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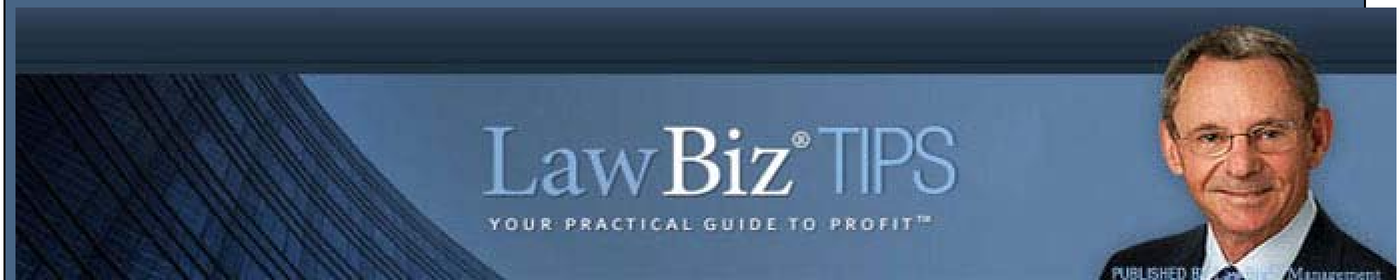

I hope you are enjoying some lovely summer weather. I've been able to do more biking and weekend trips with my wife in our vintage Airstream. Enjoy life!

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Has De-Equitization Subsided?

What is De-Equitization?

Three years ago, at the height of the financial crisis, the phenomenon of de-equitization was also at its peak. This de-facto termination of older partners who may have had high billing rates but who brought in less business than their fellow partners was a purely financial strategy that had enormous human impact. Times of crisis led firms to take drastic action rather than hold on to partners who were once added for a reason.

Retirement Plans are Offered to Older Partners

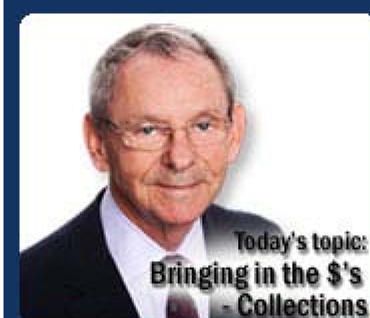
We now appear to be past the peak of the de-equitization tsunami, but that doesn't mean the phase-out of older partners has gone away at larger firms. One large Wall Street firm currently offers a lucrative "retirement" or buyout plan for older partners (62 - 65 years of age). This plan calls for payment for several years at the rate of 50 percent of the partner's previous five years' average partnership draw. This is a tantalizing incentive to retire. It's the same strategy the automakers have used to reduce pension liabilities for years, and for the same reason: pensions at some of the biggest law firms are vastly underfunded, and firms need to reduce the burden.

De-Equitization Needs to Be Managed Well

Beyond this, the simple fact is that the de-equitization is normal business activity. When an individual lawyer stops being as productive as he or she used to be - whether bringing in new clients as a rainmaker or billing enormous hours for existing clients - de-equitization is a legitimate option if done according to specific performance metrics. If done simply to get rid of older lawyers because they are old, the result has been the kind of

In this issue:

Featured Video



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What Clients Are Saying:

Equal Employment Opportunity Commission discrimination actions (and resulting settlements) that have already hit several major law firms.

What About the Issue of Firm Survival?
There is a third aspect to the necessity of de-equitization, namely that at some point lawyers often feel entitled to get what they're getting, that by virtue of being in a larger firm their compensation should continue regardless of the fortunes of the firm. If those fortunes sag a bit, even if the lawyers are not so productive, they still want their compensation. According to some accounts, that was precisely what happened at the now-bankrupt Dewey & LeBoeuf, a firm that hired many lawyers with very high compensation guaranteed for a number of years. When the fortunes of the firm sagged, the high-rollers bailed, the underperformers remained, and the firm died. At least one former partner has sued the firm, calling its compensation structure nothing but a Ponzi Scheme. And he may be right. But if the issue is firm survival, de-equitization of some partners is preferable to pretending that nothing is wrong ... until there suddenly is no more firm.

"In the short time that Ed has been coaching me, his comments and guidance have been invaluable. Within weeks, he has improved my self-confidence immeasurably, guided me to run my law practice more like a business and most importantly, helped me obtain my goal of increasing my income while decreasing the time I spend working. It is a joy and pleasure working with Ed and I look forward to each coaching session. My only regret is that I did not start with you sooner."

JRL
Atlanta, GA

"I was initially reluctant to expend the money for Ed Poll's strategic planning session, but knew that in order to grow in an organized manner, I needed to spend the time in a one-on-one session. By the end of the first hour of our session, Ed helped me formulate a plan which, when implemented, resulted in an amazing return on the investment of the session. Ed then proceeded to analyze my financial statements and helped me to see my business in strictly financial terms - something us attorneys don't normally do. If we had concluded our session then, I would have felt that it was extremely worthwhile and would have felt that I had received my "money's worth." But I have now used Ed as my business coach for the past two years and have been extremely impressed with his practical approach to the practice of

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law. With Ed's encouragement, I find myself coming up with creative ideas regarding how to grow my business. I now feel that I can engage in the business of law, leaving my team to engage in the practice of law."

KH
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