



**Federal Bar
Association**

San Diego Chapter

The Business of Law: Tips for Opening and Operating Your Own Legal Practice

MCLE Written Materials

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OPENING AND MANAGING A LAW OFFICE

GO SOLO, WIN CLIENTS, AND BE YOUR
OWN BOSS

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SOLO AND
SMALL FIRM

CALIFORNIA
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Opening and Managing a Law Office: Go Solo, Win Clients, and Be Your Own Boss

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ELECTION OF BUSINESS FORMATION

DOMINIC V. MARINO

“ Once you’ve made the decision to open a law office, what type of business do you form?

You will generally consider the following business forms: 1) a sole proprietorship; 2) a professional corporation; 3) non-profit benefit professional corporation; 4) partnership; or 5) a registered limited liability partnership.¹² Choosing the appropriate business form means fully understanding how the business form fits the facts and circumstances for your new law practice.

A simple way to begin this process is in three steps:

1. Understand the applicable laws which define the business forms;
2. Devise a workable methodology to identify the business form; and
3. Endeavor to understand the specifics of each business form.

While working through this step-by-step process, you will understand how to choose a business form which suits your envisioned law practice.

Step 1: Understand the Applicable Laws

Before you can determine the type of business form appropriate for the proposed law firm, you must be intimately familiar with the applicable laws, rules, and regulations which will apply.

“ In California, a law firm must comply with several separate and distinct federal, state, and local regulations and rules.

For example, each potential business form has separate and distinct obligations imposed by applicable federal and state regulations as it relates to taxation. Beyond income tax reporting issues, you must understand that the business form is heavily regulated by the California Business and Professions Code, the California Corporations Code, the California Rules of Professional Conduct, various income tax regulations, and any relevant local city/municipal codes.

Step 2: A Methodology for Determining the Appropriate Business Form

As a preliminary matter, a head count of the potential attorney stakeholders—licensed to practice in California—is a simple method of isolating which business form could be utilized for the newly envisioned law firm. For example, if the firm is comprised of one attorney, then the business forms are limited to: 1) operating as a sole practitioner, or 2) as a professional corporation.³

Beyond this initial determination, the next issue to consider is which business form you can afford and administrate while providing the necessary amount of protection from potential personal liability for non-malpractice claims asserted against the law firm. Please note, irrespective of the business form selected, you cannot utilize a business form to avoid personal liability for your own malpractice.⁴ Therefore, the concept of limiting liability relates to potential non-client third-party claims (either in tort or contract) which arise as a result of the law firm operating its business.

Step 3: Understand the Specifics of Each Business Form

Sole Proprietorship

A law firm comprised of one attorney must choose either a sole proprietorship or a professional corporation (see below). A sole proprietorship is not a legal entity which exists independent of the owner.⁵ Therefore, the sole proprietorship is not required to register or submit annual filings to the California Secretary of State and does not have to follow other formalities, such as adopting bylaws and holding annual board meetings, as this business form is truly tied to the individual proprietor. However, a pitfall to this business form is that the owner is personally liable for all of the businesses-related liabilities and claims.

“ While this business form takes very little capital to form, it provides no personal asset protection for the proprietor, which is a risky proposition for an owner who has significant personal assets.

In terms of beginning business operations, you need only pick a name for the sole proprietorship and apply for a local business license. If you name your solo practice as the law office of your full name (e.g., “Law Office of Susan L. Smith”), you could operate your law practice without the need to file for a fictitious business application.⁶ However, in the event that you desire to utilize a name that does not include your full name (e.g., a fictitious business name), then you must prepare, file, and submit an application for a fictitious business name. This application must be submitted and filed within the county you desire to practice in, and each county has its own specific regulations which cause the application process to vary. Additionally, you must apply for a business license for the city and/or county you desire to practice in. The requirements for a business license vary for every county and city in California. Therefore, you should review the specific local rules and regulations in your service area to understand the specific procedural and substantive requirements for applying for and submitting a business license within the county/city you intend to conduct business in.

Because a sole proprietorship is not severable from the individual, your social security number will be utilized to report all income generated by the

sole proprietorship unless the attorney applies for an employer identification number (EIN) from the Internal Revenue Service.⁷ Publishing one's social security number in public forums should be avoided, as this practice could lead to identify theft and could create undesired privacy issues.

Another issue to consider is the tax reporting obligations in terms of federal and state income tax.⁸ Because the sole proprietorship is not a separate entity, you must report all gross compensation and business expenses on your individual Schedule C on your Form 1040 annual tax return.⁹ In terms of reporting such gross annual income, the reporting requirement turns on the specific accounting method the proprietorship is utilizing (e.g., accrual method vs. installment plan accounting).¹⁰ Additionally, you will have to pay quarterly estimated tax payments to the IRS and be subject to a self-employment tax, imposed in addition to other federal and state income taxes.¹¹ The self-employment tax is, presently, 15.3% (which is comprised of 12.4% for Social Security—up to annual income, which is capped—and 2.9% for Medicare, uncapped).¹²

“ While a sole proprietorship is the simplest business form available, the unlimited personal liability and costs associated with the annual self-employment tax may be limited if you form a professional corporation.

A Professional Corporation

As mentioned above, one option to reduce the amount of personal liability for business-related third-party claims and the potential tax liability is to form and register a Professional Law Corporation (a “Law Corporation”).¹³ A Law Corporation is regulated by the State Bar of California and operates under the California Professional Corporation Act. It is subject to related provisions of the California Business and Professions Code.¹⁴ A Law Corporation may be comprised of one or more shareholders, provided they are actively licensed with the State Bar or licensed to practice law in the jurisdiction(s) in which they practice.¹⁵ Please note, while foreign attorneys may be shareholders of a Law Corporation, these foreign shareholders are not authorized to practice law in California based on their ownership of shares in the professional corporation.

If you elect to utilize this business form, you must comply with the following requirements and fully understand and implement various administrative duties/tasks which will ensure the Law Corporation is compliant with the various rules and regulations which apply to a Law Corporation. A Law Corporation must “conduct... its business, it shall observe and be bound by such statutes, rules and regulations to the same extent as if specifically designated therein as a member of the State Bar.”¹⁶

The attorney(s) incorporator(s) must prepare and file articles of incorporation with the California Secretary of State (the “Secretary of State”) with the corresponding filing fees.¹⁷ The name of the Law Corporation must indicate that it is a corporation (e.g., a Professional Corporation, Pro. Corp., or Inc.).¹⁸

“ Further, if you desire to utilize a “trade name” for the Law Corporation, such a naming convention must comply with the various requirements of the State Bar.¹⁹

Additionally, you must draft and statutorily compliant corporate bylaws and various resolutions both approving the bylaws, appointing the corporate officers and agent for services of process, and approving the form and issuance of share certifications. The bylaws and share certificates must comply also comply with State Bar Rule 3.157(D). Further, the naming of corporate officers must conform with the requirements of Corp. Code, § 13403.

Once the articles of incorporation are approved (and therefore registered) by the Secretary of State, the Law Corporation continues “perpetually, unless otherwise expressly provided by law” or as based on the relevant provisions of the Corporation’s Code.²⁰ Once the approved articles of incorporation are received by the incorporator(s), the Law Corporation may conduct its first meeting, approve its bylaws, elect and appoint its corporate officers, and approve any other resolutions necessary so the Law Corporation can otherwise lawfully operate.²¹ Upon the conclusion of this meeting, the Law Corporation has some additional statutory compliance issues it must address before it begins to represent clients.

The Law Corporation must prepare, on an annual basis, and file a Statement of Information, within ninety (90) days after the date that the corpo-

ration was registered with the Secretary of State and include a payment for the relevant filing fee.²² Additionally, the Law Corporation must be registered, annually, with the State Bar.²³

The registration process requires the Law Corporation to provide “all the necessary and pertinent documents and information requested by the State Bar,” which includes:

- The Law Corporation’s applicant’s business plan;
- A copy of its articles of incorporation (certified by the Secretary of State);
- A copy of its bylaws (certified by its corporate secretary);
- The name and address of Law Corporation,
- The names and addresses of its officers, directors, shareholders of the Law Corporation;
- A list of all the employees who will render professional services for the Law Corporation, the address of the Law Corporation; and
- Any fictitious name or names which the Law Corporation intends to use.”²⁴

Additionally, the Law Corporation, on an annual basis, must provide the State Bar with proof of security in the form of a “Law Corporation Guarantee” which needs to be signed by the attorney(s) shareholder(s).²⁵ The guarantee, in part, requires each shareholder to agree, jointly and severally, to pay any claims arising from errors and omissions as a result of professional services provided to its clients.²⁶ The guaranteed amount of annual security is set by the State Bar, and is based on a specific calculation, however, the minimum security per attorney shareholder is fifty-thousand dollars (\$50,000) per claim and one-hundred thousand dollars (\$100,000) per calendar year.²⁷ The deadlines to file the annual registration and guarantee(s) can be found on the State Bar’s website. If a Law Corporation fails to comply with the State Bar’s registration requirement, the attorney(s) shareholder(s) may be subject to disciplinary action, and the shareholder attorneys may not be protected from personal liabilities which occurred during the time the Law Corporation was not registered.²⁸

Once the Law Corporation is registered and the corporate guarantees are provided to the State Bar, the Law Corporation must still apply for a busi-

ness license with the city or county where the Law Corporation has a physical office. Additionally, because it is separate and distinct, the Law Corporation must secure an EIN from the IRS. Once the Law Corporation is registered with the State Bar and the business license has been secured, the Law Corporation is now ready to service its clients. The next issue to consider is how the Law Corporation provides its attorney shareholders liability protections, how attorney shareholders are compensated, and how a Law Corporation is taxed.

A Law Corporation is treated as a separate and distinct entity from its shareholder attorney(s). If the Law Corporation observes corporate formalities (e.g., regularly holding board meetings, timely preparing and filing various filings with the state, maintaining corporate records and adhering to proper accounting practices), then the Law Corporation, rather than the shareholder attorney(s), could be liable for third-party claims for business-related activities.²⁹ However, as discussed above, a Law Corporation will not protect the attorney shareholder(s) from personal liability for errors and omissions to the attorney shareholder(s) clients as a result of professional services rendered.

“ Therefore, it is critical that the Law Corporation has an errors and omissions policy with the appropriate policy limits to ensure this aspect of potential exposure to personal liability is minimized.

A significant allocation of administrative time must be allocated to addresses these issues on an annual basis.

With regard to compensation, the shareholder attorney(s) are employees of the Law Corporation. Therefore, they are either paid hourly or a salary on a monthly basis. Additionally, they are entitled to distributions as the attorney as shareholder of the corporation. Compensation to attorneys, based on hourly wages, is subject to applicable state and federal tax withholdings. To the extent that the shareholder attorney(s) receive a shareholder distribution, such a distribution is taxable. However, the income tax calculation is based on a percentage of the net distribution which are provided in the applicable tax regulations. Due to complexities related to the issuance and taxation of shareholders distributions, the shareholder

attorney(s) are advised to conduct additional research regarding this issue independently and/or retain a certified public accountant or attorney who specializes in taxation.

“ In terms of taxation, a Law Corporation is treated in a vastly different manner compared to a sole proprietorship.

A Law Corporation is a separate and distinct entity from the shareholder attorney(s). Therefore, the Law Corporation and the shareholder attorney(s) must file separate federal and state tax returns on an annual basis. At a federal level, at the end of a reportable tax year, if a Law Corporation retains income, the corporation's income is subject to a twenty-one percent income tax rate.³⁰ Additionally, the Law Corporation is subject to state income tax, which at a minimum requires a corporation to pay eight-hundred dollars (\$800) to the California Franchise Tax Board.³¹ Additionally, the IRS requires the Law Corporation to issue a Schedule K-1 (Form 1065) to the shareholder attorney(s) which reports the annual compensation (gross/net) that was provided to the attorney(s) during the tax year. The shareholder attorney(s) must file individual annual tax returns based on the compensation that the Law Corporation reported in the Schedule K-1. Due to the complexities of the required tax filings, it is highly recommended that both the Law Corporation and the shareholder attorney(s) retain a CPA to assist them in preparing these annual tax filings.

As indicated above, while a Law Corporation does provide a certain measure of personal liability protection, the corporate form is complex compared to a sole proprietorship. Furthermore, the start-up capital investment is more substantial, and ensuring the corporation is properly complying with certain statutory formalities will require an additional allocation of time and effort which is dedicated purely to administrative matters. However, the additional level of liability protection clearly outweighs the associated expenses if the attorney(s) have significant personal assets which they desire to protect.

Registered Limited Liability Partnership

While two or more sole practitioner attorneys could agree to join forces and form a partnership, such a partnership is not common and is consid-

ered an unincorporated business form. A law partnership, if established, would be governed by the Revised Uniform Limited Partnership Act of 1994.

“ Such a partnership as a business form does not statutorily immunize the partners from personal liability for the business activities of the partnership.

Therefore, the partnership business form is not a common business form among attorneys, even though the business form is otherwise permissible. However, a Limited Liability Partnership (“LLP”) is a business form which is commonly utilized by two or more attorneys and/or professional corporations who jointly desire to form a business law practice.³² The LLP may be comprised of an attorney licensed in a foreign jurisdiction (subject to the State Bar’s approval) provided that one or more of the partners is licensed to practice law in California.³³ The LLP must be registered with the State Bar and is subject to annual reporting requirements.³⁴ While an LLP provides a similar level of liability protection as a professional corporation, the corporate formalities of this business form are more fluid. In certain circumstances, this could translate into less time being allocated to administering the business form.

An LLP must file an Application to Register a Limited Liability Partnership with the California Secretary of State with the corresponding filing fees.³⁵ The form is commonly referred as an LLP-1. The application must include: the name of the LLP; the street/ mailing address of its principal office; and a brief statement of the business it intends to engage in.³⁶ The name of the LLP must contain the words “Registered Limited Liability Partnership,” “Limited Liability Partnership” or one of the following abbreviations: “L.L.P,” “LLP,” “R.L.L.P, or “RLLP” following the proposed name of the LLP.³⁷

Once the Secretary of State registers the application, the LLP must be registered with the State Bar. If approved, the State Bar will allow the attorney partners of the LLP to limit their liability for acts, errors, or omissions arising out of from legal services rendered by the LLP as it relates to joint and several liability as between attorney partners in the LLP.³⁸ Further, the application requires that the attorney partners provide evidence of security

as defined in Corp. Code, § 16956 for coverage of potential claims for any acts, errors, or omission arising out of the practice of law.³⁹ The statute provides three different types of evidence of security:

1. Proof of an active professional liability insurance policy;
2. Evidence that the LLP maintains in trust or bank escrow, cash bank certificates of deposit, U.S. Treasury obligations, insurance or surety bonds, or bank letters of credits which have a value greater than or equal to the specified policy minimum coverage amounts as defined in the statute; or
3. If the LLP can provide evidence to the State Bar that it had, in the last fiscal year, a net-worth which is greater than or equal to fifteen million dollars (\$15,000,000).⁴⁰

The most common method of security is to provide a professional liability policy which includes certain minimum policy limits (e.g., for LLPs with five or fewer attorneys, the liability policy limits must be at a minimum of one million dollars (\$1,000,000)).⁴¹ Regardless of the method of security the LLP elects to provide, once the application is submitted and approved by the State Bar, the LLP will be quickly on its way to operating. The only remaining issues, in terms of licensure, are that the LLP needs to apply for a business license in the city or county where the LLP's office is physically located and secure an EIN with the IRS. Then, the LLP can lawfully commence its business operations.

Although the LLP could draft and approve a partnership agreement, such an agreement is not required.⁴² Although highly recommended, there is no requirement that the LLP meet annually and/or maintain records of its business meetings.⁴³ Additionally, the LLP is not required to file an annual Statement of Information with the California Secretary of State. The lack of corporate formality as compared to a professional corporation translates to less operational expenses and a reduction of administrative resources throughout the lifespan of the LLP. However, it is highly recommended that the LLP conduct partnership meetings on a semi-annual basis (at a minimum), and the LLP keep written minutes of every meeting of the partners as a prudent business practice. Further, it is highly suggested that the LLP draft and approve a partnership agreement, as a lot of the statutory gap-filler provisions can be amended, modified, and/or waived so as to conform

with the understanding of the partners and in consideration of the day-to-day operations of the LLP.

“ An LLP, like a professional corporation, is an entity that is separate and distinct from its individual attorney partners.

Attorney partners are not employees and therefore are compensated annually based on the allocation of income, gain, loss deduction, or credit in accordance with the partnership interest.⁴⁴ The timing of these distributions is based on the profitability of the LLP. Therefore, distributions may be variable. The attorney partners, like solo practitioners, must make estimated tax payments based on the gross distributions provided by the LLP. The LLP, as well as the attorney partners, must file separate tax returns with the state and federal government, annually. Also annually, the LLP must issue a Form Schedule K-1 to the California Franchise Tax Board, the IRS, and the partner attorney who received the compensation from the LLP.

Even though the LLP does not pay income taxes, the State of California Franchise Tax Board does require the LLP to pay the eight-hundred dollar (\$800) minimum income tax on an annual basis. A partner attorney is responsible for paying any income taxes based on the gross amount of distributions as reported in the Form Schedule K-1. The LLP is encouraged to consult with a certified tax public accountant to determine whether these distributions to the attorney shareholder could subject the attorney partner to federal self-employment taxes.

Conclusion

As you can see, the entrepreneurial attorney has much to consider when determining which business form is appropriate for them, based on their business plan and envisioned law practice. You can work through the election of the business form when you understand the relevant statutory requirements and are mindful of the resources necessary to implement the business formation properly.

However, it cannot be stressed enough: having a professional liability insurance policy in place is far more important than allocating start-up capital to a particular business form.

1. See CA ST RPC Rule 1.0.1 (“Firm” or “law firm” means a law partnership; a professional law corporation; a lawyer acting as a sole proprietorship; an association authorized to practice law; or lawyers employed in a legal services organization or in the legal department, division or office of a corporation, of a government organization, or of another organization.)
2. Although a non-profit benefit corporation and a partnership are potential consideration, these business forms are not commonly utilized by solo practitioners and small firms, therefore, these business forms will not be discussed in further detail. Further, in California, a limited liability company cannot be utilized as a business form to facilitate a law practice.
3. See CA ST RPC Rule 1.0.1
4. See *T. & R Foods, Inc. v. Rose* (1996) 47 CA4th Supp. 1, 8-10
5. See *Ball v. Steadfast-BLK* (2011) 196 Cal.App.4th 694,701
6. See Bus. & Prof. Code, § 17900 (“In the case of an individual, a name that does not include the surname of the individual or a name that suggests the existence of additional owners, as described in subdivision. . . .”)
7. See 26 C.F.R. § 301.6109-1(a), (a)(ii)(d)(“An individual, whether U.S. or foreign, who is an employer or who is engaged in a trade or business as a sole proprietor should use an employer identification number as required by returns, statements, or other documents and their related instructions.”)
8. See 26 C.F.R. § 1.1402(a)-2
9. See 26 C.F.R. § 1.61-2
10. See *id.*
11. 26 C.F.R. § 1.1401-1
12. See *id.*
13. See *Olson v. Cohen* (2003) 106 Cal.App.4th 1209, 1214
14. See Corps.C. §13400 et seq.; see also, Bus. & Prof.C. §§ 6160, et seq.; and, see also, State Bar Rule 3.150 et seq.
15. See Bus. & Prof.C. §§ 6161, 6165
16. *People ex rel. Herrera v. Stender* (2012) 212 Cal.App.4th 614, 632; and see also, State Bar Rule 3.154(c)
17. Corp. Code, § 13404
18. See State Bar Rule 3.152; see also, Bus & Prof.C § 6171(c)
19. CRCP 7.1-7.5
20. Corp. Code, § 200
21. See Corp. Code § 211, see also, Corp. Code § 314 et. seq. ; and, see also, Corp. Code § 13403
22. Corp. Code, § 1502
23. See Bus. & Prof. Code, § 6161
24. *Id.*
25. See State Bar Rule 3.158(A)
26. See State Bar Rule 3.158(A)(3)
27. See State Bar Rule 3.158(C)
28. See *Olson v. Cohen* (2003) 106 CA4th 1209, 1215
29. See *Wells Fargo Bank, N.A. v. Weinberg* (2014) 227 Cal.App.4th 1, 8
30. 26 U.S.C.A. § 11(a)-(b) (West)
31. See Rev. & Tax. Code, § 23153
32. See also, Bus. & Prof.C. §§ 6174, 6174.5; and see also, Corp. Code. §§ 16951-16962
33. See State Bar Rule 3.172
34. See State Bar Rule 3.170 et seq.
35. See Corp. Code, § 16953

36. *See id.*
37. Corp. Code, § 16952
38. *See* Corp. Code § 16306(f)
39. *See* State Bar Rule 3.172
40. *See* § 16956
41. *See id.*
42. *See* Corp. Code § 16103(a)
43. *See* Corp. Code § 16202
44. *See* 26 C.F.R. § 1.704-1

BUSINESS PLANS

JAMES D. CROSBY

“ Lawyers are privileged to do meaningful, interesting, and challenging work for the benefit of others.

We solo and small firm attorneys enjoy the additional benefit of being able to create and operate practices that match our skill sets, allow us to do the type of legal work we want to do, and fulfill our specific personal and professional goals. But we also need to make money on a continuing, sustained basis. After all, we have to pay bills, support our families, sustain our personal lives, finance our hobbies, and build financial futures for ourselves and our families. As a solo or small firm attorney, the responsibility to meet those needs and make enough money rests solely on your shoulders.

To thrive and sustain any degree of long-term financial viability and success in your practice, you must run your solo or small firm practice like a business. A thoughtful, well-conceived, realistic business plan will help you do just that.

To successfully run your practice like a business, whether you're solo or running a small firm, you should have a plan. A detailed business plan provides a roadmap for how to structure, run, and grow your practice. Your

plan is a framework within which to think about the goals of your practice and how to meet them. (Note that I'm not referring to a business plan used by some businesses, possibly some of your clients, to pitch prospective investors. Instead, my definition is an internal plan used by you and/or your small firm to plan and guide the operation of, and promote the success of, your practice.) The process of creating a business plan requires you to identify and specify your professional and business goals and then plan specifically how you will meet those goals over a specific time. Once in place, your business plan will serve as a touchstone against which you can compare you or your firm's performance and progress towards desired goals over a designated period.

There are tons of business plan templates on many private and government websites offered for free or for a fee. You won't need them. There is no right way or wrong way to do this. Lawyers know how to outline and create bullet points—do what you feel comfortable with for the structure of your plan. In reality, the structure matters much less than the thought process that goes into it.

“ The exercise of creating your plan is always more important than the actual finished product.

In my solo practice, I create and renew my business plan yearly during December. This annual exercise forces me to judge my business performance over the year against last year's plan and then to adjust for the coming year. This yearly business plan ritual also forces me to focus on long-term trends—both good and bad—in my practice.

I create and maintain my business plan online using a note-keeping app (WorkFlowy, a great app!) that also houses my daily practice and business to-do lists. In fact, my to-do lists, which I use and modify over the course of each workday, and my business plan live in the same online document. That way my business plan is not sitting filed away in my desk or housed in some rarely opened file in my computer. Rather, it is there every day, open in the document that guides my practice every day. My plan is there for review, across all my devices, reminding me I have a plan for what I'm doing, and to work—every day—to fulfill that plan. Works for me.

Create Your Plan

Statement of Goals. Your business plan should start with a general statement of your business and professional goals for the period of the plan. This statement should address:

- What do you want to accomplish?
- What are your professional goals?
- What type of work do you want to attract?
- What are your monetary goals, both to sustain your practice and to generate desired larger profits?
- How much money do you want to make?
- Do you want to grow your practice and, if so, how?
- Do you want to take on pro bono matters?
- Do you want to take on contingency work or move into a new area of practice?

Take some time with this. Home in on exactly what you wish to accomplish with your practice or firm over the designated time period of your plan. Encapsulate your thinking into a simple, direct, concise statement of what you want to accomplish. For example, my statement of business and professional goals for my civil litigation/trial practice is:



Attract and handle:

1. High-end hourly rate matters, with emphasis on high-dollar, complex business, and civil/criminal interface, cases that will likely be tried, from existing, and an expanding network of, referral sources sufficient to generate \$#### in net revenues; and
2. High impact pro bono cases individually or in association with public interest attorneys comprising 10-15% of my time.

These are my goals, based on my own professional and financial desires, interests and commitments. They reflect my personal business model—get the cases I want to generate and the profits I want with time set aside to

fulfill my personal pro bono commitment. Your statement will surely be different based on your own practice and professional goals. But developing this concise statement of what you want to accomplish, reflective of your desired goals, is the most important part of creating a business plan.

Develop your Plan and Set Commitments to Meet your Goals. After you have created your statement of business and professional goals for your practice or firm, then develop your plan for meeting those goals. Consider:

- How are you going to attract the business you want?
- How will you meet your financial goals?
- How are you going to grow your practice?
- What much time will you commit to various components of your plan to meet your desired goals?
- How will you monitor and control your expenses in order to meet your profit goals?
- What professional activities will you emphasize, to what extent, and why?
- How many hours do you plan to bill and collect, or what income do you plan to have from flat fees or contingencies to meet your desired financial goals?

“ Break it down into component parts and develop specific goals and commitments within those various parts.

For example, you may use “Personal Activities and Engagement” as a business development component of your plan and set forth your goals for personal engagement with referral sources, participation in professional organizations and boards and other professional activities.

Then set forth specific commitments as bullet points. For example:

Personal Activities and Engagement

Lunches/Breakfasts/Drinks with Referral Sources:

- Minimum # per month

Events

- Attend professional events for *these professional organizations*
- Attend *these local and state bar events*

Professional Organizations/Boards

- Increase activity in *these professional organizations*
- Seek leadership role in *this professional organization*

Bar Associations

- Join *this Bar committee*
- Join and attend *these Bar section meetings*

Or use “Digital Activities and Engagement” as a component to set goals for your professional online life. Perhaps “Professional Writing” is a component to establish writing goals you may have and setting your writing commitments.

“ If part of your plan involves attracting a particular type of work, consider writing in that area of law.

Identify where you’ll submit to and how many pieces you’ll commit to over the course of your plan.

If you develop business through personal contacts, how many lunches or after-work cocktails with what frequency will you commit to over the course of your plan? If you have a particular client or type of client you want to land, how are you going to accomplish that goal and what will you commit to in order to do so? If one of your goals is to take on more pro bono work, use “Develop Pro Bono” as a plan component, develop your goals in that regard, and set your planned pro bono commitments. Break down your goals and commitments, on and on, and plan them out in detail with specific commitments for yourself.

The Financial Component of Your Plan and Associated Budgets. Your business plan should also encompass financial components—your monetary goals and your practice performance goals to meet such monetary goals. This can be as simple as:

My overhead is \$##, ###. I need to collect \$###, ### to meet my desired net after-tax income goal of \$###, ###. I want to take this much time off, and we have these holidays. So, I will need to bill and collect ## hours a day at my rates, or collect this amount a month or a quarter from flat fees or contingencies, to meet my desired monetary goals.

“ These financial components to your plan will focus your attention on the—at times, sobering—reality of what you actually have to do to keep your practice/firm functioning and meet your personal financial goals.

But these are precise numbers you must know, understand, and religiously monitor to operate your firm successfully and sustain any degree of long-term financial viability in your practice.

To know, understand and monitor these critical financial components to your business plan, you must develop, and continually gauge your performance against a well-considered budget incorporating expected collections and expenses. Create a detailed budget for your practice, the numbers from which are incorporated into the financial components of your plan. All the major financial software for attorneys contains budgeting functions. Use them. The budgeting exercise forces you to take a hard look at where the money goes to run your practice, and the necessity and/or efficacy of expenditures going forward. Expense creep through inertia and lack of planning sucks money from your practice and your wallet. Develop a detailed budget based on expected and necessary expectations. Incorporate it into the financial components of your business development budget. Then regularly gauge your performance against that budget and your plan.

Summarize your Plan Commitments For Calendaring. To conclude your plan, summarize your planned and committed to activities, efforts, and undertakings from all your component sections into an action item list.

For example, you're committed to:

- Increase your activity and leadership positions in *this organization*.
- Join *this organization*.
- Write 6 articles spaced over this period for submission to *these publications*.
- Attend *these events*.
- Do # one-on-ones with current and potential sources over *this period*.
- Take on # pro bono matters through *these organizations*.

You can use this summary to calendarize your commitments with timely reminders to remind help you finish what you planned and committed to.

Your Goals will Drive Your Plan, But Be Realistic

Your thoughtful and well-conceived statement of goals will define and drive your plan and organize your commitments. But, a note of caution—your plan must be realistic and reflective of your own strengths and weaknesses. If you don't like to write, don't include a commitment to write in your plan. If you don't like lunches, don't plan lunches with referral sources. Plan what works for you, and what you'll commit to in order to meet your goals. But also understand that sometimes we have to move outside our comfort zones and stretch to reach desired and worthwhile goals.

Conclusion: A Worthwhile and Necessary Exercise

You'll find that the exercise of developing your business plan will force you to look at your practice as a business, to assess what's working and what isn't, and to make necessary changes to drive continued success. Once in place, your plan will be a touchstone setting business goals and metrics against which you can judge ongoing performance. But, perhaps, the significance of business plans is not in the finished product itself, but in the thought process that goes into producing it. It is the journey, not the destination. Think about the work you want to do, how to generate new work, how much money will be earned, and where money goes once it comes in

the door. This is the essence of business planning and a critical component to the successful business of law.

	A	B	C
1	Decide and commit	You must be 100% committed to excellent and ethical representation of your future clients	
2	Business Plan	Even something as simple as www.100startup.com will put you ahead of most lawyers	
3	Name	Starting with Law Office of Your Name is best; naming your firm can pose ethical issues - keep it simple	
4	Type of Entity	Sole Proprietor is best to start; there are rules around entity selection that can pose issues	
5	Registration of Entity w/Bar	www.caabar.ca.gov/Attorneys/Attorney-Regulation/Opening-and-Managing-Law-Office/Law-Corporations-Program	
6	Address	Keep overhead low at first - look for an executive space where you can be sure that you can abide by the confidentiality rules	
7	Phone Number	Get a memorable number - RingCentral and similar companies can help with this	
8	Fax Number	Yes, you still need one of these - RingCentral and similar companies can help with this	
9	State Bar Profile	Add a CLA section or two	
10	Internet connection	Ensure that it is secure - firewalls + encryption	
11	Laptop/Desktop	Either or both is fine - make sure that everything is password protected and secure	
12	Printer - Laser quality	Laser quality B&W printer is more important than a color ink-jet printer	
13	E&O Insurance	Mandatory - LMIC is a good option	
14	Security	Encryption; firewalls; virus protection	
15	Commercial Insurance	Helpful if you are renting brick-and-mortar office space - secondary to E&O Insurance	
16	Specialty(ies)	Without using the word "specialty" if there is a State Bar Certified Specialty, pick a niche and get really good at it	
17	Contacts list	Start a spreadsheet with the name and contact info of EVERYONE you know	
18	Identify and contact mentors	Look through that list and identify potential mentors; reach out to them and take them to coffee; repeat	
19	Business License	Mandatory in most cities; usually under \$100 per year; required by local law	
20	Personal Budget	Know your personal numbers	
21	Business Budget	Know your business numbers	
22	Student Loan Payment Plan	Check out income based repayment options	
23	Fee structure/model	How much will you charge per hour; as a flat fee; as a contingency - watch for laws that limit fees (e.g. , workers comp.)	
24	Invoicing Method	A simple template generated by QuickBooks will work (also see case management software)	
25	Bookkeeping Method	QuickBooks is the standard and worth the price; otherwise, use a simple spreadsheet that is compatible with QB	
26	General Account	Develop a relationship with a banker	
27	Trust Account	Develop a relationship with a banker - and pay extreme attention to this account; NON-DELEGABLE duty	
28	Tax I.D. # & W-9	See IRS forms and circulars	
29	Tax Planning - Quarterly	See IRS forms and circulars	
30	Plan for Legal Research	There are many options for low-cost and free research including and especially your public law library	
31	Work-Flow Management	This is highly personal, but you must identify and perfect how you, personally, can be productive	
32	Method for Keeping Calendar	This is critical - you should have redundancy, including a written and electronic calendar	
33	Case Management Software	For example, CLIO, MyCase, Practice Panther, etc.; free calendaring SAAS: www.smartdockets.com	
34	Cards	Simple and easy to read; include your practice areas; avoid words like "specialize"	
35	Letterhead	Simple and easy to read; I recommend www.typographyforlawyers.com to guide you	
36	Headshot	A simple and professional headshot is a must; check with local bar associations for specials with local photographers	
37	Bio	A professional and accessible bio will be necessary for your website and future speaking engagements	
38	Announcements	See, contacts list, above. A simple announcement that you are open for business to your contacts list is a great place to start your marketing	
39	Marketing Strategy	Target Market (define by geography, language preference, age, employment, etc.) & Ideal Client	
40	Marketing Tactics	Networking, advertising, social media, flyers, etc. It's all marketing!	
41	Marketing Plan	Using your marketing strategy as your guide, identify when you will deploy your marketing tactics	
42	Research Competition	Easiest way to do this is to search the web and track certain aspects of lawyers whose websites you find accessible and attractive	
43	Domain Name	Stick with www.dotster.com or www.alldomains.com // I personally prefer them over 1and1 and godaddy	
44	Domain Hosting	WordPress or Wix are the most accessible for most solo lawyers	
45	Content	Content is king; drafting outstanding content - being mindful of the requirements of the RPC - is the best way to create a strong internet presence	
46	Website Design	WordPress or Wix are the most accessible for most solo lawyers	
47	Marketing Tracking	"What gets measured, gets managed." Peter Drucker - Gather info on every single person who contacts your firm and where they got your name from	
48	Retirement Plan	Start by paying yourself first - research no-load, low fee mutual funds and put a little in every month	
49	CRM/Lead Pipeline	Lawmatics and pipedrive	
50	Client Relations Method	Treat clients with the greatest of care no matter what - it's not about you, ever.	