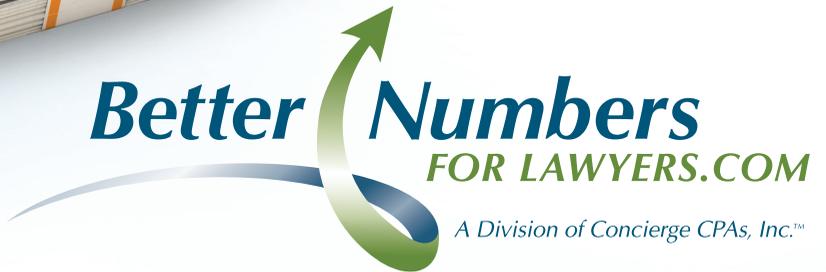




5 TIPS

for
Higher Profits



Build a law firm that serves you!

Freedom to pursue what inspires you
and makes you happy!

Profits to accomplish the things you want!

Peace of mind, so that you don't stay up
at night worrying about the future
of your law firm.

Joy and fulfillment of serving clients
that you enjoy working with.

Balance. Remember, your firm
needs to serve YOU,
and not the other
way around.



How do we serve you?

We help you transition from practitioner to successful entrepreneur.

Our Guarantee to You

You will get a clear understanding of the financial aspects of your firm, so that you can make profitable decisions.

Who Are We?

We are a boutique CPA and business advisory firm serving happy clients in 17 different U.S. states.



Here is what some of them say about us:

“Now, I know where I am going financially and have a plan to get there.”

— Amber James, Esq.

“With Borbala’s help, I can make smart strategic decisions about my business without fear of causing financial harm.”

— Cristin M. Lowe, Esq.



Borbala Banto, CPA

Borbala graduated from law school in Europe and moved to the United States two weeks later with the inspiration to challenge herself in and unfamiliar market.

By serving as the CPA and CFO of one of the leading law firm management coaching firms, she has gained firsthand experience at advising law firms.

She loves helping her clients achieve their financial goals on their own terms.



Laszlo Szilagyi, CPA

A strong belief that Laz has is “what you measure, you can manage.” He is excited about giving law firm owners the peace of mind and real-world business solutions that help them perform better financially.

Laz combines financial skills with critical thinking to create turnkey solutions that help his clients gain control of their business finances.



TIPS

for Higher Profits

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STOP overpaying on your taxes, and take an extra vacation a year instead

1

Like many others, Cristin, an attorney in San Francisco, CA, started her practice by forming a single member LLC. The LLC was taxed as a disregarded entity (Schedule C) year after year, even though her annual net profits went north of \$500,000. Her tax preparer never sat down with her to strategize about how to pay less tax. She missed some major business deductions and failed to legally minimize the taxes she had to pay.

Attorneys going solo have a lot of questions about the type of expenses that can legitimately be deducted, including issues surrounding the treatment of part-time or full-time employees versus independent contractors. There is a place for each and, by using the right strategy, a lot of money can be saved.

We could talk about the correct way to use the S-Corporation strategy, or when is it advisable to form multiple legal entities. In certain cases your personal medical expenses can be turned into valid business deductions. We could also discuss the different retirement planning opportunities that are available to you and how they compare as far as taxation is concerned.

The bottom line is that there are many completely legal ways to pay less in taxes. The bigger your business the more opportunities there are for proactive and strategic tax planning.

Realize that even though your tax preparer might be great at putting the right numbers in the right boxes that does not make them a tax advisor.

Realize that even though your tax preparer might be great at putting the right numbers in the right boxes that does not make them a tax advisor. If you only go to see them once a year during tax-time, it is a good indication that you are not receiving proactive advising from them. You should be getting mid-year check-ups and quarterly tax projections so you never get a surprise in April!

Find a good tax planner and ask them about all the legal tax strategies that are available to you. They will put a personal tax plan together for you and help you implement it. Don't forget to update this plan as your law practice grows, and any time your business or personal situation changes.



2

Get your data in the cloud to increase efficiency and to protect yourself



Are you still using desktop software for your accounting and recordkeeping? Please STOP! Invest \$20/month in an online accounting system, get a couple of free apps on your smartphone, and you'll never leave legitimate business expenses off your tax returns.

Some might think that this is a rare occurrence, but forgetting about thousands of dollars in expenses is more prevalent than business owners care to admit.

Here is how this happens: It's March 30th and you sit down with a huge pile of receipts and bank statements for what is an excruciating weekend of preparing your previous year's numbers for your CPA. If you do your "accounting" this way, it is easy to omit small and even large purchases, even whole categories of expenses. After a couple of hours of pain, you throw in the towel and just don't care about the details anymore.

Attorneys who do not have an easy bookkeeping system end up paying thousands more in taxes because of a lack of accurate and timely financial records. Instead they could be tracking their financials with a system that runs on autopilot.

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Here is how to fix the problem:

First of all, get a good chart of accounts from your CPA and know what categories of expenses you should track. This should not be a complicated list.

Then sign up for a QuickBooks® Online Pro and connect all your bank accounts and credit cards to it. This will save you or your bookkeeper a lot of time on data entry.

Give your CPA access to your online accounting system, so both of you can view and make adjustments to real-time data and up-to-date financial reports.

At tax time you go to your CPA smiling and without a heavy shoe-box in tow. Your CPA can have all of your information reviewed before you step into the office. Your appointment can be spent on strategizing for the new tax year and not on going over mountains of receipts and paperwork. Doesn't that sound so much better than what you currently have?

Look at your numbers regularly so you can make better business decisions

3

- How do you determine the time and money to be spent on business development and marketing?
- When can you afford to hire an additional paralegal or associate?
- How much revenue must you collect every month just to keep the office running?
- How much money can you take home from the business every month?

These are all questions that can only be answered by looking at your numbers regularly and knowing them intimately.

What you measure you can manage. You might have a gut feeling of how your practice is doing or how close you are to reaching your goals. However, regularly measuring the performance of your firm's various aspects brings essential clarity and awareness.

Look at your bank statements regularly. Use a simple spreadsheet, or the financial reports from your accounting system, to track a short list of KPI's (key performance indicators) that are currently meaningful to your practice. Look at your top and bottom line. Write down how many new clients you get each month and track where they are coming from. Figure out which type of cases are the most profitable. Track how much your overhead increased since last year.

The answer to most of your business questions can be found in your numbers. If you have a steady stream of new clients but you have a hard time taking home enough money, focus on evaluating your pricing structure and your employee cost.

Prudent law firm owners also realize the importance of having an updated cash flow report and a budget. Don't be afraid, creating them is easier than you might think!

Without measuring and tracking a short list of important metrics, you will never really know where your firm truly stands. Reach out for assistance from your CPA or business advisor to make the process of following and interpreting your numbers painless.



What you measure you can manage.

4

Set your fees so that you don't cut your profits out of your rates



Would you sell something for less than what it cost you to make in the first place? The answer is NO, but you probably do it unintentionally in your own practice.

Let's start by looking at the three broad categories that your fees (flat or hourly) should cover:

- Overhead,
- Labor costs of delivering the work (even if you are the one doing it), and
- Your profits as a business owner.

The profit component represents your reward for all the headaches you endure while running and managing the firm and the staff, and for taking the risk and initiative of starting your own business.

When starting out, solo attorneys are tempted to leave out the profit portion when setting their rates. They think the only way to stay competitive is to set low fees that cover only the overhead and labor costs. Unfortunately doing so will prevent them from being able to grow their firm.

Why is that? Because if your fees only cover overhead and your own labor costs, you can never hire anybody to replace you. If you do hire staff, you won't have any margins left after paying them. This is one of the most common reasons why attorneys stay solo, without being successful at growing their firm.

How to set fees then? A good starting point is the rule of thirds. Meaning that:

- One third of your fees should generally cover all your marketing and overhead.
- The second third should cover the cost of labor. If you are the one doing the work, then this third is yours.
- The last third is your profits as a business owner. If you don't have profits, you are cutting yourself short and practically just created a job for yourself.

Look at your monthly income statement to find out whether your revenues cover the overhead, labor costs and your profit percentage. If not, it's time to review the numbers and make some changes!

Consider yourself as the “CEO” of your law business

5

Being a small law firm owner is a complex endeavor. Every day you wear multiple hats when you sell and deliver legal services, answer the phone, worry about bills, go to networking events, etc. These are subjects that you never learned in law school about.

In addition to being a good lawyer you have to promote yourself to the “Chief Ecosystem Officer” position! As such, you are responsible for:

- The vision and strategy of your firm,
- Rainmaking, cultivating relationships,
- Managing operations, setting policies and procedures, and
- Managing the financial aspects of your firm.

These are all issues that are very important, although unfortunately not urgent, so most lawyers go without isolating time to work on their business proactively.



Managing partners of big law firms have the advantage of working with dedicated professionals, like CFOs, and marketing and sales professionals. The good news is that similar resources are now available to solo and small law firm owners as well. In addition to books, blogs, and podcasts, you also have access to outsourced CFO services, mastermind and advisory groups dedicated to small law firms.

The #1 goal of a law firm is to serve clients and make a profit.

Just like CEOs of big corporations have a board of directors, the CEO of a small law firm can and should put together an informal board consisting of a business advisor, CPA, banker and insurance agent. These professionals should be specialized in small law firms and be your biggest cheerleaders!

How do you think you would benefit by regularly getting a team like that around a virtual or actual round table?

Remember: The #1 goal of a law firm is to serve clients and make a profit. The more clients you serve the more satisfied you will become professionally and better off financially. You do NOT serve anybody by having an unsuccessful law practice. And it's not just about the profits. It is about using the money you earn to live a genuinely rich life among your family and friends, and by making your world a better place.



More than just ideas. We find solutions — *together.*



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