

Popular Threads on Solosez

Annual Billable Hours

I just finished reading Jay Foonberg and J. Harris Morgan's excellent "How to Write Bills Clients Rush to Pay." In it, they mentioned that it is unrealistic for solos and small firm lawyers to bill much more than half their time.

Perhaps some will find that discouraging, but I found it encouraging.

Neal D. Fortin, Okemos, Michigan

It is not far afield from how much I bill related to how much I work. Maybe a little higher than my figures.

Robert "Robby" W. Hughes, Jr.

I've worked with Jay on many CLE programs. His words are important. However, IMHO, the issue is NOT how many hours you bill. The key is how many hours you actually collect! You have no idea how many offices I've helped over the years where "past due" accounts were in excess of annual billings.

Bruce Dorner, Londonderry, NH

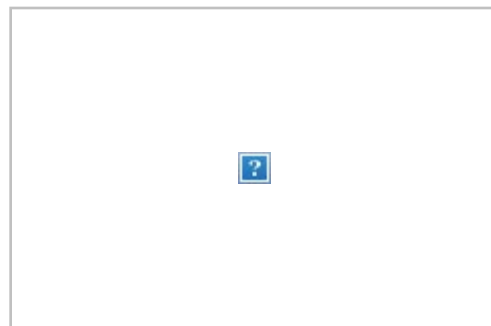
Back in my law factory days I regularly billed 2200 - 2400 hours per year. 2000 hours per year was considered the absolute minimum acceptable number of billable hours for associates. Since opening my solo office in 1998, I have been billing and collecting around 1200 hours per year, though I work more hours than I did at the law factories (there is a lot to be said for having staff members waiting on you hand and foot so you are free to bill, bill, bill).

My 2005 New Year's resolution is to increase my productivity (i.e., work less, bill more). What is a reasonable goal for hours billed and collected per year for a solo practice? What percentage of my time should be billable vs. administrative?

Neal A. Kennedy, Marble Falls, Texas

My understanding is that for a solo, 60% is about average for billing actual hours worked. If you put in 2000 hours, that 1200 is right on target.

Remember, it's not only administrative hours, but reading journal articles,



Subscribe to Solosez

First Name

Last Name

E-mail Address

Submit (input element)



Unsubscribe from Solosez

E-mail Address

Submit (input element)



Books

Click on the book for more info



networking, marketing, etc. that deduct from your billable hours.

Ronald Jones, Florida

Of course, we didn't have unlimited Internet access back in my law factory days, so my productivity was much higher. ;-)

If I don't count time wasted each day surfing the Internet, I'm probably billing and collecting about 50% of my time spent at the office each day. I had more noncollectable billable hours (either unbilled or billed and uncollectable) than I should, which I am also working on fixing this year.

Is 60% a reasonable goal? Does anyone on Solosez bill and collect significantly more than 60% of hours worked?

Neal A. Kennedy

Yes. We require retainers to begin work, and our retainers have an evergreen clause. It's unusual that we get beat out of a fee because if the client quits paying, we withdraw.

Now of course from time to time the judge won't let us withdraw, or I will take a post-judgment case on a contingency, but even so I suspect we collect 90% or more of our billed time.

This is all thanks to my partner Janet Brumley who is a wonderful business manager and who taught me to ask myself, "Would you rather be busting your butt practicing law and not getting paid, or doing whatever you feel like doing and not getting paid?"

Jimmy L. Verner, Jr., Dallas, Texas

I do quite a bit of flat fee work too (estates, probates and simple real estate transactions). I computed my average billable hours by dividing my gross income by my standard hourly billable rate (which I use mostly for litigation and complex transactions).

I need to do a much better job of keeping track of the time that I spend on flat fee matters. I set most of my flat fees based on the high end of the range of what other attorneys in the area are charging.

Neal A. Kennedy

I am not 100 percent sure of the numbers, but I believe that the principal attorney at the firm where I serve as counsel probably bills and collects at least 80-85 % of his hours worked. (the attorney operates as a full solo, with one office manager and the equivalent of 1 full time associate and one part time associate) In any event, he does the following. First, he has

a full time office manager who he uses to do lower level marketing tasks (like client newsletter type things). He also has the office manager handle all billing and payroll. Second, rather than speak for free at various conferences, etc...the attorney runs his own 2 day seminars twice a year which generally take in enough \$\$ to compensate him for his hourly billing rate. He very rarely speaks at uncompensated events and when he does, he will usually use older material that he will have an associate update for him (as an aside, my own major time-sink are speaking events since I always prepare new material and hang around networking, etc...). Finally, this attorney rarely does anything for free - even client development type things. For example, the firm sends out a monthly newsletter, but there's a charge for it - and the charge is set at a high enough rate to compensate for 3 hours of associate time to prepare the newsletter. So while it's not a profit maker, he breaks even on it. I realize that all of this defies what the marketing experts say - and probably not everyone can pull it off, but this guy is doing really, really well.

Carolyn Elefant

But Neal seems to be saying that he is working more hours than he did at a large firm - where he billed 2400 hours/year. Even at a law firm, if you bill 2400 hours (@48 hrs/week) ou also have nonbillable time - training, chitchat w/office workers, etc...Those attorneys who bill 2400 hrs at large law firms are working closer to 60 hours a week. So if Neal is working that much, he is either gettng stiffed quite frequently or probably could be more efficient. 1200 billables comes out to 24 hours a week (on a 50 week scale) and 2000 hours is 40 hours. 16 hours a week for all admin, marketing, etc...seems high to me but I am a very small operation. One thing that I have been doing recently is delegating delegable-marketing tasks like researching new practice areas, posting to web logs and other such tasks to a law clerk which takes it off my hands. If there's anything along those lines that can be delegated, it should be done.

Carolyn Elefant

You cannot bill 2400 honest righteous hours a year and maintain a life. It is silly to try.

James P. Moriarty, Cresco, Iowa

You can if you lie. Oh, yeah, you said "righteous."

Richard O'Connor

You can bill 2400 honest righteous hours a year. Each year that I billed over 2400 hours at the law factories I had at least one black hole case that resulted in several weeks of 12+ hour days. One or two 300 hour months

will boost your billables for the whole year. It helps to have secretaries, file clerks, billing clerks and other minions taking care of everything else (including bringing you food and changes of clothes) so that you have nothing to do but bill.

I agree, however, that I could not continue to bill 2400 honest righteous hours a year and maintain a life, which is why I am no longer at the law factory. As a solo with minimal staff, I would be happy if I could boost my billable hours from 1200 per year to 1500 per year.

Neal A. Kennedy

And we cannot forget the WIP - work in progress. That is the stuff you have done that you never get around to billing.

Then there is the write-downs of bills because you did not expect the 15 minute phone call to turn into an argument with the opponent after the client quotes your advice and on and on and on. But you said you would talk on the phone and give advice for \$35.

Ted A. Waggoner, Rochester IN

The point is not to bill more hours. To paraphrase Alan Weiss, making more money by working your assets into the ground (billing more hours) does not show an abundant amount of creativity.

The issue is not how many hours you bill.

The issue is not how many hours you collect.

The goal is to work as few hours as humanly possible while collecting high fees in advance. [snip]

The ultimate goal, for all attorneys, is to collect in advance for one hour a year, without writing a bill for it. One very expensive (yet ethically reasonable) hour.

Or charge a reasonable flat fee for everything you do, and collect in advance. Then, it doesn't matter how many hours you (or better yet, some one else) spends on the matter.

The point is, when you bill by the hour, your income is limited by simple math: [(the number of hours you can reasonably work x your billable rate x utilization rate%) + (the number of hours your staff can reasonably bill x their billable rate x utilization rate%)] less [write down + uncollectables + the time value of money] less [office expenses + salary + taxes]

The utilization rate in the law factories is 60-65%. This includes all the first years billing their hearts out, and non-attorneys handling all admin functions. I agree with Jay Foonberg that it is highly unlikely that the average utilization rate for a solo or small practitioner is much above 50% unless your admin is beyond efficient and your marketing machine incredible.

That said, if you insist on billing hourly, solos should project income based on 20 hours per week if you work 40, or 25 hours per week if you work fifty x your hourly rate. If this minus expenses and uncollectables is not enough to support you, you should raise your rates (which may entail doing substantially more marketing). Of course, legacy cases will bring in less per hour, but the advantage is no marketing expense at all. It goes without saying that you weeded all your dogs back in slow December.

Now you have a reasonable goal (at 50% utilization). Then, you spend all your admin time working on ways to raise your utilization rate above 50%, thereby raising your income above projections.

IMHO, you should therefore spend: 50% billable; 25-35%% marketing; 10-20% strategic; 5-10% admin. What I have always found is that admin expands exponentially to fill the time not available, so you should have a set time every week (say Friday mornings for two hours) when you do admin work, and simply REFUSE to expand beyond that time. Admin will ALWAYS be there next week, so make your employees if any put the most important stuff on the top of the pile.

If you have employees, you MUST spend at least 30 minutes per employee per week doing focused employee development. This increases admin time, but theoretically, employees pay for themselves in increased billable and marketing time (and sometimes you can bill for them, to). And certainly, spending that 30 minutes *greatly* decreases interruptions during peak productivity and can massively increase *their* productivity (increasing your personal utilization rates).

Finally, if you spend much time at all on collections, that is one of the MOST unproductive and easily resolved admin areas that attorneys spend time on. There are numerous solutions:

- 1) All new clients pay in advance an evergreen retainer, with automatic stop works in place.
- 2) All old clients get up graded to evergreen retainer.
- 3) All new clients must provide you with signed permission to bill their checking account if the invoice is more than 20 days old (this can be accomplished with check drafting software available at any office supply store).
- 3a) Alternative: signed permission to debit their credit card. I prefer drafting their checking account, because credit card charges can be disputed much more effectively.
- 4) Old clients coming for new work or opening new files must sign off on 3 or 3a.
- 5) ANY client work that doesn't meet the above guidelines gets a stop work when the invoice is 5 days old. Better yet, once the invoice goes out, all work stops until the invoice is paid. This takes a simple unilateral letter upgrading your contract (you agree that all work done after 30 days from the date of this letter is done under these new terms).

Becki Fahle, San Antonio, TX

[Back to Popular Threads](#)

