

Small Firm Survey Looks at Economics of Lawyering

By *Todd C. Scott,*
Vice President of
Member Services

Over 300 small firm lawyers recently responded to a survey that looks at the economics of operating a small law firm, as well as retirement planning and overall job satisfaction. Although the survey data came from Minnesota practitioners, it is useful and informative for small firm attorney practitioners everywhere.

The 2007 Solo & Small Firm Economic Survey was conducted by Minnesota Lawyers Mutual Insurance Company and Minnesota CLE, in conjunction with the MSBA Law Practice Management & Marketing Section. The survey consists of 25 questions covering attorney demographics, firm financials, retirement planning, and quality of life issues.

About the Survey

The e-mail survey was mailed to a random sample of 5000 Minnesota practitioners working in firms of 10 lawyers or less. The data was collected via e-mail from July 7 to July 26, 2007. A total of 340 attorneys responded to the survey for a 6.4% response rate. The data is subject to a margin of error of +5.5% at the 95% confidence level.

The survey gathered information exclusively from attorneys in private practice, working either full or part-time. The majority of the respondents, 51.4%, describe themselves as a sole practitioner, with another 39.8% indicating they work in a firm of 2 to 5 attorneys. About a third of the respondents, 27.6%, indicate they practice in an urban

setting, and another 44.4% practice in rural communities.

The survey indicates a significant majority of respondents working full or part time in a small law firm or a solo practice were male. 71.7% of those responding to the survey were men and 28.3% were women.

The data revealed the following:

- **Practice Area** — The attorneys were asked to indicate a practice area that they consider to be their primary field of law, that is, the field they are known best for or brings them the most legal business. Of fourteen common practice areas, the largest group, 18.4% indicated their primary field of law is family law/domestic relations. Estate planning, probate and trust (14.2%) and real estate practice (13.6%) were also among the top practice areas.
- **Annual Net Income** — Small firm practitioners reported a wide range for their annual net income in 2006 with 28.1% reporting that they earned less than \$50,000 that year, 30.3% reporting that they earned between \$50,000 and \$100,000, and 23.3% reporting that they earned between \$100,000 and \$150,000 in annual net income. (See **Figure 1.**)
- **Hourly Billing** — 43.4% of small firm lawyers have set their hourly billing between \$150 and \$199 per hour, with the highest group – 25% – indicating their average hourly billing rate has been set between \$175 and \$199 per hour. Additionally, 32.5% of lawyers responding indicated that they have changed their hourly billing rates in the last 12 months. (See **Figure 2.**)
- **Firm Overhead** — Among the solo and managing attorneys participating in the survey, over half of their firm's overhead

Inside:

Small Firm Survey Looks at Economics of Lawyering	1
Money In, Money Out	2
Retirement and Career Satisfaction	3
CLE Seminars	3

Editor:
Ulric C. (Todd) Scott

Managing Editor:
Jill Wells Nunnally

Layout Designer:
Karen J. Scholtz

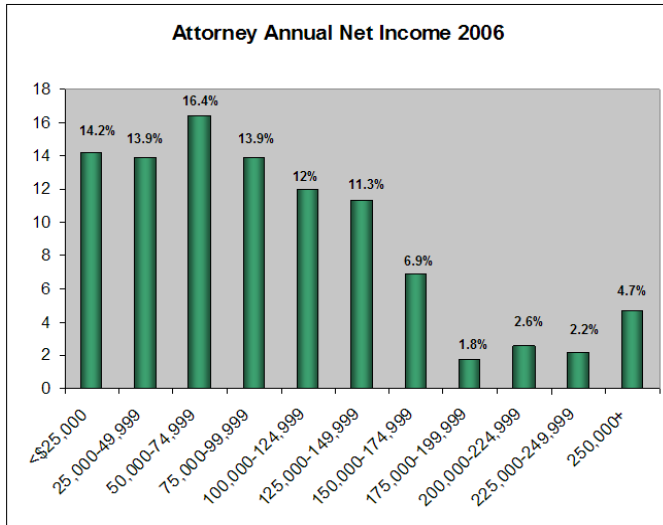


Figure 1.

expenditures go towards paying non-lawyer personnel (28.5%) and rent, phone and utilities (28.2%). (See Figure 3.)

- Part Time Practice** — 17.8% of lawyers report working part time hours, or less than 32 hours per week. Of that group, 25% report that they work part time out of personal preference, 14.1% because of family considerations, 14.1% because they are approaching retirement and 12.5% because they have other business interests.
- Time Spent on Paying Clients** — 58.4% of practitioners report that they spend more than 25 hours per week handling matters for paying clients and 38.9% of lawyers report that they spend only 1 to 4 hours on practice management and administrative matters.
- Retirement Planning** — Age 65 to 69 seems to be the preferred age for retirement among 28.9% of the respondents, however, 15.9% of small firm practitioners report that they do not ever plan to retire.

Money In, Money Out

The largest percentage of small firm lawyers, 27.6%, indicated that their annual gross receipts – that is, the amount the firm collected in fees in 2006 – was between \$100,000 and \$199,999. Almost that same amount of lawyers, 29.1%, indicated that their firm’s total expenditures were less than \$25,000 (figures do not include wages and salaries).

Regarding collectability of fees, a large percentage of lawyers, 45.7%, indicated that 2% or less of their fees were uncollectible in 2006. However, a significant

percentage of lawyers, 28.2%, indicated that over 9% of their fees were uncollectible in that same year.

The respondents indicated that 8.5% of their annual expenditures in 2006 were devoted to advertising. Those advertising dollars were spent in a variety of ways, with most indicating that they advertise by way of Yellow Pages (56.2%), website (46.8%), newspapers or periodicals (26.1%) and a firm brochure (16.8%). Only 9.4% indicated they advertised in 2006 by way of radio or television ads, and even fewer, 6.9%, indicated they have a firm newsletter.

Although a significant portion of the firm expenditures are devoted to rent, telephone and utilities, (28.2%) the lawyers responding to the survey indicated that they tend to pay modest amounts for their leased space. 36.8% of lawyers who lease their office space spend less than \$10 per square foot on their monthly office lease. Another 29.6% of lawyers indicated that the cost of their office space is about \$10 to \$14 per square foot.

Regarding non-lawyer assistants, only about half of the firms report that they have an hourly billable fee for the time the assistant spends on client matters, with the largest group of lawyers, 10.3% indicating they bill at over \$100 per hour for their non-lawyer assistant’s time.

Retirement and Career Satisfaction

The National Law Journal reports that a full quarter of the country’s attorneys, or 250,000, will be at least 65 by 2011. To determine the extent of retirement planning, amongst Minnesota attorneys, a series of questions on this topic were included.

Regarding Retirement Planning, 32.5% of lawyers responding to the survey indicated that they plan to retire from the active practice of law before reaching the age of

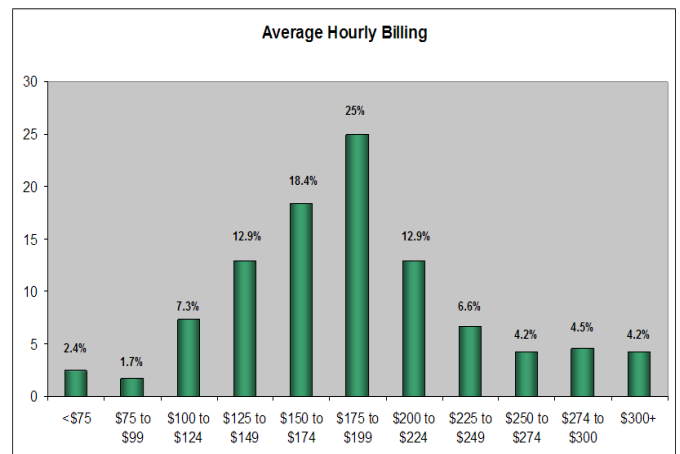


Figure 2.

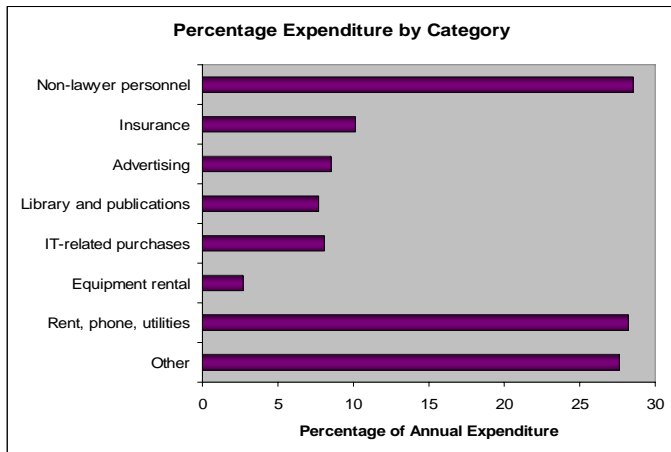


Figure 3.

65. Another 28.9% indicated that they would like to retire at a traditional age of 65 to 69. The largest group, 38.7% of lawyers, indicated that they would not retire sooner than age 70 if at all – 15.9% of that group indicated that they do not ever plan to retire. Overall, 55.5% of lawyers indicated that they have a specific financial plan for retirement and 45.5% reported that they do not.

On the topic of job satisfaction, the majority of lawyers, 60.3%, report that they are either mostly or very satisfied with their legal career at this point. However, 23.9% of lawyers report that they are only somewhat satisfied with their legal career, and 15.7% report various levels of dissatisfaction with their career.

Whether a correlation exists between overall career satisfaction and whether a lawyer has a sufficient demand for their legal expertise is unclear. For the lawyers responding to this survey, the results were mostly

favorable with 40% of respondents indicating that they have more legal work than there is time to do it, and 31.4% indicating that they have just the right amount of work. A disappointing 28.6% of lawyers indicated they need more work to do. ■

Risk Management 2007 Loss Prevention CLE Seminars

Visit our website at www.mlmins.com for upcoming announcements regarding these seminars sponsored by MLM. While you're there, you can use our easy online registration process to check availability and reserve your seat. Remember to register early — venues fill up quickly!

PENNSYLVANIA

PITTSBURGH, PA **Sept. 18, 2007**
Omni William Penn Hotel

HARRISBURG, PA **Sept. 19, 2007**
Hilton Harrisburg

PHILADELPHIA, PA **Sept. 20, 2007**
The Union League (Business attire required)

MALVERN, PA **Sept. 21, 2007**
Penn State Great Valley

GEORGIA

ATLANTA, GA **Oct. 9, 2007**
State Bar of Georgia

Want to learn more?

Click on the links for information.

- The **Solo-Small Firm Economic Survey 2007** has been posted online in its entirety. [Click here](#) to read all the survey questions and review the charts and graphs related to this year's survey results.
- **Law Firm Retirement Policies Expected to Be Hot Issue at Annual ABA Meeting, The National Law Journal, by Leigh Jones.** [Click here](#) to view.
- **ABA's Second Season of Service Initiative Focuses on the New Senior Lawyer.** [Click here](#) for more information.