

SESSION 2

YOUR MONEY:

"Money won't create success, the freedom to make it will."

- Nelson Mandela

YOUR METRICS:

"Being ignorant is not so much a shame,
as being unwilling to learn."

- Benjamin Franklin

YOUR PEOPLE:

"The question isn't who is going to let me;
it's who is going to stop me."

-Ayn Rand

WHAT IS MONEY?



To manage a successful law firm, you must have control your finances so you can operate with confidence. Key financial terms include:

- ⚙️ **Chart of Accounts:** Categories of anticipated revenue and expenses.
- ⚙️ **Budget:** Best educated guess for each item in Chart of Accounts for next 12 mo.
- ⚙️ **Budget Variance Report:** Comparison of best guess with reality.
- ⚙️ **Burn Rate:** The hourly figure of unproductivity in office.
- ⚙️ **WIP:** (Work in Progress) Incl. all unbilled work broke down by age and type.
- ⚙️ **Aged Accounts Receivables:** 30d, 60d, 90+d.
- ⚙️ **Cost of Inventory:** Burn Rate x WIP.
- ⚙️ **R.U.L.E.S:** Rates, Utilization, Leverage, Expenses, Speed of Collection.

The following reports should be reviewed monthly to assist the owner of a successful law firm in assessing the “heartbeat” of the firm and identifying where adjustments need to be made for the coming months. Do you review these reports?

- Budget Variance Report Jan 1 - Dec 31 (By month).
- Accounts Receivable Report.
- Rolling 12 Month Revenue And Expense Report.
- WIP Report.
- Weekly Cash Flow Forecast (6-8 weeks ahead).
- Balance Sheet.

MONEY: KEY FINANCIAL REPORTS

The 6 key financial reports every self-respecting equity owner of a law firm should be on top of every single month:

- ⚙ **Budget**
- ⚙ **Budget Variance Report**
- ⚙ **Cash Flow Projection (6 weeks)**
- ⚙ **W.I.P. (Work In Progress)**
- ⚙ **AGED A/R (30, 60, 90+ day)**
- ⚙ **Cash Position (Operating & Trust)**
- ⚙ **Balance Sheet**

METRICS

What are the key metrics we will monitor to ensure the firm is honoring its obligations to clients, shareholders and management alike?

METRICS

- ⚙ # Active Cases
- ⚙ Opened Cases (90 day)
- ⚙ Closed Cases (90 day)
- ⚙ Weekly Variance
- ⚙ YTD Variance
- ⚙ HRS Variance (weekly)
- ⚙ HRS Variance (YTD)
- ⚙ Prof. Satisfaction (A-F)
- ⚙ % A-F cases/clients



METRICS: HOW TO BE A KICK ASS CEO

- How much Revenue have you Collected in the last 30 days?
- How much do you have in your Operating Account today?
- How much Cash does your firm need for the next 30 days?
- How much do you have in your Trust Account today?
- How much do you expect to be able to Deposit Into Your Operating Account in the next 30 days?
- How much in Accounts Receivable do you have outstanding?
 - What's the Plan To Collect that a/r?
- How many new cases/matters have you Opened in the last 30 days?
- What do you estimate the Average Value of these new cases to be?
- How many new cases/matters have you Closed in the last 30 days?
- What was the average value of the cases you closed?
- How many Active Cases/Matters are currently open in your firm today?
- How many Sales Calls with Potential New Clients (PNC) have you had in the last 30 days?
- How many of those Converted and became paying clients of the firm?
- How many Marketing Calls with Potential Referral Sources (PRS) have you had in the last 30 days?
- How many Marketing Activities have you taken action on in the last 30 days?
 - Description:
- What's currently on your Front Burner to work on making your law firm more profitable and/or predictable so it's not all resting on your back (policies, procedures, systems, hiring, firing, technology, marketing, etc.) ?
- List 3 action items you're going to make tangible progress on:
 - 1.
 - 2.
 - 3.

ADDITIONAL RESOURCES:

SMALL LAW FIRM

C.F.O. SERVICES

BECAUSE FINANCIAL CONTROLS ARE NOT OPTIONAL

- Do you know the 6 key numbers you should be looking at every month?
- Are your decisions based on reliable & objective data or just your "gut"?
- Do you want to make friends with your law firm's financial controls?

If your firm's revenues are \$500,000 or higher and you are ready to begin making more forward-looking decisions based on objective data, then let's talk.

Your CFO removes the mystery and the fear about numbers and replaces them with predictability and confidence so you can sleep at night. Key reports that are reviewed every month:

- Budget Variance Report
- Income and Expense Projections
- Accounts Receivable Report
- Work in Progress
- Cash Flow Forecast

Once your business grows to a certain point, it is difficult to have the time and discipline to sit and dispassionately analyze your numbers. A CFO helps you spot trends by looking at what has happened in the past few months. This is an opportunity to correct problems before they impact your financial wellbeing. It is also the time to really analyze if the money you are spending is producing the best possible return. In addition, by looking forward, a CFO can help you make strategic investment decisions in your firm to grow to the next level. These often include discussions of how and when to finance new employees, office space, the purchase of another firm, and whether to franchise or partner to open new offices.

A CFO also manages the relationship with your bookkeeper. We interview the person doing your books to make sure they are competent so your reports give an accurate depiction of the health of your firm. We ensure that your chart of accounts is able to reflect the return on investment you are making in your firm. Your bookkeeper and CFO work closely together to draft a preliminary budget which the CFO and the attorney then refine.

To learn more go to www.SmallLawFirmCFOServices.com

ADDITIONAL RESOURCES:

How To Set Up & Manage Your IOLTA Trust Account Course

Go to www.HowToMANAGEaSmallLawFirm.com/IOLTA

“ A man always has two reasons for
doing anything:

A *good* REASON

AND A *real* REASON ”

-J.P.MORGAN