

Law Biz® TIPS

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Week of **March 17, 2009**

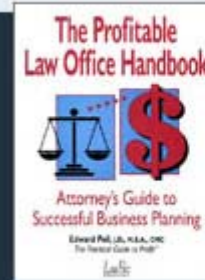
Where's the Real Pain?

It's hard to remember that, not so long ago, many considered the legal profession to be recession-proof. Now there are several web sites about the profession that carry "Layoff Lists" showing the dozens of firms that have shed thousands of staff, associates or partners. Judged by such evidence, the headline in *The Wall Street Journal* not too long ago seems to symbolize a widespread collapse: "Recession Batters Law Firms, Triggers Layoffs, Closings."

The impact, however, is definitely one of degree. At the largest law firms, particularly those that have depended on corporate practice in recent years, some highly publicized layoffs of associates and staff, and several firm dissolutions, have gotten major attention. Even so, the *pain* being felt by the major firms as institutions is not that bad when compared to the distress of the rest of the economy. Layoffs, delaying the start date of recently hired graduates, or cutting by 20% the compensation of partners already earning over a million dollars a year, may be novel to these firms, but is not huge in economic impact.

The real pain today is being felt by the vast majority of the nation's one million-plus lawyers who are sole practitioners or members of small firms. Experts say, and the experience of most of us confirms, that the recent Big Law profits-per-partner figures are irrelevant to most legal professionals. The average American lawyer is self-employed or working at a small firm, and makes \$60,000 to \$100,000 a year. In California, by far the most populous state, one-quarter of all lawyers earn \$50,000 a year or less, and the situation is similar in many other states.

These lawyers can ill-afford a large reduction in compensation. They're not at the top of the pack to begin with, and they generally represent individual clients and small businesses. That type of business involves personal injury, family disputes, criminal defense and personal debtor claims, among others, that tend to pay less to begin with. Couple this with the reduction in number of clients and number of matters and the slower payments that are inescapable from recession, and the financial and economic difficulties these lawyers face are substantial.



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One could view the current situation with the attitude that whenever there is challenge (a much over-used word today), there is also opportunity. If the stock market hits a low, there will be those with the cash ready to buy and make a great deal of money when the market rises. The same likely holds true for law practices. Those law firms that are well run and free of debt will also be positioned to take advantage of many opportunities to be offered by purchasing other practices that are in trouble. The art is in finding the right price—and every law practice, even in these times, has value and can be sold.

Personal Commentary

Join me for a teleseminar this Thursday, March 19, hosted by the American Bar Association's Law Practice Management Section. The session, entitled *50 Financial Tips to Help You and Your Firm Survive & Thrive in a Down Economy*, will run from 10 - 11:15 am, Pacific Time.

Best wishes,

Ed Poll

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(800) 837-5880 Order Phone

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What Readers Are Saying...

Keynote speech is the "highlight" of Bar Association training seminar

"Ed's presentation, in my opinion, was the highlight of this series of speakers. I found the information which was presented to be tremendously valuable. Further, it was presented in a format which was both usable and interesting. Since Ed's presentation, I have had an opportunity to speak with several others who were in attendance and it is clear from them that he made our event successful."

-David R. Hagen, San Fernando Valley Bar Association