

Digitalising credit management for law firms



Introduction

It is a known fact that the lawyers' hour is among the most expensive. In the **US**, **the average hourly rate** for the lawyer's services in 2020 was \$300. In the **UK**, **the average hourly rate** can go as high as £300 depending on the level of experience and location. From the law firm's perspective, they are facing incredible opportunity costs when trying to chase the clients to pay their bills.

It doesn't matter if the law firm is a large legal corporation, or a small office consisting of a couple of lawyers. Making the cash flow in a timely and efficient manner means more focus on the lawyer's core job functions. Below we discuss the top tips and tricks that help your law firm fix such cash flow challenges.

The pandemic has been the wake-up call for many businesses. Some have had to adjust their business model and some understood that problems previously occurring have to be fixed immediately. For example, the efficient operation of the law firm is extremely dependent on the cash flow. The survey by Byfield has found out that 85% of law firms' managing partners thought that the cash flow issues were among the top problems during the pandemic. Moreover, during the pandemic, 25% of law firms are forfeiting revenue due to unpaid invoices as outlined in Clio's research into the impacts of COVID-19 on the legal industry

Part one of effective cash flow management is keeping expenses under control. The second part is to turn your sales into cash as quickly as possible. If the invoice is outstanding, it means your lawyers have given legal advice on credit.

Let's examine how to improve your cash flow and turn your Account Receivables (AR) into cash as quickly as possible.

Evergreen Retainer

Almost every month law firms are certain about their expenses. However, late payments make it hard to predict what the incoming cash will be. An option that helps mitigate this uncertainty is to stop providing services on credit. Instead, the law firm can collect payments upfront - a popular practice called an Evergreen Retainer.



Evergreen Retainer is a trust where a client deposits a certain amount of funds. Later, the firm will be using the money in the trust to pay for the law firm's services. Once the level of funds falls below an agreed minimum threshold, the Evergreen Retainer gets replenished. There are several ways to replenish an account as well. It can be done as a lump-sum payment or a regular pre-agreed payment plan.

This approach brings certainty that the cash flow will definitely come in and will save on time spent chasing clients for payments. However, this approach is more suitable for large clients with regular and continuous needs for legal services. If the client's demand for legal services is rather small, then it would be harder to agree on such a payment arrangement. It would require classic credit control.

Timely Invoices

The lock-up (unpaid bills and work-in-progress) for law firms of all sizes is 155 days. Moreover, research by Citi has found out that the billing cycle of law firms has lengthened by 11% in the past year. In order to this, the first task would be sending an invoice right away after the completion of work. Usually, it takes several weeks to send an invoice, but it can simply be changed internally. Secondly, in order not to surprise a client with an unexpected amount on the invoice, talk numbers before the start of your work.

Sometimes the client underestimates the costs they might spend on legal advice, thus hesitating to pay the invoice on time. Another option that could especially suit small clients is a discount for early payment. While the discount won't affect your law firm's revenue so much, it will improve your cash flow incredibly.

Credit Control

Even if your law firm has prepared an invoice in a timely manner and offered several ways for the clients to pay the bills, it's still not a guarantee that your Accounts Receivables (AR) are low. The money that is billed but not collected is sitting on the balance sheet as AR in your assets. While it still is an asset, it does not help you pay salaries or other expenses. It's important that this variable is carefully monitored and dealt with.

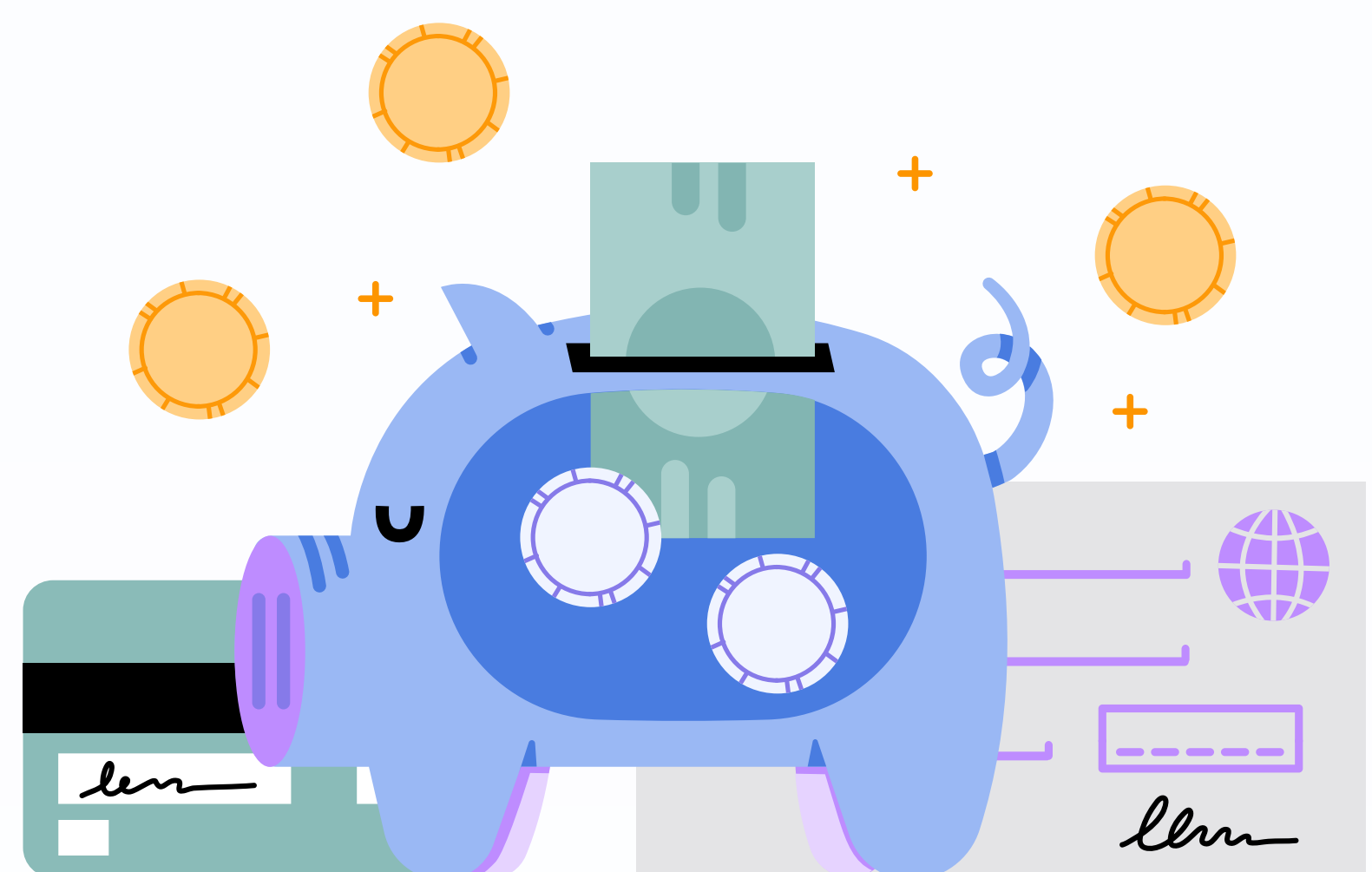
Hiring a good credit controller for your law firm can be costly. Thanks to modern technology there are solutions that can be outsourced in the most time and cost-efficient way. Kolleno is a SaaS platform, which can serve as an extension of your accounting software helping your law firm to collect overdue invoices.

Friendly Reminders

An often missed point when fixing the cash flow problems of the law firm is a timely reminder. Trust is a fundamental value in the working relationship between the client and a lawyer. The client should feel that the lawyer is always on their side and is reliable. So, when it comes to reminding a customer about the overdue bills, it is essential to approach them with the right tone of voice and at the right time. Making such decisions should not be the responsibility of the lawyer, as it risks making future work awkward.

Removing the pain

This dilemma can easily be solved with **Kolleno**, an AI-based technology compatible with Clio. On your law firm's behalf, our AI-powered software will approach your client regarding the late payments using the most appropriate and friendly tone-of-voice, via the most convenient communication channels, and will help your firm to decrease Days Sales Outstanding (DSO).



About Kolleno

Kolleno Software helps law firms to stay on top of their unpaid bills and get paid faster.

[Press here](#) to learn more about how Clio and Kolleno integration will help your law firm to simplify the process of staying on top of the bills, or click the play button below to watch Kolleno platform video.

The screenshot displays the Kolleno software interface. On the left is a dark blue sidebar with navigation options: Home, Groups, Invoices, and Settings. The main content area is divided into several sections:

- Outstanding amount:** Shows a total of £277,156. Below this, it lists 'Due' (£96,735.60) and 'Overdue' (£180,420.49).
- Main customers:** A table listing customer names, their overdue balances, and invoice numbers.
- Ageing balance:** A bar chart showing the distribution of overdue amounts across different time periods: Due, Overdue, 0-30, 30-60, 60-90, and >90. The >90 category is highlighted with a value of £129,16.
- Download report:** A section with options to download 'Accounts Receivables', 'Customer Insights', and 'Ageing Analysis'.

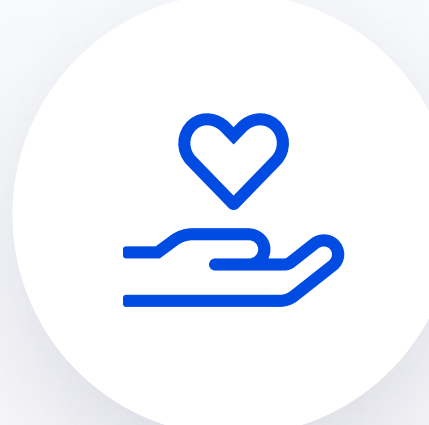
A callout box titled 'Omnichannel communication' is positioned in the lower-left, featuring icons for email, chat, phone, and a document with a checkmark. Another callout box in the upper-right features the Clio x Kolleno logo. A paper airplane icon is also visible on the right side of the interface.



Easy Onboarding



Faster Payments



Happy Clients