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LawBiz® TIPS – Week of May 8, 2012

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Judge Lippman has used his power to impose a *pro bono* requirement on new lawyers... a service requirement needed to obtain a license to practice law. Interesting that he would not expect already admitted lawyers to offer 50 hours of free service to the public, nor has he suggested that judges be held to the same standard ... for example, serving on juries or other free public service. Wonder why? See more comment from me about this at [www.lawbizblog.com](http://www.lawbizblog.com).

I just received my first copy of my latest book, ***The Profitable Law Office Handbook: Attorney's Guide to Successful Business Planning***. Look for a special promotion next week right here.

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## The Latest Chapter on "Overpaid" Lawyers

### The Disparity in Attorney Fees

*The Wall Street Journal*, perhaps reflecting the concerns of its corporate readership, continues to emphasize what it considers to be the overpaid lawyers at the pinnacle of the profession. In a recent article that had the less-than-subtle title, "[Biggest Lawyers Grab Fee Bounty](#)," the Journal reported that partners in the top 25% of more than 4,000 law firms examined in a new study boosted their average price to \$873 an hour last year, up 4.9% from 2010. At the same time, the lowest-billing partners struggled to keep pace with inflation. Partners in the bottom 25% of surveyed firms charged an average of \$204 last year, up just 1.3%. As the paper said, "That disparity between who can raise prices - and who can't - spotlights a growing segmentation in the \$100 billion corporate legal market."

### Large Firm vs. Smaller Firm Fees

Such segmentation, of course, is nothing new. Although lawyers who bill \$1,000 an hour and more at the largest corporate firms is a recent phenomenon, the biggest Wall Street firms have always been at the top of the heap economically. The individual and smaller business clients that

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### Featured Video



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What Clients Are Saying:

are the focus for most of the legal profession simply cannot pay such rates, and the kind of work that they bring to their lawyers does not justify them.

#### Uncollectable Receivables

However, all is not lost for the smaller firms. One brief sentence in the [Journal story](#) states: "Firms don't always collect the full amount that they bill." Time after time in recent years we have seen large law firms (Howrey & Simon, Heller Ehrman, Thelen Reidand others) financially collapse with millions of uncollected receivables still on their books. Collections, or lack thereof, remain the number one problem for most law firms. Failure to have a 95% realization rate means that the firm is a sieve and the sand (cash and accounts receivable) is flowing through -the firm pays expenses at 100 cents on the dollar and is not earning the equivalent.

#### Strive to Get Paid Quickly

Realization is simply the percentage of what is billed that is actually collected. The greater a firm's billings, the more effort it should devote to getting cash into the firm. When a bill is sent to clients, it is in effect extending credit to them. Low realization means that the firm needs more cash to stay in business while waiting for clients to pay. The road to disaster is continuing to do work with the same clients, extending credit rather than collecting fees in the hope that these clients will provide more work. This is essentially the definition of a Ponzi Scheme. Strive to get paid quickly for the work that has already been done. A client who pays a \$200/hour bill is more valuable than one who is billed but doesn't pay \$1000/hour.

"It is a joy and pleasure working with Ed and I look forward to each coaching sessions. My only regret is that I did not start sooner!"

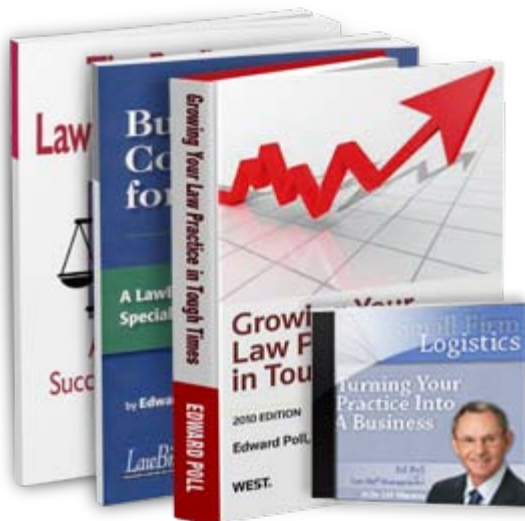
**JRL**  
**Atlanta, GA**

"It has been a pleasure and a real assistance speaking to Ed on a weekly basis about issues as they came up, and about developing a roadmap for future actions. It was great to know that no matter what the issue, Ed has been there to field questions and provide amazing ideas."

**SEB**  
**Central California**

## Tools to Thrive in Tough Times

Ed Poll is pleased to offer this special limited-time product package designed to provide attorneys with the tools they need to survive in tough economic times. Full of invaluable information and advice, this limited-time LawBiz® offering has everything a lawyer needs to start – and grow – a successful law practice. [Learn more.](#)



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