

Show Me the Money!

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9 Ways to Improve Your Firm's Cash Flow



Cash flow.

It's the bane of many attorneys who, at the end of the day, just don't know where their money went. They think keeping a closer eye on their **account receivables** will help the problem.

It won't.

The real problem is the way some lawyers **PRACTICE BUSINESS**.

Two prevailing factors contribute to this type of behavior.

First, attorneys with **egocentric personalities** tend to want to control situations without looking at the bigger business picture. The second factor involves **attorneys who grew up with wealth** and therefore believe they know how to handle it.

Unfortunately both attributes can cloud the way attorneys run a successful practice, in turn hurting their cash flow.

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So what is a struggling lawyer to do?

Here are **9 ways to improve your firm's cash flow** – and **KEEP THE MONEY COMING IN!**

1. Write a business plan.

To delineate and attain your goals, you must create and follow a business plan. Business plans should be logical, consistent, and well designed.

2. Develop a cash-flow statement.

Also called a cash-flow budget, a statement of cash, or a forecast – this is the single-most important tool for the success of a firm.

This financial statement should be the third segment of your business plan and should be reviewed and attended to at least once a week – if not daily.

3. Transfer client disbursements.

Disbursements on behalf of clients, like filing fees and expert-witness fees, should be paid by the client directly.

4. Increase the size of retainers.

A larger retainer means more nonrefundable money in your account.

Remember, chances are your client will be more concerned about the cost of legal services, and less so about the size of the retainer.

5. Change your billing cycle.

Bill one-fourth of the alphabet each week to ensure you will receive money from clients on a regular basis.

6. Send statements *before* the first of the month.

If you operate on a monthly billing cycle, be sure your clients receive statements on or before the first day of the following month. To do this, your billing cycle will end on or about the twenty-fifth of the month.

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The theory is that most people pay their bills on or about the first of the month. Anytime thereafter and chances are the bill will be placed in a pile to be paid the following month.

7. Send statements after a beneficial event.

You'll likely receive prompt payment when your client is feeling extremely satisfied - like when a motion has been won in court or a successful deal has been reached.

Invariably over time, the client will forget how important you were in the process of obtaining a successful settlement or a win in court – and resist payment.

8. Don't forget or ignore late-paying clients.

It's important to correspond with clients on a regular basis for two reasons. First, you can pursue collection more successfully. And second, if payment is submitted you have the opportunity to thank them.

9. Stop work for delinquent clients.

Under no circumstances should you do any work for a client who has not made a payment. If the matter involves litigation, file the appropriate motion to be relieved.

Be sure your engagement agreement discusses the consequences if the client fails to honor the financial commitment.

Cash flow management is an art that takes skill and practice. Let these simple tips help get your firm back into the business of making money again.

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