Business & Careers

'Earn it before you spend it'

Instead of a splashy office, keep it simple and professional when starting out

GRANT CAMERON

M any lawyers in recent years have decided to take on the challenge of launching their own practice. They might be new graduates entering the profession who are unable to find jobs or veteran lawyers who just want to go it on their own.

While the experience can be liberating, allowing lawyers to create their own brand, it can also be very expensive, as there are computers and furniture to buy, an office to rent, software to acquire, a website to build and marketing to be done.

Paul Busch, who operates a boutique accounting practice in Mississauga, Ont., that serves small to medium-sized businesses, including law firms, says there's a whole laundry list of expenses that lawyers face when starting their own practice.

In addition to the anticipated expenses, he says, other start-up items that must be covered include a telephone system, business cards and letterhead, law society dues, insurance, perhaps the cost of incorporating the firm, hiring a receptionist to answer calls, as well as money for an accountant to set up the firm's books, an account with the Canada Revenue Agency, and a system of collecting the HST.

When starting a practice, he says, the first thing a lawyer should do is put together a business cash-flow projection for 24 months, as it will help them stay on track.

"You're putting a benchmark out in front of yourself and saying, 'That's the hurdle I've got to jump so I'd better get my butt in gear.' It tells you if you're falling short."

Busch suggests lawyers have enough cash reserves on hand, or at least a number of clients in the pipeline, so they have some type of fee generation at start-up.

He looked at a couple of small law firms that he does accounting work for and found that it costs them about \$40,000 a year in office costs and \$80,000 to \$90,000 per year in overhead expenses for each lawyer. That does not include salaries.

If a lawyer is strapped for cash, Busch recommends renting office space from an existing firm, saving the practitioner money on library costs and paying a receptionist.

He also suggests lawyers think long and hard before purchasing expensive office furniture. "I was in practice five years before I went out and spent \$20,000 on really nice oak furniture. I'm a believer in, 'Earn it before you spend it.' I tell my clients all the time when they're starting up, 'You're not IBM, so let's wait a while before you go spending all this money.'"

Janice Wright, of Wright Temelini in Toronto, says many of the issues around costs, budgets and marketing will be determined by the type of firm a lawyer is starting.

"In many respects, that's the most important thing to get right and then a lot of the other questions and therefore answers will follow on from that."

Wright is familiar with the financial challenges of starting a practice. She launched Wright Temelini, a litigation boutique, with her partner Greg Temelini just over a year ago.

She says setting up the practice was a great learning experience for the two and what they learned is to set priorities, have a plan, and be cautious when spending.

"You know the old saying, 'Plan for the worst and hope for the best.' That's what we did."

When Wright and her partner started out, they set up a budget — and stuck to it. They set aside more money for technology because the firm handles complex legal issues like securities and corporate commercial litigation, international trade law and cross-border litigation, so it was critical to have the latest tech tools to keep files organized.

"We considered that critical, so our budget in that area was probably quite a bit higher than other small firms but it was absolutely critical for us."

The partners didn't go over the top on furnishings because they wanted the office to be comfortable for clients but not too extravagant.

"We took the time to furnish it in a way we think is professional but we didn't go out of our way to have it extremely elaborate because neither of us, quite frankly, had a sense that that's what we want."

Says Temelini: "It really depends on who you're trying to attract. For us, having marble flooring wasn't high on our priority list."

Peter Aprile, taxation and litigation lawyer and principal of Counter Tax Lawyers in Toronto, says financial costs can add up when a lawyer decides to hang out their shingle, so it's wise for them to be cautious. "I always have and would encourage people to be very willing to take risks but be conservative in

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Cash: Keep eye on finances

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terms of costs and things of that nature. Having a cash reserve, as well as a good relationship with the bank, and a healthy line of credit are other things that I would recommend for a lawyer starting their own practice."

Aprile believes a healthy financial foundation is essential to launching a successful practice because that allows a lawyer to focus on bringing in new business and clients instead of worrying about finances.

"Starting a practice is hard enough and I wouldn't want to be in a position where I'm worried about making rent right off the bat."

At the end of the day, he says, reputation is the most valuable asset a lawyer has and it's a recipe for disaster if decisions are made based on finances as opposed to servicing clients.

When starting out, says Aprile, lawyers should consider whether a purchase they make will have benefits down the road. "People tend to focus on things like fancy office furniture, but that is where people would be wise not to take on those expenses, at least not in the short term. I think you need to be projecting the right image, but I don't think it needs to be over the top."

Aprile has carried that frugal philosophy to his daily dealings with clients. Instead of going for lunch or a round of golf, he prefers to visit clients at their offices or partake in "modest" activities and develop a deeper understanding of their needs.

"Making personal connections with people and having a cup of coffee with them and taking the time to go and meet with them at their offices is just as valuable."

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