

FITTING THE BILL

When It's Time to Collect,
Clients Appreciate Clarity and Detail

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REID TRAUTZ KNOWS ALL ABOUT getting paid. As director of the Lawyer Practice Assistance Program of the District of Columbia Bar, he commonly helps lawyers set up efficient, workable systems to generate bills that clients pay. Trautz says a good billing system starts with a good fee agreement—one that spells out in detail what the lawyer is agreeing to do for the client, what the client is expected to pay for, and how much.

Your message will be clearer if your contract is free of legalese and jargon, says Trautz. He recommends asking a nonlawyer friend or family member to read your agreement. If he or she doesn't understand it in the way you intended, revise it.

Trautz offers the same advice when drafting billing notations. Clear, detailed descriptions give the client a sense of value. For example, a client will be happier paying for an hour of a lawyer's time when the lawyer "drafted, reviewed and sent correspondence to opposing counsel" rather than merely "wrote letter to opposing counsel."

Next, devise a system for keeping track of the work you do for each client. Software programs like PC Law and Timeslips can be helpful, but don't be hamstrung if they don't provide all the features you need. An invaluable feature of any billing system, says Trautz, is the ability to create reports.

For example, an accounts receivable report shows how much each client owes; an aging report shows how long each client's balance has been outstanding and sometimes the date of last payment. Using these reports together helps the lawyer keep track of clients who aren't paying so they can address the issue.

KEEP CONTINUITY

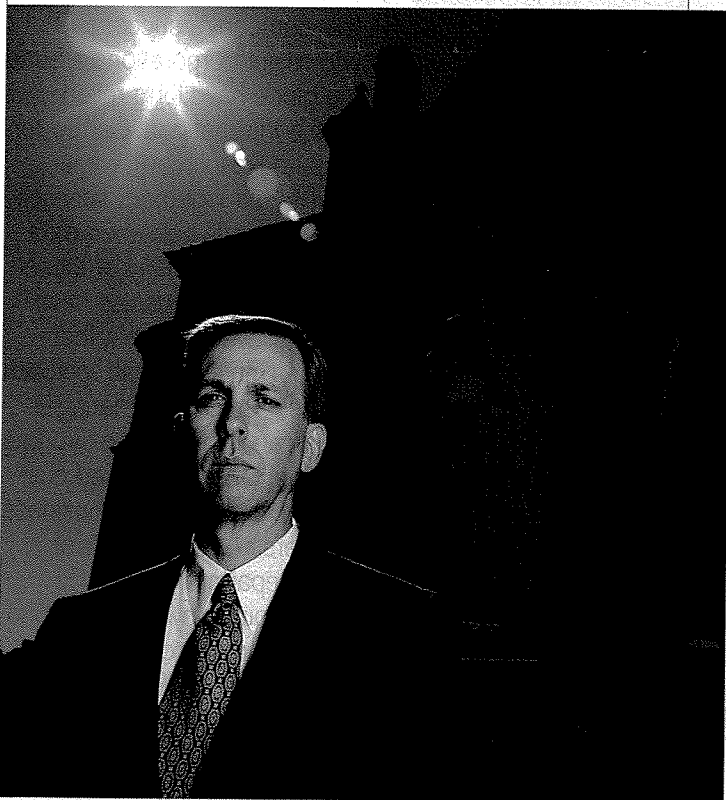
ONCE YOU DECIDE ON A SYSTEM, IT'S IMPORTANT TO FOLLOW it, says Ted Waggoner, a Rochester, Ind., lawyer. "Systems work well when you work the system," he says.

Waggoner's firm bills clients monthly, using a combination of hourly and flat fees, and contingencies. He is trying to move toward more "project billing," which he defines as a flat fee that takes many factors into consideration.

To create a project fee, Waggoner meets with the client to find out what the matter entails. Then he determines the amount of work involved and factors in overhead to arrive at a single fee. That way, he says, clients know what to expect, and he can avoid wrangling over the bill later. Be sure to check your local ethics rules if you use this sort of system, Waggoner warns. The key, he says, is to learn to be accurate in your estimates. Build expensive contingencies into the fee agreement, but also be prepared to swallow smaller items under a system like this, he says.

Trautz says lawyers often ask whether it is appropriate to bill for every incidental expense. There are two schools of thought on that issue, he says. Some lawyers keep their hourly rate low and bill clients for expenses like postage, long-distance phone charges and photocopies. Those lawyers believe that clients appreciate seeing exactly where their costs originate. Other lawyers build such overhead into their hourly rate, believing that some clients find add-ons for small amounts of postage or copies offensive, given how much they're already paying.

The bottom line, says Trautz, is that there are many ways of creating a billing system. You have to know what your clients prefer, what works for the type of law you practice, and what's easiest for you. ■



Ted Waggoner is moving toward more "project billing," a flat fee covering all expenses.

"Be as specific as possible: 'This and this are included. This and this will be charged at x dollars per hour.'"