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## Considerations for Opening a Law Office

So you are thinking of opening your own office? Before you take this bold step, you need to ask yourself: Are you prepared? Do you understand the challenges that you face? Do you understand yourself? Being a sole practitioner entails more than just being good at the law and understanding how to file a complaint or argue before a judge. You also have to understand how to start and run a business. To succeed, you must be a savvy business person, negotiator, and bookkeeper all while being a good lawyer.

### Realistically Evaluate Your Situation

First, you need to understand yourself. Are you an entrepreneur? Are you willing to take a risk? Have you considered what it will take to run your own office by thinking about your budget, equipment, marketing, and keeping your doors open while you build your practice? Can you balance a checkbook and deal with demands on your available funds? Do you see yourself as a self-starter, comfortable with managing competing demands, multiple deadlines, and doing it all yourself? Or are you more of a social animal, feeding off the energy of others and most effective where you have a team approach to various tasks? Your personal attributes will help direct you into the right type of practice and setting. Think about the type of environment that will make you most effective. Will you function best as true solo with no support staff, or would you benefit from a less solitary office with someone to assist you from the first day?

You must be realistic and honest with yourself. Critically evaluate your strengths and weaknesses. It isn't enough to simply know the law and have the desire to share your knowledge. To run a successful law practice, you must have, or at least be willing to learn, strong business skills. You will need to possess the ability to take the appropriate actions, on a day-to-day basis, to initiate and sustain the progress of your business. You need to be prepared to forgo regular paychecks, work harder than you ever have before, and not only be a lawyer but also be a person. You need to recognize that solo or small firm practice is not for everyone.

### Develop a Plan and Get Some Advice

If you are still undeterred and are satisfied that you have the necessary business acumen, you will need a clear vision of what you want your practice to be and an idea of how you are going to get there. Is this a temporary solution to a current situation? Are you hoping to grow your firm to include multiple support staff persons and, perhaps, other attorneys over time? Or possibly start a series of satellite offices? Do you eventually hope to join another existing practice? Do you intend to run a general practice or specialize in only a specific area? Are you an innovator, dreaming of revolutionizing the practice of law?

Next, think about the types of clients you want to attract. Who are your ideal clients? What are the attributes they possess that make them likely prospects for your assistance? Think of identifying your ideal prospect as being able to spot a zebra in a herd of horses: When you know what you are looking for in prospective clients, they will stand out from others. If you believe that solo practice is the right choice, then you need to decide what this practice will look like and develop a plan to build it.

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The plan doesn't have to be 30 pages with subsections and appendices; it can be as simple as a single piece of paper at this point. If you take the time to write down your vision—where you want to be in six months, one year, and five years. It will help you focus your ideas. Knowing where you want end up helps make reaching your destination easier.

Now you need to develop a solid business plan that will drive many of the other decisions that you make in starting up. Having an idea of the area of law you intend to practice, the nature of work that will entail, and who are your target clients will help complete other sections of the plan as you write it. Identifying your ideal client will also help you develop a marketing strategy to attract that business and form the basis of your financial plan.

Things you will need to consider when drafting your business plan include:

### **1. What type of entity will you use for your practice?**

Today, you have a number of choices when it comes to how you structure your law firm. The two primary considerations when determining an operating structure are (1) what is the best structure to shield yourself from personal liability (not including malpractice) and (2) which structure best addresses the foreseeable tax consequences of your practice? Think through the liability and business implications of the various entity types that are suitable for your practice, whether a sole proprietorship, professional corporation, partnership or limited liability partnership (if you are going into practice with another lawyer).

Take the time to get some accounting advice to help you determine the operating structure to select. Talking to an accountant before you select the entity type can save you money as your practice becomes successful.

Be aware of any regulatory restrictions on the type of structure that you choose. For example, lawyers are not permitted to incorporate to escape liability – a professional corporation is really more of a tax planning tool and there are law society requirements that have to be met.

[\(Professional Corporations\)](#)

### **2. What do you need for an office?**

Most start-up businesses are faced with financial choices to make when getting off the ground. One of the major decisions is whether or not you can practice initially out of your home or if you will need dedicated office space. While having dedicated office space is nice if you meet regularly with clients, being able to forego this expense when you start can make a huge difference to your bottom line and the start-up capital you will require.

Working from your home is a good way to keep your overhead low in the start-up phase. This also allows you to focus your budget on critical items such as a marketing plan and acquiring the necessary technology to make you effective and efficient.

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Consider whether you want to work from home, at least initially, or develop more of a “virtual” office. Would you want to have clients attend at your home office or meet you at some other location. You may want to lease space from an executive office suite or business centres, establish a more traditional office in a commercial building, or share an office with another lawyer or firm. Ask yourself whether you need a dedicated office in the traditional sense or whether other options may work while you build your client base. Obviously, it is less expensive to work from home, but security or professional isolation may be a concern for you. Some lawyers arrange to meet clients at the courthouse, at the client’s home or business, or at a local coffee shop (confidentiality is obviously a concern with this approach). Others make arrangements with lawyers or other businesses to rent conference rooms from these established offices on an as-needed basis. The reality is that there are many creative solutions to this and no single right answer.

If you do decide that you need a physical office, how much space do you need? Where do you want to be located? Different areas of practice may also impact where you want to be. With a litigation practice, you may want to be close to the courthouse or near public transit to make access easier for you or your clients. If you are focusing on transactional legal work, perhaps you want to be located in the suburbs or other areas so as to be more accessible to where your clients work or live.

Determining how much space you need is not an exact science. If you are working from your home, your space needs are different than if you are renting space elsewhere, and where you will be meeting with clients will influence this decision as well. If practicing from your home, you need dedicated “work” space as differentiated from your “living” space—not only to preserve your mental health but also to meet the ethical requirements of safeguarding client information. The differentiation is also important for tax purposes. According to CRA, you can deduct expenses for the business use of a work space in your home, as long as you meet one of the following conditions:

- it is your principal place of business; or
- you use the space only to earn your business income, and you use it on a regular and ongoing basis to meet your clients. (For more, see: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/slprtnr/rprtng/t2125/ln9945-eng.html>)

If you determine that your practice needs distinct office space outside your home, you need to determine if there will be a meeting room available, kitchen or break room, storage space, and room for an assistant if you need one. Think in terms of square feet when considering office space. If you will meet with clients in your office, it should be larger than if you will meet with clients in a conference room or other location. If you plan to have an assistant, how many square feet should be reserved for this person?

You also need to remember that your costs will generally be based on the amount of space you use, so the larger the space, the higher your rent will be.

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www.thebalance.com. has a number of useful articles to help you plan for your office space needs:

[A Beginners Guide to Office Space](#)

[How Much Office Space Do You Need?](#)

Another useful resource can be found on the How Stuff Works website:

[HowStuffWorks "How Finding Office Space Works"](#)

Check the Alberta Code of Conduct to understand your obligations with respect to protecting client confidentiality and space-sharing arrangements.

### **3. What will you need for technology?**

Think about what you really want to accomplish and what your comfort level is with technology. The possibilities in terms of equipment and applications are virtually endless. As with everything else, know your objectives and your limitations. Unless you are very tech savvy, you should get some advice from an expert. Think about how much you want to do yourself and how much you are capable of maintaining. At the very least, you need a telephone, Internet access, computer, something to back it up, and probably a printer. Key programs for word processing, time keeping, billing and accounting, e-mail, contact, and calendar management would also form a simple foundation. Beyond that, your decisions will again be influenced by your practice objectives and your budget. Consider whether you want to develop a paperless (or less paper) system—start-up is an excellent time to consider entrenching a digital backup system for all files and documents that come into your possession.

### **Creating Your Financial Plan and Your Budget**

Next you need to develop a cash flow plan and budget. You will use your cash flow plan and budget to help adjust your operations as you grow your practice. They will serve as your road map for getting to a successful practice and provide benchmarks to monitor your progress. It is critically important to understand your cash flow requirements, your regular monthly expenses, your potential sources of revenue, and what will you live on until you begin to generate a reliable income. Do you have an existing client base that will generate immediate income for you, or will you need to draw on funds from other sources?

Many lawyers hear the words “financial plan” or “business plan” and envision lengthy documents with pages and pages of details. This often results in paralysis as they feel overwhelmed trying to create the plan. A key thing to remember is that a business plan doesn’t need to be complex and cover everything in extreme detail.

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This is an instance where following the KISS principle (“keep it simple, stupid”) is a benefit. Generally, a business plan will consist of a number of parts such as:

- executive summary
- firm description
- scope of services
- market analysis
- marketing plan
- financial projections
- operating plan

One recommendation is to break the different segments of your business plan into a number of mini-plans (e.g., your marketing plan will be a mini-plan that can stand on its own). Fortunately, you do not have to recreate the wheel to draft a business plan: There are numerous resources online and in print that can make this process easier. The U.S. Small Business Administration (SBA) has a number of articles and resources, including a step-by-step tool on [How to Write a Business Plan](#) and you can find a sample law office business plan below:

[Business Plan Outline - practicePRO](#)

Finally, for an interactive program that will guide you through the entire process, see the 2012 CD-ROM edition of [The Lawyer’s Guide to Creating a Business Plan: A Step-by-Step Software Package](#) by Linda Pinson, published by the American Bar Association.

Whether your initial capital investment comes from your own personal savings, loans from family and friends, credit cards, or a line of credit, you will need to establish a budget for your initial start-up. Obviously, the size of your budget will dictate the complexity of your initial set-up. Capital expenditures such as furniture, equipment (computer, software, scanner, copier, printer, telephone, fax, filing cabinets, postage scale and meter) and potentially tenant improvements will depend on your practice setting. Consider to what extent your smartphone or tablet can substitute for a landline, laptop, copier, or scanner—at least for a while. Consider whether you will purchase, lease, or rent your office equipment (this is probably something to discuss with your accountant).

Other operating expenses associated with start-up will continue on a regular, recurring schedule such as office supplies, license, membership and insurance dues, expenses for office space (utilities, insurance, taxes, etc.); they need to be included in your budgeting process.

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**Table 1. Sample Expense Calculation**

Description	Monthly amount	Annual amount
Rent	\$300	\$3,600
Utilities	\$150	\$1,800
Telephone & Internet	\$100	\$1,200
Business insurance	\$50	\$600
Malpractice insurance	\$200	\$2,400
License and professional memberships	\$100	\$1,200
Staff	\$0	\$0
Advertising	\$100	\$1,200
<b>Totals</b>	<b>\$1,200</b>	<b>\$14,400</b>

The information in Table 1 (Sample Expense Calculation) is needed to help you determine what you are going to charge for an hourly rate, if that's how you will bill. When you've established your hourly rate, you need to divide your monthly fixed expenses by this hourly rate to determine the minimum number of hours you will need to bill simply to cover your fixed expenses. Using Table 1's monthly total of \$1,200 and dividing it by an hourly rate of \$150 per hour would result in the calculation shown in Table 2 (Number of Billable Hours to Cover Fixed Expenses).

**Table 2. Number of Billable Hours to Cover Fixed Expenses**

Monthly fixed expense	Hourly rate	Number of billable hours
\$1,200	\$150	8.00

Therefore, you would need to bill a minimum of eight hours each month just to cover your fixed expenses. If you're not sure what an expense will be, you can often discover approximate amounts easily by talking to fellow lawyers, getting price quotes from service providers, and making an educated guess in some circumstances. This number is not meant to be exact but to give you an idea of what you'll need to make just to cover your fixed expenses.

You will have expenses above these for such things as office supplies, mailing, and copy expenses, and no amount was included for equipment or other purchases. These will also have to be taken into consideration. Generally, for things such as office equipment and technology purchases, you will create a budget and spread it over two to five years.

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With a view to the image that you want to create, decide how you want to convey that image to your target audience. You also will want to spend some time developing a website—this doesn't have to be extensive at first, but it is a very important element in your marketing plan and requires time to design. There are a number of resources to assist you in creating a marketing plan for your firm. Your initial plan can be as simple as a single page with the marketing efforts you will make daily, weekly, monthly, and annually. If you are starting a new practice and do not have an existing base of clients, marketing your firm will be critical to early success. You may want to include hiring a legal marketing provider in your budget. Firms such as Attorney Sync provide manuals for creating a marketing plan.

Stephanie Francis Ward's helpful *ABA Journal* article ["50 Simple Ways You Can Market Your Practice"](#) provides some great tips for marketing your practice.

## Regulatory Requirements

Ensure that your membership status and insurance are appropriate for your current working situation. Realize that there may be a time delay in obtaining the necessary approvals prior to taking on your first client. It is also important to understand the qualifications you have to meet if you want to operate a trust account. If you are going to accept funds for advanced fees, costs, or funds that belong to someone else other than yourself, you will need approval to be a Responsible Lawyer and operate a trust account. If you will not need to hold client trust funds, you will need to obtain an exemption from those trust accounting requirements. Determine whether your municipality requires you to obtain a separate business license.

You will also need to consider whether there are any rules that restrict you in terms of business/ mailing address requirements or obligations with respect to how you name your firm and whether you need to register a trade name. Review Chapter 4 of the Alberta Code of Conduct in terms of advertising.

In addition to professional liability coverage, there are many other types of insurance that can protect you and your practice in various circumstances. Depending on your personal situation, consider the applicability of the following:

- public liability and/or tenants liability coverage
- property insurance (all perils)
- auto and home (business use)
- business interruption, valuable papers
- life and short- and long-term disability insurance
- fraud coverage

You will also need to consider whether you need to register and collect GST. For more: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/rqstrng/menu-eng.html>

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## **Solo, but Not Alone**

Starting up a new business is an exciting and also somewhat daunting process—like everything else in life, being your own boss has its rewards and its headaches. It is important to develop a network of other professionals to whom you can turn for support. And probably most important of all, find a friend, a mentor, or a sounding board that you can rely on for objective feedback—or just a shoulder to cry on. There is also a great wealth of information available through the Legal Education Society of Alberta, The Canadian Bar Association Alberta Branch, and through the Practice Advisors Office at the Law Society.

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