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The Maryland State Bar Association's Law Office Management Tips Series

Billing and Collection

THE MARYLAND STATE BAR ASSOCIATION, INC.



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**Originally Presented by
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Or LOMA Online

THE MARYLAND STATE BAR ASSOCIATION, INC.



OFFICIAL DISCALIMER



The rules listed are general in nature.

They are designed to promote efficiency.

Not all will work in all situations or with all cases.

However, if used in those circumstances where they are acceptable, they will assist in billing and collections.

ALWAYS, follow the Maryland Lawyers' Rules of Professional Conduct and Attorney Trust Accounts

The Rules are available on line through Lexis at

[Maryland Court Site](#)



Use Technology Effectively

- **You must use a time and billing package that can track some of the information below:**
 - **1. How much each client owes you in total and on each separate matter**
 - **2. How much has been billed to date**
 - **3. What is total work in progress and how old is the work in progress**
 - **4. How much work remains to be done on this matter/client**
 - **5. What is the payment history of this client**
 - **6. Your fee agreement with the client**
 - **7. Other factors such as whether or not the client is a fantastic referral source or is the brother-in-law of the president of your best corporate client.**



Before Beginning the Billing and Collection Process

- **1. Recognize “bad” clients.**
- **2. Establish simple and realistic billing and collection procedures for all new clients.**
- **3. Have the rules in writing. Give a copy of them to the client or potential client.**
- **4. NEVER perform any service without a written and signed fee agreement.**



Avoiding Trouble



- **Begins by choosing clients wisely**
 - Develop client intake procedure and interview forms
 - Do not take clients outside of your expertise
- **Clients to Avoid**
 - Who have had three or four previous attorneys
 - Who have unrealistic expectations
 - Who bash lawyers (even jokingly)
 - Who need serious handholding
 - Who act as though they know the law or have a brother-in-law who once went to law school
 - Who are looking for revenge or who have serious hurt feelings
 - Who make the legal fees a serious issue



WHY YOU SHOULD ALWAYS KEEP TRACK OF YOUR TIME (EVEN IF YOU DO NOT BILL BY THE HOUR)

According to a survey done by the ABA, lawyers who always keep contemporaneous time records have 25 - 40 % higher income than lawyers who do not.

You can determine which cases/matters are profitable.

You can draft much more detailed invoices.

You know the real value of your time.

You can determine who is referring you the most profitable work.

You know earlier whether they are on target for your income goals.

You can determine when you may have to charge more.

You can determine if you are taking more or less time to perform certain tasks.

This helps with efficiency.



Remember: Tracking your time does NOT mean billing for your time.



Simple and Realistic Procedures For Billing

Bill monthly without fail. Consider changing your billing cycle. You could bill weekly by client name or number. This improves cash flow.

Make certain you put an actual due date on all invoices. Do not put “Due upon Receipt” or “Due in 30 Days.”

Send bills immediately following the completion of a matter.

Send interim invoices when the matter is a long one.

Keep the billing format simple but specific.

Make sure you send the bill to the person authorized to pay it.

There should not be mistakes on an invoice. It will cause clients to be concerned about other issues.

Consider including a return payment envelope. This will speed payment.

Get as large a retainer as possible. Be reluctant to take a client that cannot afford a retainer.

Let the client know that the retainer may have to be replenished as it is used up and monitor it closely

Let client know there may be some leftover expenses at the end of a matter and there may be a small bill.

Even if you give a professional discount, show the full amount of the bill.



Collection Statistics

- **An invoice unpaid after**
 - **60 days has only a 70% chance of being collected**
 - **90 days has only a 45% chance of being collected**
 - **120 days has only a 20% chance of being collected**
 - **more than 120 days - #@*& change of being collected**



Simple and Realistic Procedures For Collection

- **Inform client that collection process begins at 30 days.**
- **Monitor Cash Receipts Daily.**
- **Monitor A/R weekly. Age your A/R monthly.**
- **Concentrate on the left side of the A/R.**
- **Make a decision who is going to contact the client for payment. At minimum, send a “Reminder letter” automatically at 30 days. Have the first letter say “Is there some problem with the invoice. If we do not hear from you we will assume there are no problems and will expect payment by such and such a date.”**
- **At 45 days, inform client they must pay within the next 15 days or work will stop.**
- **If client has not paid within 60 days, inform client the work has stopped.**
- **Consider handwritten notes on some invoices to speed collection.**



Tips for Collections



- **When phoning for payment, make certain you contact the person who can authorize payment**
- **Consider hiring a part time person to monitor your A/R.**
- **If you agree to a discount, get a quid pro quo.**
- **Consider giving a discount for paying with 15-30 days**
- **Depending on the client, find out when they cut their checks**
- **Consider taking credit cards**



Questions to Ask When First Contacting Client for Payment

- **The key when contacting a client for payment is to get the client to tell you what the problem is and why it is not being paid. This should not be confrontational but conversational.**
 1. **Ask if they received the invoice.**
 2. **Ask if they understand the invoice or if they have any questions'**
 3. **Ask if they have any problems with the service being provided.**
 4. **If they have received the invoice, have no questions or problems, ask when you may expect payment.**
 5. **Do not accept vague statements like "I'll see what I can do."**
 6. **If the promise for payment is to take farther away than a few days, send a short note indicating the amount to be paid and when.**





Samples of Collection Letters

- **These are specifically designed for solos and small firms.**
- **They are designed to make the process easy to follow.**



Thirty Day Letter

Dear

In reviewing our accounts receivables I noticed that we have not received payment in the amount of \$_____ for invoice #_____, dated _____.

I am sure this is just an oversight on your part. If, however, you have a problem with the service we have provided, please contact me immediately so we can discuss the matter.

If I do not hear from you I will assume that you have no difficulty with the service or with paying the invoice and will look for payment by (Date).

**Sincerely yours,
Solo Law Firm**



Sixty Day Letter

Dear

It has been thirty days since my last letter and we have not heard from you regarding payment. According to our fee agreement, all invoices must be paid within 30 days of receipt of the invoice. If we are to continue to provide you with a high level of service, it is critical that we have invoices paid timely.

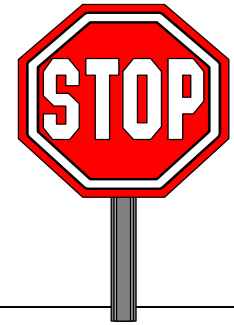
Please contact me immediately if you have any problems with the payment of this invoice. If I do not hear from you, we will expect full payment by (Date.)

Sincerely yours,

Solo Law Firm



Ninety Day Letter



Dear

I have not had any response to either of my letters requesting payment of the past due invoice # _____ in the amount of \$ _____. I regret that I am at the point where I cannot extend any further time to you for the payment of this invoice.

Effective immediately, we will be unable to perform any further work on this matter until the invoice is paid in full.

Please contact me so that we may resolve this matter.

Sincerely yours,

Solo Law Firm



Letter After Client Promises (Some) Payment

Dear

Per our discussion on (Date) you have agreed to pay \$_____ on invoice # by (Date). We know that you will live up to this agreement.

If there are ever any problems or difficulties with payments or invoices, please contact us immediately so that we can resolve the matter quickly. We want to assist you in every way possible and we are hear to answer any questions you may have about our policy and procedures.

We look forward to a continued good working relationship.

**Sincerely yours,
Solo Law Firm**

Additional MSBA Resources

MSBA.org Law Office Management Administration - Mozilla Firefox

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Your One Stop Legal Vendor Directory [Click Here!](#) sponsor

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The LOMA department provides guidance and information to our members, and especially to new or experienced solo and small firm practitioners.

LOMA FAQs

Call Pat Yevics, MSBA's Director of Law Office Management Assistance at (410) 685-7878 x3039 for information.

[View Disclaimer](#)

www.msba.org, **Member Resources**, [LOMA](#)
[Pat Yevics](#)

http://www.msba.org/departments/membership/benefit.asp

Additional MSBA Resources

Ethics Hotline and Opinions

The screenshot shows the MSBA website header with the logo and "THE MARYLAND STATE BAR ASSOCIATION, INC." navigation links for "MSBA Home" and "Contact Us", and a "Become a Member" link. A left sidebar menu includes "Member Directory", "Members Only", "Electronic Bar Briefs", "Ethics Opinions", "FastCase", "Mentoring Program", "Update Member Info", "Membership Dues", "Member Resources", and "Join The MSBA". A secondary menu lists "Member Benefits", "LOMA", "Lawyer Assistance Program", and "Ethics Hotline". A yellow callout box with a black border and an arrow pointing to "Ethics Opinions" contains the text: "Each month three members of the MSBA Ethics Committee are available to answer questions. Go to www.msba.org and Member Resources and Ethics Hotline."

The Ethics Committee is NOT associated with the Attorney Grievance Commission. It does NOT give legal advice but answers questions related to the MD Rules of Professional Conduct. All members of the Hotline are practicing attorneys or judges. Please contact them and let them know that you have a question for the Ethics Hotline. Please note that you should first consult the Rules of Professional Conduct before contacting the Hotline. The Ethics Committee may recommend that you request an opinion in writing.

In addition, the Ethics Opinions are available online to MSBA members.



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THANK YOU FOR VIEWING THESE TIPS

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