

Firm Financing

Listmates,

My firm is in a crossroad. For eight years I practiced with a firm. I was basically autonomous, but other attorneys handled the business and marketing side of things (or didn't, which is another story.) Two years ago, I went truly solo and entered an office share with two other attorneys who were in the process of retiring and winding down their practices. One of the two has completely retired and the second just went back to FL for the rest of the year with the intention of formally closing up shop when he returns to IL after Christmas.

All of a sudden, I'm physically alone in the space I'm using and I need to make some adjustments. I'm at the courthouse a fair amount and I know of at least two times I've lost business because someone was looking for me and ended up at a different firm in the building.

I need to move into a new (smaller / cheaper / not sharing a building with the firm below me) space. I need to hire a full-time staff so that I'm not missing clients and can return messages faster. With the two attorneys retiring my phone rings plenty, but I'm not handling the customer service side of things as well as I'd like because I'm busy in court or otherwise working and don't have the staff to field it for me.

The downside to all of this, however, is I don't have the cashflow right now to cover these investments. I think I'm poised for revenues to increase if I can capitalize on two new client bases, but that's not guaranteed if I don't get some of these issues addressed.

What have your experiences been with business loans? I haven't run the budget numbers yet, but I'm thinking a \$100k loan has about a \$500/month payment. I'd take a modest amount of it to get a decent space and the rest would cover the hiring of a new assistant and allow me to focus for a month or two on marketing and the business side of things before sending out the formal announcement attorney #2 is retiring. I also have the bonus that I just cancelled my WealthCounsel subscription (\$500/month) and a smaller office should save me about \$300/month in rent. After a year I can re-assess and if

my revenue has picked up enough pay as much of the balance off with the unspent loan as I can and take care of the difference with the sustained revenue increase.

This is the side of things I wish they taught you in law school...

Thanks for the advice!

My two cents---1) hire a virtual receptionist service (CallRuby, etc.) to handle the calls 2) Think about whether you really need an office---if not, work with a co-working/temp office space you can use as needed.

Borrow \$100K? Nope.

Keep us posted.

Dave Rakowski, Pennsylvania

I think I do need the physical space and unfortunately there aren't any co-working spaces in my city of 40k. It's actually something my wife and I have considered starting but I don't think I have the capacity to add one more thing like that to my plate.

I'm definitely considering the virtual receptionist. I've looked at their advertised pricing, but don't have any clue what my usage would be. Is a typical call 3 minutes? 10?

Andrew O. Mays, Illinois

You should watch this - in the words of Billionaire Mark Cuban:

Only Morons Start a Business on a Loan

<https://www.youtube.com/watch?v=KYneLGRTgy8>

Don't borrow money for your firm. Very bad idea. Use google voice to have calls transferred to your cell phone so you don't miss them. Hire a virtual receptionist to field calls if you have to. I started out with CallRuby.

There's never been a better time to start a business now. Thanks to technology and virtual and cloud services, you can build up a business infrastructure very quickly and, more importantly, cheaply.

Eugene Lee, California

Hey Andrew...I hear ya re: office space. Sounds like you should probably get out of your current building though.

All the virtual reception services will work with you on call time---they do this for hundreds of businesses so would know better than you or I. Plus they have free trials. But even if your phone goes nuts it's still way cheaper than hiring someone.

Take your time to think this through---lots of experienced folks here on the list, and they'll no doubt have great ideas on what to do. As a dyed in the wool cheapskate, the idea of borrowing \$100K that doesn't end with me owing a building literally made me say "NOOOOO" out loud ;)

Dave Rakowski

I'd echo what the others have said about a virtual receptionist. It's also hard to imagine a bank giving you a loan for operating expenses if you don't have the cash flow to cover them now unless you have equity elsewhere that you can pledge. And unless you plan on mortgaging a house, I don't think your idea of a monthly payment is realistic—a 100,000 loan at 5% interest paid back over 10 years will cost you over \$1K per month.

Kevin Grierson, Virginia

If you are just seeking advice on the business aspects you might consider a consultation with the Small Business Administration or with SCORE (Service Corp of Retired Executives).

Sally Stenger, Georgia

For an answering service, I recommend CBSI. Cheaper and better service than Ruby. It does lack the bells and whistles (IIRC, Ruby had a phone app and slick user interface), but they do the job perfectly.

No long-term contract. Pause or cancel service anytime.

I have no affiliation, and they were recommended to me by Lyza Sandgren on this list.

Here is the contact person:

Becky Van Note

Director of Operations

CBSI

2985 Gordy Parkway

Marietta, GA 30066

(770) 578-2274

<http://www.linkedin.com/pub/becky-van-note/7/b4a/1b4>

<https://www.facebook.com/cbsi.marketing>

Marshall D. Chriswell, Pennsylvania

I use Money Penny for calls. I'm on the fence about them. As to the financing, I have a buddy attorney who dug himself into a deep hole financially doing what you are contemplating. He was certain that extra bump in capital would translate into immediate new business. It didn't and he's still paying for the loan many years later.

Ryan Young, Virginia

Borrowing money should be avoided if possible. As a first step get a receptionist, or use a service to answer the phone. I mention the receptionist

first because you need someone to be there when you are not if part of the traffic is walk-in.

Darrell G. Stewart, Texas

I got a SBA loan when I started out, but upon reflecting some of that was actually more for household income and security rather than actual costs.

I was going out on my own after NO prior solo experience and the loan was based on household income, not my profit projections/revenue history. I didn't have a gaggle of clients or serious overhead. It was good to have, but I could have survived without it. The best benefit of a loan was that I became good friends with the folks at my bank.

I have been solo for a decade now, I went from a monthly subleasing an executive office, to renting the entire suite, I have cobbled together furniture from things from home, other folks closing their offices, generic art and family photos. Other than things consumed by use, I cannot remember the last time I "invested" in anything for my office outside of technology and some marketing. I invest in technology because we have to and in marketing, because I hate it myself and am not good at some aspects of building out that aspect of my public front. Other than things you cannot handle yourself, big money shouldn't be necessary. I think the same philosophy goes to other aspects of a solo practice as well. Staff can be a nightmare (I've had 11 over the course of the years) and given the ability of technology, it is not as necessary. I have someone (my S.O.) come in for some filing and basic stuff (things I cannot stand to do myself), but having a warm butt in the seat 40 hours a week isn't for my practice. Is it really for yours? You are facing a major disruption but think of what you "have to" have versus what you "used to" have.

We all lose clients, or prospects, for a variety of reasons and before you blame the lack of staff to that, think about how many have been lost to an attorney who suggested a result the Client would rather hear, someone who was cheaper, someone who was a better personality fit for the client (ethnic, religious, or other concerns that were important to the client).

Control your overhead and take the money saved from rent (or whatever) and build up your slush fund. Use that for gaging what your firm can afford.

Drew Winghart, California

Ditto love their services. I hire independent lawyers or paralegals as needed.

I would not borrow money.

Martha Jo Patterson, California

Can you just get new office mates who may be able to provide you with some income so you can hire or share staff?

I would consider ways to leverage your current situation, but would not take a loan. The interest on commercial loans that are not secured by real estate can be very high.

Deena L. Buchanan, New Mexico