

# Finish Strong:

HOW TO END THE  
YEAR ON BETTER  
FINANCIAL FOOTING

# Foreword

When you graduate from law school, no one really tells you that in addition to the practice of law, you will also need to be a salesperson and, perhaps most importantly, a bill collector. No 3L sits in class dreaming of the day when they will have to chase down a payment from an errant client. Yet, this skill is key to your legal career, and no attorney wants to leave money on the table as a result of unpaid invoices.

The “business of law” requires clients to understand, among other things, their duty to pay the reasonable costs of the lawyer’s services per the terms of their fee agreement. But what happens when a client will not pay their invoice? What if the estate is out of money? How are you supposed to squeeze blood from a turnip?

When a client reaches out and says he simply doesn’t have the funds to pay (or they just refuse to pay their bill), law firms will typically do one of the following: (1) enlist the services of a debt collection firm; (2) keep the outstanding balance on their books and hope that the client pays someday; or (3) write off the debt at the end of the year.

In my experience, and after speaking with attorneys from across the country, the third option is the most popular. Many lawyers do not want to utilize the first option for fear of unwanted attention from the client, threats of grievances and/or the assurance that the client will not be referring cases to the firm any time soon. Rather than keep the debt on the books and hope that one day the client will come into some money, the easiest thing for many firms to do is simply to write off the debt at the end of the year.

But is there a better option other than just absorbing that debt? The guide that follows merges the lessons I (and many others) have learned with regard to collecting on aged accounts receivable. All hope is not lost when it comes to collecting from clients whom you thought would never pay their outstanding invoices—even those receivables that have been left sitting unpaid for the better part of the year.

I want to hear any ideas or ruminations you might have about this guide. Feel free to send your thoughts my way.

Thank you,



**Jordan Turk**

Attorney at Law; Law Practice Advisor

[jturk@lawpay.com](mailto:jturk@lawpay.com)

# Contents

<b>Introduction</b>	<b>4</b>
<b>Assess the Situation</b>	<b>6</b>
<b>Prioritize Your Receivables</b>	<b>7</b>
<b>Embrace Technology</b>	<b>12</b>
<b>Looking Ahead: Best Practices to Put in Place for 2022</b>	<b>13</b>
<b>Conclusion</b>	<b>16</b>
<b>Addendum: Credit Card Authorization Form</b>	<b>17</b>

# Introduction

Every pragmatic business and professional practice owner expects that some percentage of their billed services will not be paid. Many businesses actually accommodate for “bad debt” in annual budgeting. Even small fluctuations in a law firm’s collection rate can have a huge impact on its bottom line. So the question becomes, how can you improve the collection rate at your law office?

**Let’s start with a basic premise: If your pay is dependent upon your collections, then you want to collect on as many outstanding invoices as possible.**

In your quest to collect, consider these important questions:

- How can I ensure that all or most of my bills get paid?
- What behaviors, habits, skills, and processes will help maximize my collections?

Historical ways lawyers have tried to maximize collections include:

- Requiring “cash upfront” in flat-fee situations
- Obtaining a large retainer sufficient enough to cover the expected fees and expenses
- Choosing to limit the firm to predictable clients or controllable tasks

But all of the above methods can be restrictive and contrary to a growth-oriented law practice. Lawyers know that even if they turn out excellent work product, obsolete or rigid billing practices can divert good prospective clients to firms that provide more payment options and flexibility.

Now that Q4 is upon us, most law firms are starting to think about their end-of-calendar-year finances, including what can be done to increase their receivables and decrease the amount of bad debt they currently have on their books.

A firm's ultimate goal is generally to enter Q1 and the New Year sans unpaid client invoices and expenses. And frankly, since outstanding receivables can affect a partner's distribution or an associate's bonus, another primary goal is to maximize profits to the firm's employees.

Since a lawyer must account for both their time *and* their collections, it is imperative that you have a strategy to tackle your aged accounts receivable, lest they go unpaid. Remember: the longer a bill sits unpaid, the less likely it is that it will ever get paid.

Below we discuss steps that you can utilize in your practice to help you clear out your aged receivables and hopefully get you paid on an account that you were all but ready to write off for the year.



Remember: the longer a bill sits unpaid, the less likely it is that it will ever get paid.

# Assess the Situation

The end of the year approaches—as does your self-imposed deadline to collect on your 2021 billed hours. However lofty your collections goal, a plan is necessary to see it to fruition.

You know better than most that no two clients are alike and that a corporate client will be vastly different from a family law litigant. This means that you will need to craft your collections strategy accordingly. A client who hasn't paid you in six months will be handled differently from a corporate client who hasn't paid you in three months (but you know they are good for it).

With that being said, know that you will need to cater your strategy to your specific clientele.

## Make a List

Your first step is to obtain a list of your clients with outstanding receivables. Such a list should contain the following: **(1)** the client name and information, including matter number; **(2)** the client's outstanding balance; **(3)** how "aged" said balance is (i.e., 30, 60, 90, 120, or 120+ days old); and **(4)** the date and amount of the client's last payment. This information will help you get a proper game plan together. We suggest creating an Excel spreadsheet or Google Sheets spreadsheet to accomplish this. If you have multiple attorneys in your office, consider color-coding the clients by the lead attorney on the case.

Also be sure to use your firm's technology to your advantage. Depending on the practice management tool that your firm uses, you might be able to easily export a list with the necessary information straight to your desktop. We encourage you to contact your firm's software representative to see what is possible with your data. (You might be surprised at what is already available to you at no added cost!)



Click here to access a **sample spreadsheet** we've put together that you can edit and update for your own purposes.

# Prioritize Your Receivables

Now that you have your aggregated (and sortable) list of clients with outstanding balances, it's time to go after your money. There are a few ways to go about this, but we recommend breaking your list down into two categories: receivables that are **over** 120 days old ("Aged Receivables") and receivables that are **less** than or equal to 120 days old ("Young Receivables").

## Young Receivables (0-120 Days Old)

Statistically, you have a better chance of collecting on a balance the younger it is. Keeping this in mind, your strategy should focus on collecting the full balance owed (as opposed to taking the discount approach referenced in the Aged Receivables section, **below**). If you have invoices due and owing that are outstanding by four months or less, consider taking the following steps to drive cash flow and speed up payments to your firm:

- Reserve an hour on your calendar and be prepared to email every client on your Young Receivables list. (We all know that if it doesn't get slotted on your calendar, it won't get done.)
- As the attorney working the case, you should be personally emailing the client to inquire about their outstanding balance. Many times, emails concerning payment will come from a firm administrator or assistant, which might be ignored by the client. An email from the attorney should get the client's attention, especially if the attorney is still working on their case.
- Be clear and concise in your email. Your list should contain the client's outstanding balance, so you can use the same email template for every client and just change the name and the balance for each client.

*See sample email below.*



## Sample Email



Hi [Client],

I hope you are well. My records show that you have an outstanding balance of \$[xxxx] due to the firm. Please remit payment immediately. If you have any questions about your bill, please do not hesitate to contact me.

You can pay your balance online by clicking the link below my signature.

Thank you,

[Attorney's email signature]

[link to pay online]

- As noted in the sample email, you should give your clients a simple, contactless way to pay for your services. For the foreseeable future, clients might be hesitant to come to your office, visit a bank, or mail a physical check. By providing a trusted online payment option to your clients, you give them

a safe, secure way to remit payment at their convenience. You'll find that putting this power in their hands will increase their willingness to pay and the speed at which they send payment.

**The key is to reduce or eliminate any friction between your client and their payment to you.**

## Aged Receivables (120+ Days Old)

Now comes the more arduous task of collecting from clients who have ignored their outstanding balances for four months or more. These are the clients you would typically write off at the end of the year due to a combination of nonpayment and loss of hope that the client will ever pay. Do not be content to just absorb this loss. If you have invoices due and owing that have not been paid in over 120 days, consider utilizing the following to get paid on an account that you otherwise would have written off:

- As with the Young Receivables, reserve an hour on your calendar and be prepared to email every client on your Aged Receivables list.  
  
if they paid their bill immediately. We recommend offering a 50% discount on their outstanding balance, as this should entice your clients to pay.
- Cull your Aged Receivables list. Separate your clients into two sections: (1) Clients whom you believe will pay their balances; (2) Clients from whom you would be absolutely gobsmacked to receive a payment. (We'll call the latter your "Dream List".) It is important to delineate between the two categories of clients because some have legitimate reasons for a payment delay (e.g., waiting on tax refund) and you do not want to necessarily offer them the same deal as the other, more problematic client section.  
  
*This means that if a client owes you \$10,000.00, you would offer to wipe out their remaining balance if they paid you \$5,000.00 within the next five days.*
- Once you have your Dream List, figure out how much of a discount you would be willing to offer these clients  
  
If this seems high to you, remember that this is money you were prepared to write off going into the New Year.
- Again, as the attorney working the case, you should be personally emailing the client to inquire about their outstanding balance. Remember: clients are more likely to pay attention to an email sent by their attorney rather than an email from an admin or assistant, especially if the attorney is still working on their case.

- Once more, be clear and concise in your email and take advantage of templates like the one below to help make the process more efficient.

## Sample Email



Hi **[Client]**,

I hope you are well. My records show that you have an outstanding balance of **[\$10,000 - example]** due to the firm.

I have spoken with our billing department and I was able to work out a deal for you:

If you remit payment of **[\$5,000.00 - example]** within the next five business days, the firm will forgive the remaining balance. However, if payment is not received within that timeframe, you will still owe the full amount (**[\$10,000.00]**). Please be advised that this opportunity will not be offered again.

If you have any questions about your bill, please do not hesitate to contact me.

You can pay the **[\$5,000.00]** online by clicking the link below my signature.

Thank you,

**[Attorney's email signature]**

**[link to pay online]**

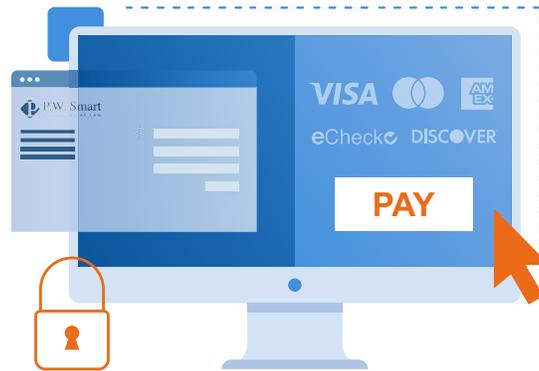
- To reiterate, including a payment link in your email can increase not only the likelihood of receiving payment but also the speed at which an invoice is paid. As previously mentioned, the key is to reduce or eliminate any friction between your client and their payment to you.
- Our recommendation is to incentivize your associates to chase after these Aged Receivables. If you offer the associate 25-50% of any of the Aged Receivables they are able to collect on, it should promote some goodwill within the firm and get you paid on what you otherwise considered a hopeless account.



The key is to reduce or eliminate any friction between your client and their payment to you.

# Embrace Technology

Although cash and checks have historically been the preferred methods for payment, for many Americans, they are becoming increasingly less popular ways to pay for products and services. In fact, only about half of all U.S. adults **make sure they have cash on hand**.<sup>\*</sup> This has only been amplified by the pandemic. If a client doesn't want to leave their home to go to the store, let alone pay their legal bill, you need to be giving them online options.



There is one common denominator shared by nearly every law firm with a high collection rate: taking advantage of technology. In other words, be modern! Since more and more clients only want to receive their bills via email, offer to email your invoices. Also, give your clients a seamless, contactless way to pay online.

The most forward-thinking law practices use online payment solutions, which make it even easier to avoid nonpayment of invoices. With an **online payment solution**, you can accept payments in person or on a secure, online payment page. You can also save yourself time by automating your

invoicing and billing processes. Allowing them to pay online via a provider like LawPay means that your clients can pay you at any time and from anywhere. Allowing them to pay online via a provider like LawPay means that your clients can pay you at any time and from anywhere.

Additionally, LawPay was designed specifically for the legal industry, guaranteeing complete separation of earned and unearned fees. Supercharge your cash flow by giving your clients an easy, convenient way to pay for your services.

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<sup>\*</sup>Pew Research Center (2018)

## LOOKING AHEAD:

# Best Practices to Put in Place for 2022

Now that you have a plan in place for your 2021 accounts receivable, it's time to start thinking about the future (and how you can avoid having any aged receivables going forward). Below are some tips, tools, and resources to set your firm up for success in the New Year.

### Interview Carefully and Thoroughly

Conducting a potential new client consultation is an art, but there are some easy concepts you can implement to help you avoid pitfalls down the road. The goal of the consultation (other than your retainment) should be to assess the client's situation and give reasonable legal advice. You should utilize the following steps:

- Determine whether the client's needs and expectations can even be realistically satisfied.
- If so, give the client a roadmap of what the most important next steps will be and the issues that may arise therefrom.
- **Ensure the client understands the cost and the law firm's expectation of payment**, discussing frankly how the client plans to pay and whether the client can afford the firm's services. This should also be explicitly addressed in your fee agreement.

- Exercise your own judgment as to whether this client is credible and a good risk. This is easier said than done and will mostly come with experience, but if the client's story doesn't make sense, or if you would be the client's fifth attorney, alarm bells should be ringing. Trust your gut.



#### Bottom line:

When the consultation ends and the client decides to retain you, both attorney and client should be comfortable and confident in the integrity of the other party.

### Communicate During the Case

A good way to protect yourself from possible liability is to be in constant contact with your clients. This gives you touchpoints throughout your client's case and lets you control the narrative as events progress. It is harder to defend yourself

against your client if you haven't properly papered the file. Also, the single biggest complaint against lawyers in the United States is "my lawyer won't return my call."

Failure to communicate can not only get you in trouble with your state bar, but it also affects the client's willingness to pay their bill. Instead, you can easily instill confidence in your client while also protecting yourself by sending frequent - even if brief - messages and updates to the client. Remember, you are, after all, a team.

### **Bill Clients Timely**

For internal consistency and external predictability, you should try to bill clients around the same day every month. Even better, you should aim to have your clients receive their monthly statement about three to four days after the first of the month. Sending invoices around this time increases the chances that the client has recently received a paycheck and therefore has funds available.

**Failure to communicate can not only get you in trouble with your state bar, but it also affects the client's willingness to pay.**

Clients routinely complain that all too often, they receive bills 90 days or more after the work is done. By then, the client does not remember what you did three months ago and will be less willing to pay you. If the work is fresh on their mind, you will find a client more willing to pay their invoice. Clients typically appreciate what you just did for them—not what you did months ago.

What's more, you want to catch them at a time where they appreciate you and the work you are doing on their case. The longer you wait to send out a bill, the less willing they are to pay.

### **Be Clear**

Provide a clearly-written, detailed invoice. You don't have to outline your time to the minute, but use separate line items for the larger tasks and include a brief summary of the work you did. As much as possible, avoid legal jargon. Your objective is to give the client visibility into what you're doing for them. And if you use too much technical language, your client may end

up with even more questions.

Also, don't nickel and dime your client by billing for things like office supplies. This kind of billing only makes clients angry, offended, and more likely not to provide timely payment.

### **Follow Up on Unpaid Invoices ASAP**

It is exceedingly rare for 100% of a firm's clientele to pay their invoices in full and on time, every single time. You need to have a plan to follow up with clients who have not paid their monthly invoice, lest you risk non-payment of the bill. Remember, the longer a bill sits unpaid, the less likely it becomes that it will ever get paid.

About a week after invoices are sent, schedule time on your calendar to follow up via phone or email. Generate a list of the clients who have not paid their invoices and how much each one owes. You should then reach out to the clients directly to inquire about payment.

### **Know When to Fire a Client**

Many attorneys fall into the bad habit of continuing to work on cases where the clients are months in arrears on their bills. Don't be one of them. As hard as it is, if a client is more than a month behind on paying anything towards their invoice, you

should strongly consider terminating them as a client. What starts off as a \$5,000 deficit can quickly become \$30,000 if you are not careful in assessing your client's payment status. Many attorneys put termination language regarding unpaid invoices into their fee agreements, and so should you. At the end of the day, you are running a business and your attorney-client relationship should reflect that.

### **Utilize Scheduled Payments**

For clients who might have trouble paying your bill or for those who are habitually late and/or forgetful, one option is to offer them a recurring monthly payment plan. This is a great way to help them out financially and save you time and effort, all while ensuring you maintain a consistent, predictable cash flow in your practice.

To make things even easier on you and your firm, have clients sign **payment authorization forms** during their intake paperwork and set them up on a payment plan as part of your initial meetings and onboarding. That way, your clients' payments can run automatically without any action needed from you or them.

# Conclusion

With all the pressure that accompanies the end of the year, both personal and professional, the prospect of pursuing your firm's aged AR may seem like an overwhelming task. Understandably, far too many attorneys opt to write off unpaid invoices and move onto other tasks. However, by utilizing the proven techniques outlined in this guide, you can turn outstanding invoices into substantive and almost immediate cash flow. We'd love to hear how these techniques make a difference in your firm, and remember: **be bold! Don't leave money on the table—go out and get it.**

## About LawPay

LawPay was developed specifically to provide a sophisticated payment solution for legal professionals. The LawPay platform contractually protects your client funds, correctly separating earned and unearned fees and by restricting the ability of any third-party from debiting monies from a Trust or IOLTA account. LawPay is available through all 50 state bars and the ABA Advantage program as a vetted and approved payment solution for the legal industry. Learn more about how LawPay can help your firm at [lawpay.com](http://lawpay.com).

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# Addendum

## Sample Credit Card Authorization Form

When given a choice, 79% of people prefer to make payments with a credit or debit card.\* Whether you already accept credit card payments from clients or you're considering it, you'll want to take steps to protect your firm against payment disputes. To do so, you can add a credit card authorization form to your intake paperwork. Attached is a sample authorization form to help you get started.

The form covers client authorizations, either to pay a current invoice or to authorize future scheduled payments.

*A note on the definition of "Retainer:" Lawyers are advised to review their local and state rules on how "retainer" is defined. While many states define retainer to include the advance payment of fees and costs to be held in trust subject to future billing, in Florida, retainers "are not funds against which future services are billed." Retainers are funds paid to guarantee the future availability of the lawyer's legal services and are earned by the lawyer upon receipt. Retainers, being funds of the lawyer, may not be placed in the client's trust account." See Florida Bar Rule 5-1.1- Trust accounts (Commentary).*

***DISCLAIMER: The sample form made available here is provided for individual review and analysis, and is delivered without warranty or representation of fitness for specific use or compliance. The receiver hereof is advised to make any necessary modifications or adaptations which may be required for the user's specific needs, or for compliance with the user's applicable practice rules or state statutes.***

\*TSYS U.S. Consumer Payment Study (2018)

## Client Credit Card Authorization Form

In an effort to better serve our clients and simplify your billing experience, our firm offers online payments for your convenience.

CHARGE POLICY

**ONE/FIRST TIME PAYMENT:**

(Initial) I hereby authorize \_\_\_\_\_ to charge the balance currently due in the amount of \$ \_\_\_\_\_.

**FUTURE PAYMENTS (INSTALLMENTS):**

(Initial) I hereby authorize \_\_\_\_\_ to charge the balance due each month, as reflected on the cardholder's invoice. Payment will be processed on the \_\_\_\_\_ of each month for the prior month's fees.

**FUTURE PAYMENTS (INSTALLMENTS):**

(Initial) I hereby authorize \_\_\_\_\_ to charge my card in the amount of \$ \_\_\_\_\_ on the \_\_\_\_\_ of each month until the total sum of \$ \_\_\_\_\_ has been paid.

**POLICIES:**

(Initial) Payment is considered late after the \_\_\_\_\_ of the month. Any outstanding balance will be charged to the card on file. In addition, a late fee will be assessed in the amount of \$ \_\_\_\_\_.

(Initial) Payment made for services delivered by this firm are non-refundable, and you agree to not dispute the charges specified herein with the bank that issued your credit card or with any credit card company.

(Initial) In the case of retained services, any unused funds will be refunded to the card on file within \_\_\_\_\_ days of \_\_\_\_\_.

(Initial) Being the authorized cardholder or the Corporate Officer, by signing above I understand and agree to the terms set forth in this agreement, agree to pay, and specifically authorize the firm to charge my credit card for the services provided. I further agree that in the event my credit card becomes invalid, I will provide a new valid credit card upon request, to be charged for the payment of any outstanding balances owed.

CARDHOLDER INFORMATION

Cardholder Name: \_\_\_\_\_

Cardholder Billing Address: \_\_\_\_\_

Type of Card:    

Card Number: \_\_\_\_\_

\* Per PCI Compliance guidelines, the last 4 digits may be recorded for verification purposes

Expiration Date: \_\_\_\_\_ Security Code: \_\_\_\_\_

The undersigned guarantees performance of the financial provisions of this agreement.

Cardholder Name: \_\_\_\_\_

Cardholder Signature: \_\_\_\_\_ Date: \_\_\_\_\_

eCHECK

First Name: \_\_\_\_\_ Last Name: \_\_\_\_\_

**OR**  
Account Holder Name (if Business): \_\_\_\_\_

Account Type:  Checking  Savings Account #: \_\_\_\_\_ Routing #: \_\_\_\_\_

Account Holder Signature: \_\_\_\_\_ Date: \_\_\_\_\_