What are Your Best Practices for Reducing Invoices Based on Hourly Services?

For instance, if I am working with another attorney and just sending them an email to say, "Where are we with this?" I would note it in the timekeeping system, but don't generally charge for it unless I think the person is getting out of hand with nonresponsiveness. Same with small emails from the client. I like entering them just to mark them, "NO CHARGE," to show the client how nice and understanding I am when I invoice.

But what about the entries where you spent more time on something than should be billed, but you don't want to mark it off entirely? I see the options as:

(1) Just adjust the time downward as you see fit;
(2) Mark it in the activity description as billed at HALF RATE (or whatever), and adjust the price per hour;
(3) Mark it in the activity description as billed at HALF TIME (or whatever), and adjust the time billed; OR
(4) Just letting the bill total as it will and then comping a big chunk of it at the end (although I don't know how I'd phrase this line entry).

I like to put NO CHARGE as often as possible, but if I've got 6 hours into drafting something, and I want to bill 3 -- now that's the question. Do you let the client know you are comping them 3 hours? If so, how?

Looking forward to your best practices on the subject!

Not sure why you'd want to inform clients what you are NOT charging them for (also not sure why you would not charge for it). It seems that would create an expectation of further free legal assistance. Personally, I don't want my clients to think they hired a cheap lawyer.

Tony LaCroix, Missouri

I never got to do the big firm thing where I bill exactly how long it took me. I just had to gain efficiency over time after graduating law school. In the mean time, I had to figure out how to look efficient (even if I hadn't been).

Though it might've actually taken me 6 hours to review something -- if it just looks like I'm incompetent for taking 6 hours (i.e. it should've taken 3), I'll usually show that it took 4 hours and NO CHARGE 1 hour, netting it at 3 billable hours. I'll just swallow the two hours in fear that it'll look weird. Also, I feel like being inefficient (3 vs. 4 hours) is forgivable, especially if I'm not billing for 1 hour. On the other hand, I worry that only billing for half of the hours I worked creates an impression and an expectation.

If it's hard to know how long something SHOULD have taken -- well, that's just one of those things that you don't figure out until you've reviewed multiples of the same type of document over and over. For reviewing something, like a standard lease, I'll gauge it by saying that AT MOST, it should've taken me about 6 minutes per page. Maybe 8 or 10 if every page has A LOT of notes. If I'm over, I'll show a NO CHARGE for the difference. If I'm under, I smile, pat myself on the back and thank goodness that I didn't lose money on the review.

For those of you who say "why not charge for the full time?" Frankly, I don't feel I've ever overcharged. I totally feel like I undercharge (all the time), but this fear of making sure the charges all look "reasonable" all started during my first couple of years of practice when very annoying clients said "you've only been practicing a year or two. This is your training and your passing the cost for your training on to me!" Fortunately, my older, wiser, and more experienced partner jumped in and explained that he was involved the whole time and knows for sure that the invoice is reasonable. Those days taught me about managing client expectations beginning from the call even before the intake meeting.

Arshil Kabani, Texas

If I were to do that, I would probably put a parenthetical in the description of the work that says something like "(___ hours of actual time, billed at ___ hours because ...)."

But to paraphrase another lawyer on this list, billable hours are a blunt instrument. Clearly, not every hour is a power-packed as every other hour. For instance, you might spend 3 hours of research on one occasion, mostly spinning your wheels, and then find the absolutely perfect case, directly on point, in the last 15 minutes; on another occasion, you might find that perfect case in the first 30 minutes. If you start second-guessing the amount you spent on the first occasion, then you might also start thinking about adjusting your time in the second instance and bill for more than 30 minutes.

Fundamentally, you need to decide whether you are going to bill on a hourly basis, or on some other basis (flat rates, value-billing, etc.). But I think if you are going to bill on an hourly basis, you ought to have the courage of your convictions, and do so.

Does that mean that you should never do the occasional "No Charge" entry? Not necessarily, but it should probably be rare. Keep in mind, also, that when you get distracted by something, it takes you some time to get back into the frame of mind of what you were doing before. Be careful you aren't shifting time from one client (who is getting a "No Charge" entry) to another client who is paying for you to work straight through from 9:15 to 11:30.

-Brian

Brian H. Cole, California

As a side note to this discussion, this touches on my biggest complaint
about CLIO - the lack of any ability to meaningfully and/or effectively
manage these billing issues on a daily basis. Yes, you can write a note in
the description field and then reconcile them all at the end of the month
(deleting the notes and adding them in one discount at the end), but that
is definitely not efficient and arguably less meaningful in terms of
making clear for the client why and where those write-offs occurred.

Jack - I know you're out there. CLIO is a great product in general, but
this is a significant hole that can't be that hard to fill (I have seen it
in very basic & free invoicing software).

Andrew J. Petesch, North Carolina

Just to add on...my Clio billing frustrations continue to be that I can't send late notices or any type of reminder and clients can't pay less than the total amount of the bill by credit card from the Clio invoice.

Emilie Fairbanks, District of Columbia

I can't speak to Clio since I use Rocket Matter. You can send late notices in RM via email. We also accept credit cards through our web site via Law Charge so folks can pay whatever part of the bill they want.

We can also easily write off time, include time but "no charge it" or make other adjustments. As per Arshil, I think about the client when I'm deciding. Sometimes, I'll leave the charge but extend a courtesy credit, other times I'll no charge specific items. It depends on the message I'm hoping to send.

Kelly Phillips Erb

At the law factory we applied a "courtesy adjustment" to bills that for
whatever reason seemed too high, after the bill was subtotaled. I never
changed that practice as a solo, and never heard any complaints. The
client sees (a) you're working hard for them, and (b) you value them enough
to give them a break. I'm worth every penny I put on the timesheet, but
the value of the client to me is the bottom line, which is where they see it.

Wendell Finner, Florida

I charge fixed fees so I do not have this problem.

Robert M. Louque, Jr., Louisiana

Showing all the time you spend on a client matter which you did not charge for shows the client you're not nickel and dimeing them to death and they're less likely to question the total bill at the end of the month. If a client calls up with a short question and I'm on the phone for less than two minutes I definitely want to show that on the invoice, lest they forget, but many times I use my own reasonableness meter as to when to charge and when not to, and often if someone is paying me $x thousands for an estate plan I'm not adding on for one off phone calls. That's my reasoning. I'm not looking to be free, but I do want to be fair and reasonable.

Rick Bryan, New York

We're not lawyers (you knew) but we actually do occasionally put in a time entry we didn't charge for and include it on the bill. We do like our clients to know that we're not nickel-and-diming them and that just because they call us doesn't necessarily mean the meter's running from the moment we answer.

Disclaimer: See the first three words...

Ben M. Schorr, Arizona

Wendell,

Thanks for your suggestion. I literally watched my client wince when she opened my bill last week. I need to get paid, and I can't afford to bill myself out of a client. I have been struggling with whether I should use no charge entries, decrease the amount of time spent, or show a credit to reduce the bill. I like your wording of "courtesy adjustment". I think I'll use that method.

Love this List and all your wonderful advice!

Carla L. Miller, Arkansas

I use both "no charge" and "courtesy adjustment". I use "charge" frequently on clients and, since doing so, have few complaints on my bill. I use "courtesy adjustment" when the client is a colleague or friend and I am adjusting the entire invoice. I do give discounts if a bill is paid in full by a certain date - the amount depending on the size of the bill and the likelihood of getting the money (because I have a bill due and need the money). And, I usually get the bill paid by that date. If the client calls and says he would like the discount but cannot have the $$ there for another week, I extend my deadline and we are both happy.

Pat

Patricia L. Dennis, Illinois
