



Week of **September 23, 2008**

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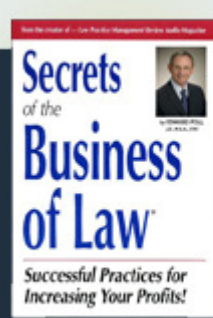
Can You Compete Against a Paralegal?

One of the most fundamental elements of *The Business of Law®* is to look at your revenue and figure out what your cost structure should be so you can turn a profit. Consider a law firm where the revenues from a given client are \$40,000, while the costs to service that client in lawyer and staff compensation are \$48,000. In this critical situation, a decision must be made. The choices are hard, but each one must be considered in turn. Terminating the client relationship, seeking to leverage cost-efficient technology and decreasing the number of people serving the client are all standard remedies to reduce cost.

The most effective remedy has traditionally centered on staffing levels. Do you need two senior lawyers, each with high hourly rates and likely with personal assistants, to handle the work? Can you involve an associate, or even a paralegal, and get by with one senior partner? Do you even need a senior lawyer involved—if the work is mostly of a routine nature, can two associates or a mix of associates and paralegals do it, with proper partner oversight? If a firm is not large enough to have a willing army of associates, having paralegals do the work (either on the premises or through a virtual online relationship) has been a reliable form of leverage.

However, a recent ALM Research annual compensation survey for Paralegals/Legal Assistants and Managers, suggested that this may be less viable of an option for cost reduction. Consider these statistics regarding paralegals:

- Compensation increases averaged between 3 and 5



To learn the secrets of running a law firm as a successful business, order *Secrets of the Business of Law*.

Secrets of The Business of Law®: Successful Practices for Increasing Your Profits! Provides attorneys and law firms specific and practical suggestions for being more effective and making more money in the process. This book is organized in five parts (Planning for success, Client Relations, Financial Management, Law Office Technology, and Office & Management Issues) to help lawyers learn how to:

- Improve client relations
- Keep clients
- Raise revenue and lower overhead
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What Readers Are Saying...

Secrets of The Business of Law® is the most insightful book I've read on this

percent

- The highest paid paralegals are litigation support/technology managers who earned a median annual base compensation of \$115,000
- The average billing rate for paralegals was more than \$150 per hour, with rates for most positions exceeding \$175
- Paralegal case managers in law firms averaged 1,642 billable hours, followed by senior paralegals at 1,530 hours.

Many lawyers are still charging less than \$200 per hour. Though faced with competition from other lawyers (and now paralegals), lawyers must fight to find ways to increase their fees, whether by the hour or otherwise. Like every other profession and trade and business, the practice of law is a business. That means we're governed by the same formula:

$$P = R - E$$

Profit (take home pay) equals revenue collected less expenses.

If you are a widget manufacturer, the question becomes, "Can I sell enough widgets to cover all my costs and have something left over?" Replace "widgets" with "hours," and you have the question that goes to the heart of *The Business of Law®* for smaller law firms that use the billable hour approach to fees.

Best wishes,

Ed Poll

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topic. It is written in an engaging, easy-to-digest style, and there was never a dull moment. I recommend it to anyone who runs a law firm and needs to turn a profit.

-CM, Massachusetts