



Billing

Tracking and billing time to clients is an important and inevitable part of working in a law firm. Now more than ever, billing and collection are processes that practitioners must master if they are to manage their practices effectively and profitably.

To be able to bill a client thoroughly for work done, lawyers must religiously maintain a record of their time spent for each and every work hour. Studies conducted in the past have shown that lawyers who consistently maintain a record of their time garner significantly higher income (more than 10%) than their peers who do not.

The idea behind timekeeping is quite academic. If a lawyer can, at any given time, total up the number of hours or days spent working on a particular client's case; he will be able to generate better, detailed bills in timely fashion to produce to the client.

The quicker a bill is generated after completion of work done, the higher the chance of the client making prompt payment. Billing a client after a particularly successful turn in the case will result in the bill reaching a very grateful, content and happy client – a good combination, which would probably result in quick payment of your bill.

The lawyer that records his time will also have a better understanding of his own self-worth. At the end of the year (or any given period), a recap of his records will provide him with a detailed self-assessment. A lawyer will be able to gauge his performance on key cases and how he handled his time ie how he was efficient and thorough in seeing the case through in a timely manner.

This record will also open the lawyer's eyes to the types of cases that are less profitable to him and the firm. An analysis of his timekeeping may show that his expertise are not well suited for other areas of law ie where he took longer than usual in completing the case work due to being unfamiliar with the law. This may either spur him on to improve his skills in this area through training or lectures on that area of law or it can be used as a yardstick for the lawyer in avoiding taking on those types of cases as the lack of expertise will hamper his efficiency and reduce the overall profitability of the firm.



Even if your firm's billing system is top notch, collecting the fees due to you from your clients is a whole other matter altogether. Statistics show that as much as 30% of billed fees by law firms remain

uncollected at the end of the year. This is attributed in part to the lawyer's and/or law firm's improper practices or languid attitudes in fee collection. The other part is credited to clients themselves.

Collection



While good client-paymasters exist, there are other types of clients who drag their feet when it comes to making payment. Some of these clients even hope for a discount in fees, whilst others berate the lawyers at what they deem to be a king's ransom for a bill!

There are a number of things that a lawyer and the firm can do in ensuring better, more efficient collection of fees, the foremost of which is the simple act of monitoring your accounts receivable, and being able to, at any one point, determine the following:

1. How much work (in billable hours) has already been done on a file?
2. How much of the work done has the client been billed for?
3. How much of the billed fees have been paid by the client and collected by the firm?

If the lawyer or the law firm is able to answer all of the above, it is clear that they have full control of their accounts receivable. That would be half the battle won. The other half is finding out ways and means best suited to your practice to ensure timely payments by clients.

Consider varying forms of pre-payment for the work that you do:

- A. **Up-Front Retainers** – The most common type of pre-payment, the money collected will be utilised by the law firm to cover their services and expenses as the case moves along. The up-front payment probably will not cover all the legal work and expenses, but it will mean that a substantial amount has already been collected.
- B. **Security Retainers** – This retainer is not to be used to finance the legal work or expenses as it should be kept in the firm's trust account to be utilised only as security. This arrangement, if put into practice must be communicated to the client. The client will continue to be billed separately as the work progresses. Should the client default on these bills, the security retainer will kick in. Subject to ethical discourse, the lawyer must clearly communicate to the client – in writing complete with an acknowledgement of receipt – that the lawyer will be halting work unless further payment is made.



by Melissa Kraal