bar Association in recent years: should nonlawyers be able to have an ownership interest in law firms?<sup>5</sup> I am *not* in favor of this. If allowed, I suspect venture capital groups and financial planning firms such as Merrill Lynch and Wells Fargo would try to get involved. If the goal is the best interest of the client, allowing nonlawyers to own legal practices is not a good idea.

## Increasing revenue

All decisions should not be made solely because of money, but it is important for readers to understand how much revenue they are foregoing by not using the multidisciplinary practice of law model.

As a simple example, consider a 60-year-old married couple with \$1 million in investible assets, a paid-off home, a paid-off condo in Florida, two kids, and five grandkids. They are both ready to retire and have retained a lawyer to draft wills, trusts, and durables. Their retirement cash flow comes from one spouse's pension and two Social Security payments. They have no long-term care insurance and one paid-up whole life insurance policy on the husband (\$500,000 death benefit). They are risk-adverse and don't like the idea of losing money in the stock market.

Potential recommendations:

- \$50,000 × 2 allocated to single premium life policies designed for long-term care. This will provide some level of long-term care insurance. The policy is also 100 percent liquid if they ever need the cash, and it pays a nice death benefit should they die before needing long-term care.
  - Commission paid = 5–7 percent of the premium paid or \$5,000–\$7,000 (one-time commission)
- \$500,000 in a fixed indexed annuity with a 7 percent guaranteed return coupled with a guaranteed annual payment of \$49,500 at age 70.
  - Commission for attorney = 5–7 percent of premium paid or \$25,000–\$35,500 (one-time commission)
- \$400,000 in a low drawdown risk/tactically managed investment platform that has risk that is 80 percent less than the S&P 500 Index.
  - Commission for attorney = if done right, there is no up-front commission and fees are paid annually at 1 percent. First year fee income = \$4,000. Second year should be higher as the assets grow. Total fees over five years would be approximately \$23,000.

There are other recommendations that could be made, but the above should help

The Michigan ethics opinions on point with the suggested multidisciplinary practice of law model include:

- RI-212 Dual Licensing, Advertising, and Referrals (June 1, 1994)
- RI-135 Dual Occupation, Sharing Office Space, and Solicitation (May 28, 1992)
- RI-190 Referrals to and from a Lawyer's Nonlaw Business (February 10, 1994)
- RI-005 Ownership of Nonlaw Business and Concurrent Client Representation (July 12, 1989)
- RI-198 Lawyers Ownership of Collection Agency (March 23, 1994)

The full index of opinions for a lawyer's business interests is available at <https://www.michbar.org/opinions/ethics/detail/Index=B#25>. All lawyers should carefully review these opinions before engaging in a multidisciplinary practice of law model and contact the State Bar of Michigan Ethics Helpline at (877) 558-4760 with questions.

drive home the point: attorneys are missing out on sizable income when not offering financial planning/insurance to their clients.

Many other types of clients can benefit from financial planning/insurance advice given by lawyers, including profitable business owners, affluent retirees, seniors with Medicaid issues, teachers, and plumbers.

## Bringing it full circle: access to legal services

Let's bring this full circle to the best interest of the client and access to legal services.

Lawyers have to charge a certain amount per hour to make a living (pay the bills, have something left over for personal expenses, and, hopefully, save for retirement). When that fee is too high for most clients, those needing legal services will either forego them or turn to companies like LegalZoom®.

By creating other legitimate profit centers, lawyers would gain some flexibility in their pricing of legal services, which would open up legal services to a number of people who otherwise wouldn't be able to afford them.

To me, the question isn't whether the multidisciplinary practice of law model makes sense and should be implemented. The question is, when are attorneys going to realize that the current practice of law model needs dramatic improvement and that the multidisciplinary practice of law model is the logical evolution and a business model to take them into the twenty-first century?

The positives that can come from law firms embracing the multidisciplinary practice of law model are greater access to legal services for the masses, and greater

profitability and more job satisfaction for attorneys.

The multidisciplinary practice of law model will give law students hope that their investment of time and money in law school can eventually pay off. ■



*Rocco DeFrancesco Jr. is a graduate of Valparaiso University Law School and has been a member of the State Bar of Michigan since 1996. He is the co-author of 21st Century Attorney, available as a free download at [www.21stcenturyattorney.com](http://www.21stcenturyattorney.com). He founded The Wealth Preservation Institute, an education company to help advisors provide better advice to clients, and Strategic Marketing Partners, a marketing company to help advisors grow their business. He may be reached at [rocco@21stcenturyattorney.com](mailto:rocco@21stcenturyattorney.com) or (269) 216-9978.*

## ENDNOTES

1. DeFrancesco, *Transforming Your Law Practice to be More Profitable and Enjoyable (Part 1)*, 97 Mich B J 68 (June 2018) <<http://www.michbar.org/file/barjournal/article/documents/pdf4article3408.pdf>>. All websites cited in this article were accessed June 8, 2018.
2. Power, *Main Street Multidisciplinary Practice Firms: Laboratories for the Future*, 37 U M J Law Reform 95 (2004) <[https://www.americanbar.org/content/dam/aba/administrative/professional\\_responsibility/mdp\\_migrated/poser\\_mdp\\_article.authcheckdam.pdf](https://www.americanbar.org/content/dam/aba/administrative/professional_responsibility/mdp_migrated/poser_mdp_article.authcheckdam.pdf)>.
3. Vien, *Survey: Financial planning services help firms retain clients, increase revenue*, AICPA: Journal of Accountancy (December 16, 2014) <<https://www.journalofaccountancy.com/news/2014/dec/cpa-financial-planning-services-201411511.html>>.
4. You can download it for free by visiting <<http://21stcenturyattorney.com/bad-advisors>>.
5. ABA, *Commission on Multidisciplinary Practice* <[https://www.americanbar.org/groups/professional\\_responsibility/commission\\_multidisciplinary\\_practice/mdpfinalrep2000.html](https://www.americanbar.org/groups/professional_responsibility/commission_multidisciplinary_practice/mdpfinalrep2000.html)>.