



CHAPTER 4: SOURCES OF REVENUE

CHAPTER 4: INITIAL SOURCES OF REVENUE

It will come as no surprise that figuring out how to create and manage revenue will be critical to your success. The time spent identifying sources of revenue and determining how to manage that revenue and limit expenses, will be well worth the investment.

REFERRAL SOURCES

We have compiled a list of places to begin searching for sources of revenue. While the list is not exhaustive, hopefully, it will inspire some ideas for you to get your name out in the community.

Professional Sources of Revenue

There are a number of appointments you can receive if you apply for appointments in the District and County Courts. Both courts follow guidelines for appointments which can include how long you have been licensed, if you have taken cases to trial, and the amount of CLE you have taken in a particular area. You should contact your local courts to inquire as to the minimum requirements for these appointments. Depending on the county, these requirements will vary greatly. Also, reimbursement will also vary greatly. Check with the court clerks and court staff who can advise you on whether you will bill at an hourly rate or flat rate. Also, be sure to submit the proper forms, e.g. an attorney voucher, invoice, and Motion for Payment. The following are a non-exclusive list of the types of cases you will see in County and District Courts.

Department of Family and Protective Services is the government agency that oversees Child Protective Services cases and Adult Protective Services cases. The cases for Child Protective Services will include terminating parent's rights in which courts appoint ad litem for parents and children. The Adult Protective Services cases can include removing an elderly individual from her home because they are no longer able to care for themselves. Many of these types of cases will lead to the necessity for a guardian for the elderly individual.

Guardian Ad Litem (Guardianship Cases): Guardianship cases require an attorney to attend CLE training specific to this area. Some counties, such as Bexar County, require extensive training each year. Other counties require an attorney to attend a three hour CLE which certifies



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that attorney for a three year period. Guardianship law is extensive and covers a wide variety of issues that an attorney will need to be familiar with before taking this type of case.

Tax Ad Litem: These cases concern the non-payment of city and county taxes where the city is seeking to foreclose on a person's home. An ad litem is appointed to protect a person's rights.

Attorney General (Child Support Division): These are cases in which enforcement of child support includes contempt by a jail term. If the Attorney General's office is requesting contempt by the court, the obligee in a child support case is entitled to representation.

Misdemeanor and Felony Criminal Appointments (State level): These cases can range anywhere from public intoxication to murder. If you were not in a clinic in law school, you may be more comfortable taking misdemeanor appointments when you first start out. You may be limited your appointments in District Court, depending on whether you have met the requirements to take appointments beyond a state jail felony or felony revocation.

Local Counsel Representation: Attorneys from other counties find it useful to hire a local attorney who is more familiar with the courts in their County. Although the attorney may not actually want you to assist in the majority of the case, he/she may want your input on jury selection.

Pre-Paid Legal Plans: This provides a means to improve your client base by joining a pre-paid legal plan where you offer services at a discounted rate.

Criminal Justice Act (CJA) Panels for federal criminal cases: More information for each District's requirements is available through the Districts' websites:

Northern District: <http://www.txnd.uscourts.gov/publications/CJA-Dallas/Chapter1thru4.html>

Southern District: <http://www.txs.uscourts.gov/attorneys/cja/>

Western District: <http://www.txwd.uscourts.gov/cja/default.asp>

Eastern District: <http://www.txed.uscourts.gov/Forms/CJA/CJA.htm>



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Professional Groups

- Referral Services
- Chamber of Commerce
- Local Referral Groups
- BNI Networking
- Local Bar Associations
- Local Trade Groups

Strategic Business Relationships

- CPAs – Entity formations and governance
 - Bail Bondsmen - Criminal cases
 - Insurance Agents – Estate Planning
 - Financial Advisors – Estate Planning
 - Real Estate Agents – Bankruptcies, real estate closings
 - Process Servers – They come in contact with people on a daily basis who are just learning that they need an attorney.
 - Bankers – Foreclosures, real estate closings
 - Other Attorneys – Attorneys who have specialized practices will receive calls for work that they do not perform. Take the time to meet as many attorneys as possible. The attorneys who you meet will be glad to send you work and give you advice, and will be very appreciative when you return the favor.
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Service Groups

- Church
- Alumni Clubs
- Rotary
- Kiwanis
- Lion's Club
- Non-profit organizations

Social Activities

- Community sports leagues
- Local arts groups and boards
- Running clubs
- Book clubs
- Non-Profit organizations
- Group cooking classes or wine tastings

When looking for referrals from a service organization, give with a servant's heart. You will hurt yourself more than help if you show up looking to get work and not looking to give to the organization. Another rule to live by: always carry ten business cards in your pocket. Future clients are everywhere. Start by word of mouth early. Be sure to tell your parents, siblings and friends so that they can spread the word with all of their friends and business acquaintances.

THIRD-PARTY SOURCES OF REVENUE

Operations Based Financing

Leasing office furniture, computers, and other office equipment may provide a means to access necessary equipment without initial capital. Although the total cost of leasing will be more than purchasing the item outright, this is a way to reduce the amount of up-front money you will need to get your business off the ground.



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If you have accounts receivable that have been invoiced but not yet paid - you may be able to use them as collateral for a small business loan. Lenders that offer accounts-receivable financing will generally offer between 50 and 80 percent of the total invoice amounts outstanding, depending on the type of receivables and the ease of collection.

Instead of borrowing against your receivables, factoring allows you to sell them to a financing source, called a factor. You will be paid a percentage of the total value of these accounts, depending on the type of receivables and the ease of collection. Once you have sold the receivables, the factor will collect the accounts and absorb any losses.

You may also be able to borrow money on the assets your business owns. Asset-based financing can be structured as a one-time extension of credit or as a revolving line of credit requiring a periodic review of the assets pledged as collateral provided your firm has some type of property to pledge.

Debt Funding

Although it is more costly form of credit, your credit card can provide ready access to cash. You should only use this source if you have a credit limit high enough to cover your needs, and if you can pay off the card quickly.

If you have enough equity in your home, you may qualify for a home equity loan or line of credit. Including the first mortgage, you can generally borrow up to 80 percent of the appraised value of your home. This type of borrowing may offer tax advantages; however, if you fail to repay the loan, you can be in danger of losing your home.

Friends and relatives will be eager to help you succeed and may offer financial support. If you use this option, make sure to treat the transaction in a professional manner; that is, pay a fair rate of interest, sign a legal promissory note, and repay the money as agreed.

Business Loans

A demand note is a single-payment loan that is intended for very specific short-term needs. Although the contract will usually call for payment in full within 90 to 180 days, the lender can call for (or demand) repayment of the note at any time. You may be asked to make periodic interest payments during the life of the note.

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A line of credit, like a credit card, establishes a credit limit and specific terms for repaying money that is borrowed. Lines of credit are easy to access and offer flexibility in managing the cash flow needs of a small firm. Many people establish a line of credit as a precaution, before they have a real need for the money.

There are several loan programs in which the government either directly lends to small business owners or provides a guarantee of repayment for other small business lenders. Government-assisted small business loans are offered by federal agencies such as the Small Business Administration, as well as by state and local agencies. Government-assisted loans, like bank loans, usually require that you have enough of your own money invested in the firm in order to share the risk with lender.

COMPENSATION

Staff

- Stay within the price range of your market
- Consider “hiring” an intern on an unpaid basis
- A recent study from the GP / Solo section of the American Bar Association suggested that you should not hire a support person until you have an annual gross income of \$120,000 or greater.

Attorney

- Stay within price range of your market
- A rule of thumb of is that 33% - 50% of the money you bill will make it home from your firm
- Set a small sustainable salary for yourself, and stick to it. You want to build equity in your firm as a precaution for months of low income.

Taxes

- Payroll taxes will be due for any payments that you make to an employee.
- Self employment tax for any money you take home will also be due.

LEGAL FEE ARRANGEMENTS AND BILLING PRACTICES

Billing is the lifeblood of law firms. While many lawyers leave the grind of firm life for the freelance nature of a smaller firm, it is important to realize that without a good foundation of billing practices, your firm will not achieve its full potential.



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New firms should take time to develop a standard fee agreement and implement good billing practices. The State Bar of Texas offers several CLE materials on these issues, and there are a number of private vendors that offer tips on drafting invoices with the client audience in mind.

Many smaller firms have been successful in having non-traditional fee arrangements, including flat fees, outcome based fees, and project billing. However, there are a series of ethics rules prohibiting various types of billing arrangements so be sure to study when being creative. For example, TEX. DISCIPLINARY R. PROF. CONDUCT 1.04 forbids lawyers from, among other things, charging an illegal or unconscionable fee. "A fee is unconscionable if a competent lawyer could not form a reasonable belief that the fee is reasonable." TEX. DISCIPLINARY R. PROF. CONDUCT 1.04.

There are a number of instances where fees are unlawful. TEX. DISCIPLINARY R. PROF. CONDUCT 1.04. Contingent fee agreements between attorneys and criminal defendants are prohibited by TEX. DISCIPLINARY R. PROF. CONDUCT 1.04(e). Contingent and percentage fees in family law matters may tend to promote divorce and may be inconsistent with a lawyer's obligation to encourage reconciliation. TEX. DISCIPLINARY R. PROF. CONDUCT 1.04 cmt. 9. It is also unlawful to have an unwritten contingent fee agreement. TEX. DISCIPLINARY R. PROF. CONDUCT 1.04. Additionally, agreements to divide fees among lawyers from different firms are not lawful unless the lawyers comply with TEX. DISCIPLINARY R. PROF. CONDUCT 1.04 which specifies that the lawyers are only paid in proportion to the services performed.

When the lawyer has not regularly represented the client, the basis or rate of the fee shall be communicated to the client, preferably in writing, before or within a reasonable time after commencing the representation. TEX. DISCIPLINARY R. PROF. CONDUCT 1.04(c). As such, it is important to clearly set forth the fee in a written client agreement which should be executed at the beginning of representation. It should be noted that as of the time of this writing, the State Bar of Texas is considering revisions to the Texas Disciplinary Rules of Professional Conduct. As a precautionary measure, always check the State Bar of Texas's website to obtain the most current version of the Rules. See <http://www.texasbar.com>. In addition, you can contact the State Bar of Texas's attorney ethics helpline for any questions you have about your ethical obligations at 1-800-532-3947.

One of the biggest obstacles for lawyers starting a firm is deciding how much to charge for services. It is important to not under price your services but to also match your client's expectations. If you send a client a large bill that far exceeds the amount in controversy, expect an uncomfortable conversation with your client. Similarly, if you are taking a case on an hourly



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basis, be sure to get an appropriate retainer as it could be the only money you receive from your client.

You should seek the advice of experienced lawyers in your field to determine the best billing arrangements to meet the needs of you and your client. Take time to consider and research your client agreements and be sure to develop a rock solid system for tracking time. Billing is an area where good habits will really pay off.
