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Trusts and Estates

Components to Launching and Establishing a Law Firm

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As we marked the two-year anniversary of our fledgling two-attorney law firm May 15, we thought it would be helpful to reflect and share our gleanings on the key components for launching and sustaining a law firm, based on our experience to date:

- **Be ready for the move.** We started our firm at a time when together we had nearly 30 years of collective experience as lawyers. We knew our trade and wanted to control the environment we worked in rather than having it foisted on us by others, without much of our input. Also, we recognized that ultimately to have satisfying and sustainable careers, we needed to build our own client base, and it was difficult to do that with the rate and billable hour pressure of larger firms. We also thought we could independently create the environment to provide the same quality of services to clients in our practice area without the resources of a larger law firm. We recognized that much of the law firm overhead to which our revenue streams were diverted in a larger firm did not inure to the benefit of our practices. We also had experience working closely together for five years, so, we knew that we had good chemistry as colleagues and co-workers. Last, and perhaps most importantly, we created a blueprint for our move after securing generously provided guidance from other lawyers who had left larger law firms to successfully launch and sustain their own practices.
- **Hanging a shingle.** In today's world, hanging a shingle means deciding on a name, creating a website and finding office space. We chose not to use our last names for our law firm for two main reasons: (1) our last names aren't as easy to remember (or say) as the name we chose and (2) using a name separate from our identities gives us more flexibility for adding other attorneys to our group if that would make sense down the road. Once we decided on a name for our firm, we found office space with the help of a broker. Although pricier than some other options, we chose a well-run large office building at a central location. Being in such a building (especially with the last winter we have had) has proved to be invaluable. Finally, we created a website.
- **Establish and manage a budget.** Our experience on nonprofit boards and as partners in well-established law firms has given us a sense of the budgeting process. In addition, of course, we are used to maintaining household budgets, which provides important

experience as well. When we were planning our firm, we brainstormed to consider what our expenses would be for startup costs and operating the firm, and then we researched and entered the marketplace to gather actual figures to finalize our budget. What worked well for us was creating an overgenerous budget and being pleasantly surprised as our expenses came in slightly under budget.

- **Startup expenses.** Our startup expenses were generally limited to the following: lease payments (first month, last month, security deposit); office furniture, computers, software, printers and phones; office decor; forming an LLC; cost for movers to move existing furniture and files from prior law firms; and the costs for an electrician to lay wiring for new electrical outlets, phone lines and computer hook-ups. That's basically it. When the numbers tallied up, the costs ended up being less than one month of our combined compensation at the time we started the firm. A lot less than the classic three months' salary for buying an engagement ring—and, it was mostly tax deductible. Of course, there was also the "opportunity cost" of not receiving compensation for the first few months before bills went out to clients. In our case, we launched mid-May, and didn't send out bills until the end of July, so, our first draws weren't until the end of August. So, on top of the hard costs for launching our law firm, we each needed other sources of funds to cover our household budgets for June, July and August. We also needed to have funds available to pay for the first three months of operating expenses before our firm had revenue to cover such costs. However, those preliminary costs were relatively minimal because many costs could be deferred until August or September when we had cash flow.

- **Operating expenses.** Here is a list of our basic operating expenses: library—including electronic research, periodicals and advance sheets; insurance—malpractice and business; phones and Internet; marketing—sponsorships, networking meals, business cards; continuing legal education; office supplies (paper supplies, printer toner and replacement parts, pens, paper/binder clips, beverages and snacks); taxes; accounting services; rent; and advances for client expenses.

- **Debt.** For the time being, we have avoided taking on any debt through the law firm other than using a credit card for convenience (and points), which we pay off in full each month. We have observed debt as a negative factor in the dissolution of other law firms so we are doing our best to avoid it to the extent possible. However, we have learned from experience at other law firms that it is helpful to individually have a low-interest-rate personal credit line available to help smooth out the rough edges from irregular monthly revenue from the firm.

- **Generating work.** As estate planning lawyers, we had strong tailwinds as we launched our firm in 2012 because, at the time, there was well-publicized concern that the federal estate tax exemption would be significantly reduced, which would create an increased tax burden of millions of dollars for many families in the region. Accordingly, clients we had existing relationships with were lining up for significant estate planning transactions, and there were many new clients waiting in the wings seeking new professional relationships. On top of that, there was also the "bread and butter" work of our practice—there are always old and new clients looking to establish or update basic estate plans and every day people in our region are dying, creating new estate administrations for which a lawyer is often sought.

In our case, we were able to effectively compete for some of the new work because we have been able to set our rates more favorably than they had been at our prior law firms. In order to be considered for such new work, we have been careful to dedicate a good deal of our

time, as well as some of our budget, to market our practice by building relationships with potential clients and referral sources through speaking engagements, writing articles (like this one), general networking, and sponsoring events.

As women, we have needed to be vigilant to dissuade the mistaken presumption about our dedication to our careers (and our clients) that we have observed with some potential clients and referral sources. We are careful to convey to such people that we work just as hard (if not harder, at times) in our own firm as we did when working for firms run by other lawyers. Although we are both parents, based on our observations from a combined 30 years of practice working for and with mostly male attorneys, we do not believe we are (or ever were) any less serious about, nor less dedicated to, our careers than our male colleagues and predecessors. From our standpoint, this is essentially the only distinction we have from our male colleagues—we don't believe they encounter the same presumption that because they have a family they may be less dedicated to, or serious about, their careers than other attorneys without families (or senior "empty-nester" attorneys). That said, fortunately, in our experience, our prime clients (savvy and successful executives, professionals and business owners) seem to know to judge us based on the quality of our services rather than outdated presumptions based on traditional gender roles.

- **Generating and collecting revenue.** For us, billing clients is really no different than when we were at our prior law firms. We carefully log our billable time each day, and at the end of the month we issue bills. The main thing that's different for us from when we worked at firms run by other lawyers is that we stuff and post the envelopes ourselves, rather than have support staff handle that for us. Also, we deposit the checks ourselves rather than send them to an accounting department, but, we are able to use a remote deposit scanner in our office so we don't need to make trips to the bank. We've considered accepting credit cards for payments but haven't needed to do so yet. We generally take a draw once a month after leaving a cushion to cover the firm's anticipated expenses for the next month.

- **Handling client work.** As we thought would be the case, we have been able to effectively and efficiently handle our client work without additional staff to date. At large law firms, over the course of our careers, we had experienced the increasing ratio of lawyers to legal assistants—going from 2:1 to 5:1 or 6:1 by the time we left the large firms. At that time, we only relied on our legal assistants for some light word processing, copying, scanning and mailing documents. We were used to typing and formatting most of our own documents, answering our own phones and relying on voicemail. Moreover, with email, less and less communication now occurs over the phones or by snail mail. So, the only real change for us is that we allocate some of our time to the tasks that our legal assistants had handled for us before—such time probably amounts to less than four hours a week each. We had been prepared to hire temporary staff here and there, but, so far, there has been no need.

We are happy to report that our experience to date has been like in the "Field of Dreams" movie, "If you build it, they will come." Our greatest challenges in the first two years were laughable—the postage software was a bit tricky to learn, one of our printers sometimes printed with streaks and crinkled our envelopes and some beer was mysteriously disappearing from our refrigerator for a few weeks. Each of these challenges was thankfully surmounted without much trouble.

We recognize that we are very fortunate and are well aware there could be potential unanticipated bumps down the road, so we move forward adhering to the classic outlook of

hoping for the best, and bracing ourselves for the worst. We hope it will help that we were both at Wolf Block as it crumbled. Having emerged from that tragedy, and learned a bit as a result, we may be better prepared to navigate whatever crises may arise in the future, and better able to avert some of the triggering factors for the losses that resulted from that dissolution. Of course, as parents of young children, we often find ourselves repeating some of the same mistakes as our parents, so, despite our best efforts to avoid the mistakes of our predecessors, we will most likely find the same to be the case, to some degree, running our own law firm.

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