

Financing for Solo Practice

I'm working on the LexisNexis book, How to Manage Your Law Practice. The book is going through huge revisions and will go from being geared towards BigLaw to Solos. I'm working on a section on financing your solo practice.

Where did you get your start money to go solo? Did you get a line of credit for your business? Any suggestions for managing or funding your practice when going solo?

My "start-up" funds came from savings from my time at "big law" and by obtaining a SBA loan from the bank (which required both myself and my wife to personally guarantee). I also taught college courses in order to allow the practice time to generate funds without having to take money out of the practice to pay living expenses. Teaching was probably the greatest help in addressing cash flow.

Leon J. Letter, Michigan

I started my practice with my severance pay I received as a result of a mass lay-off.

I haven't had to take out any loans since opening shop in '07, but I'm considering the idea of a line of credit, just to have available.

Jeena R. Belil, New York

Start-up money came from my savings. It really wasn't much because I had clients almost immediately.

Mike Wright

Bootstrap own funds from contract work. Got a line of credit when banks were giving it out like candy on Halloween.

Dan X. Nguyen, California

SoloSez Popular Threads, June 2013

I started my practice on about 3000. Mostly saved while I was still in law school.

Ling Chu

A \$300 loan from my grandparents. A gift of stationary from a grateful former client. A borrowed typewriter from my in-laws and I was in business. Keep in mind that was 25 years ago and I had a working spouse so I knew if we tightened our belts at least the food and mortgage bills were covered.

Ken Forman, Florida

I was laid off in January and decided I'd had enough of law firms. I've used a combination of 0.0% interest balance transfer checks from credit cards and a \$14k interest-free for one year business line of credit from Chase to cover mortgage and start-up costs. Business is developing rapidly (thank goodness) and I've kept overhead low working out of my home. Shouldn't have trouble avoiding interest on any of that money!!

Bradford LeHew

This brings up another question - did you write a business plan before starting the practice?

Jeena Cho

Like Ken, I had a working spouse so that made it easier. I think I had maybe \$2000 I put in a bank account to get started.

I also did contract work -- criminal appearances, mostly --and that brought in enough to pay my few work expenses and my tiny office rent (at \$350 and unlimited conference room space, it was a better deal then the rent-a-office centers).

I got a credit card, and then another. That was especially helpful for when I was traveling sometimes 2x a month between LA and Austin, but I would recommend people really watch cards and lines of credit. It is easy to think you are doing decently when you are actually slipping a little each month. However, if you get paid on contingency, it would be VERY tough to not have some line of credit (a card for example) to use in months when costs were higher and income lower. Just make sure it gets paid down when income is higher!

Amy Clark Kleinpeter< Texas

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I didn't, but I looked at my personal budget and the budget for my practice. I determined how much I had to bill per week to stay afloat, to support both budgets. Assuming I collected a large percentage of what I billed, I broke that down to how much I had to bill per day. If I bill \$ABC per day, then I will be ok.

I have several different hourly rates - my private hourly rate, an hourly rate that I'm paid per a government contract I have, a different "low bono" rate that a nonprofit pays me to represent victims of domestic violence, a rate that a union pays me to represent their members, etc. (Clio keeps track of all of these!) I can work at all these different rates, but I know that if I bill a total of \$ABC every day, then I will have enough money to pay my bills. I know that if I've reached my quota of \$ABC, I can work for the rest of the day on marketing, bookkeeping, read soloSez, or whatever else I want to that isn't billed at an hourly rate.

When I hired my assistant last fall, I increased my personal billing quota to \$DEF every day. Some days I don't make it, and I don't beat myself up about it. I don't have to work as many hours if I'm billing private clients. Some days I bill way more than my quota. That's great, but it doesn't let me off the hook for the next day. The extra is just extra.

Monica Elkinton, Alaska

I did not have a business plan, but I was planning during the "layoff countdown", which was approximately three months. In addition, I spent the first three or four months in practice researching everything from marketing (I had no idea what a website or a blog was) to filing systems.

It helped that I was starting a practice that was simply on the other side of the "v." from what I was doing for the past eleven years.

Jeena R. Belil

On the periphery of the topic being discussed, very similar to Monica, before I started almost two years ago, I made sure to prepare a detailed monthly budget for the first 12 months of my firm's existence so I could ascertain when I was able to make expenditures for marketing, CLE, letterhead, a scanner, etc. Actually, even now, at every quarter end, I update my budget for the next 12 months so I can still ascertain where I am currently at financially. I keep my budget in Excel because I am not advanced enough to do so in QuickBooks. More than happy to share my budget Excel template if anyone would like such.

Brian Yacker, California

SoloSez Popular Threads, June 2013

I just winged it... and I'm still winging it! No idea what I'm doing... wish me luck!

David Crosson

I also just winged it. I was incredibly lucky when I started off - I had a few existing clients and a few colleagues willing to refer work to me when they had conflicts of interest or it wasn't the kind of work they were doing. I had some savings to use to open my office so I didn't get financing. My only plan was to work as hard as I could to get established in the legal community here and to do as much work as I could.

Naomi C. Fujimoto, Hawaii

My mom gave me \$10,000 and I lived like a complete peasant (still do) while building my clientele.

Fareeda Brewington, Pennsylvania

I don't count for much since I'm not practicing yet, but I have a business plan made, \$5k set aside (all my office capital is already purchased and waiting, which isn't much), and a wife who has a good job to float us while I start.

Christopher Ambrose, not a lawyer yet
