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LawBiz® TIPS – Week of February 28, 2012

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We're one month away from my traveling to Chicago for an ABA conference. If you're in the area and would like to have a complimentary breakfast with me on Friday, March 30th, send me a note (edpoll@lawbiz.com) to reserve a place. Those attending will receive the white paper I prepared as a result of last year's 3 month journey through the U.S. on our Path to Prosperity.

And don't forget ... sign up NOW for our Practice Management Institute. We already have a great core group of practitioners and there is a limited number of seats still available. See www.lawbiz.com for more information.

Fujitsu Computer Products of America, Inc., an established leader in the Document Imaging industry, asked me to lead their ScanSnap Squad, a forum for delivering innovative solutions and services in management and technology. I'm proud to have been asked and enjoy working again with the folks who were the primary sponsor of our 2011 National Road Tour, Path to Prosperity.

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Featured Video:



Don't Leave Receivables in Limbo

Collecting Receivables

The financial lifeblood of any law firm is receivables - the bills that firms send out to and collect from clients for work done. In addition to the traditional challenge of collecting receivables, two new dimensions have been added by ongoing trends spawned in the Great Recession: partner de-equitization, and law firm bankruptcies.

Partner De-Equitization

Before a partner is de-equitized or otherwise terminated, the firm should understand what that partner's amounts are in receivable, and know how much they depend on the partner to bring in the receivables. Ensure that there are incentives for the partner to collect the receivable before he or



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she leaves and finds a home elsewhere. Addressing this issue should cover:

- Make certain that time sheets are current.
- Send billings to clients immediately even if the totals are off or need adjustments later.
- Monitor payment history of the partner's client and exert special effort on the partner to ensure that final invoices are sent out.
- Ensure that clients pushed for payment cannot claim negligence by the departing lawyer.
- Communicate with the client if payment is not received promptly.

Law Firm Bankruptcies

A different issue arises from law firms, like Howrey and Heller Erhman, that went into bankruptcy and had to collect funds to pay their creditors. Companies that file for Chapter 11 do this by selling off operating assets - equipment, facilities, entire operations. However, in a law firm, the major assets are the lawyers themselves. Computers, furniture and real estate are of minimum value, if any, in a law firm. Accounts receivable are a major asset. But what if the lawyers who billed for them have moved on to other firms?

When Partners Go to New Firms...

When partners for any reason go to new firms and clients follow them, they generally take their books of "unfinished business." Clients of course have a right to seek their own choice of lawyer. But it can be argued that the profit to the new firm truly belongs to the former firm (or its bankruptcy trustees) for providing the intellectual property and physical resources behind the billing. When a firm needs to come up with cash, it can make a very plausible argument that billables which walked out the door with its former lawyers belong to the originating firm itself.

...Don't Leave Their Receivables in Limbo

The moral is clear: don't leave a departing partner's receivables in limbo. Make sure a lateral partner's receivables are settled before they leave their old firm. Otherwise, the new firm may have no choice but to settle a receivables claim in order to go on with the new lawyer's business.

Secrets of The Business of Law® *Successful Practices for Increasing Your Profits!*

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Providing attorneys and law firms specific and practical suggestions for being more effective and making more money in the process. [Learn more.](#)

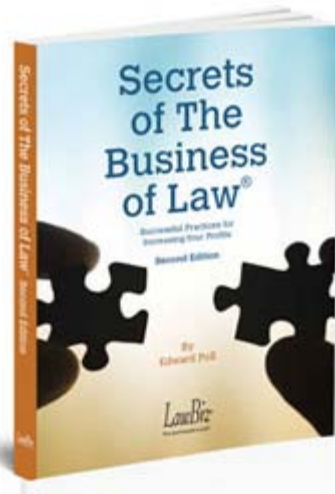
"This book is great. It's full of practical advice for lawyers who want to increase their bottom lines. The book is not overwhelming, the individual articles are short and to the point, and the writing style is friendly. I highly

What Clients Are Saying:

"Ed's command of the podium and his connection and interaction with the audience were outstanding. His skills enabled us to successfully implement a new culture into the organization without damaging our relationships with outside counsel."

**LS
Torrance, CA**

"When I had my own private practice as a solo practitioner, I wanted to run my office as efficiently and profitably as possible. I researched business coaches and discovered that most had "passive" models as their basis for coaching, i.e. they would promise all the things they would do for my practice without my having to invest time and energy into the process. I'm so glad I chose Ed Poll instead, for he had an "active" model, i.e. how much I got out of the coaching was directly dependent upon what I put into it. Over a period of six months, Ed conferenced with me and gave me weekly assignments for structuring my practice as well as giving me tips on how to work with clients from the initial interview through to the end of the case. After working with Ed, I didn't have a single outstanding account receivable over \$500. The time I spent working with Ed was invaluable and I would recommend him to any attorneys interested in improving the quality and profitability of their practices."



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