

AVOIDING DOWNFALL

*Managing income, output, and upkeep
is essential to your practice.
Here's how to deal.*

BY JAMES E. BRILL



“If your outgo exceeds your income, your upkeep will be your downfall.”

This simple yet profound statement, commonly attributed to Bill Earle, pretty much says it all. I first heard it from an old friend, James Ross Avant, who is a banker in the small community of Dilley, about halfway between San Antonio and Laredo. Avant credited the origin of that homily to an economics course he took in college. Like many of our generation, he took the sentiment seriously and achieved the desired results. It is a lesson for the ages and a lesson for each one of us.

Avant gave me this quote as he sat in his truck about 20 yards from the spot where his sister, my wife’s college roommate, had just been buried. I had not anticipated anything more than an exchange of memories and condolences, but those 12 words struck me as one of the fundamental and universally understood concepts that form a foundation for living, as well as for the practice of law. These 12 words sum up financial reality for all of us.

There are some fundamental considerations when applying the lesson to law practice. First and foremost, to me and to most of my contemporaries, the practice of law is a profession in which its members enjoy the exclusive franchise to provide legal services to the public. It does take money to establish and operate a law practice, but if money is your primary objective, you will never have enough.

Lawyers have come to recognize that in addition to money, many efficiencies and businesslike attitudes and applications are necessary to enable a lawyer to start and maintain a law practice. But lawyers make a mistake when they take a bottom-line approach to everything they do, especially if self-interest takes priority over a client’s best interest.

So, how do lawyers avoid the downfall? Let’s begin at the beginning.

1. Determine what you really like to do and if it is the most profitable part of your practice. Can doing what you enjoy provide enough income? If your theme song is “Take This Job and Shove It,” it may be time for you to consider reading *Do What You Love, The Money Will Follow*. The wisdom of that advice goes back to Confucius, who is widely attributed as having said, “Find a job you love and you will never work a day in your life.”
2. The more accurately you can define your practice, the easier it will be to focus your efforts not only on the services you provide but also on the training, facilities, and administrative support you will need. You then can direct your outgo (expenditures) to the most important things.
3. Consider the options that combine your personality, your area of practice, and the opportunities where you are now or where you could be in various other

communities. Where will you practice? How about in Dilley, to take advantage of the opportunity brought about by the development of the Eagle Ford Shale? Would you enjoy living in a small town? Would becoming a big fish in a small pond appeal to you? Or maybe you would fit in well north of Houston, to serve the 10,000 or so people who are soon to occupy the new ExxonMobil campus? Think about what and where can you practice and how not to be a “me too” lawyer.

4. What will you need for your practice? Your own office with all of the fittings and accoutrements (lots of outgo)? An office with the necessary facilities where you and other lawyers share in the expenses? Or can you do it all with your electronic paraphernalia, software, and the Internet?
5. Your timekeeping and accounting systems are the heart of your operation. No one likes to keep time records. Start calling them “service records,” and the process will become easier. If you think about it, your financial success depends on your maintaining a contemporaneous record of the services you perform for your clients. If services are not recorded, then they will not be billed; if they are not billed, there will be no payment; and if there is no payment, the result is obvious: your outgo will quickly exceed your income, and the upkeep—just that of your practice—will be your downfall.
6. Inventory turnover is important to grocery stores and other businesses. It is just as important to lawyers. If you handle work on a contingency basis, you are interested in doing whatever is required but also in doing it quickly. For many transaction lawyers, it is about fixed fees. Doing whatever is required and doing it quickly is not limited to contingent fees. For all practices, prompt service, coupled with filling all the squares, will increase the rate of the inventory turnover and the velocity of money. It is motivating to be paid as soon as you have completed the task. Fast pay makes fast friends.

In summary, it is important to have enough income to attain and maintain an appropriate balance between your outgo and your upkeep. In the long run, failing to do so will be your downfall. **TBJ**

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