

## STARTING A FIRM – CHECKLIST

### ❖ FORMATION CONSIDERATIONS

- CORPORATE FILING STATUS
- CORPORATION (E.G. SUB S, C)
- GENERAL PARTNERSHIP
- LIMITED PARTNERSHIP
  - LIMITED LIABILITY PARTNERSHIP (LLP)
  - LIMITED LIABILITY LIMITED PARTNERSHIP (LLLP)
  - LIMITED LIABILITY COMPANY (LLC)
- FEIN (FEDERAL), STATE, AND LOCAL ACCOUNT NUMBER(S)
  - ESTABLISH ONLINE ACCOUNTS FOR QUARTERLY TAX PAYMENTS
- PARTNERSHIP/OPERATING AGREEMENT
- SOURCE OF FUNDS TO FUND THE NEW ENTITY?
- SELECTING A CPA TO CONSULT ON TAX AND FINANCIAL IMPLICATIONS OF MERGER

### ❖ COMPENSATION CONSIDERATIONS

- PARTNER/OWNER COMPENSATION (E.G. SALARY, DRAWS, COMBINATION, ETC.)
- ASSOCIATE/STAFF COMPENSATION
- BONUSES
  - WILL THERE BE BONUSES? IF SO, BASED UPON WHAT CRITERIA?
    - Performance tied to billable hours, collections, etc.?
    - Consideration given for marketing activities, mentoring, community involvement?
- EMPLOYER/EMPLOYEE BENEFITS PLANS
  - SIMPLE IRA, 401(K), PROFIT SHARING, SEP, QNEC
  - INSURANCE - HEALTH, LIFE, DISABILITY INSURANCE, DENTAL, VISION
  - HSA, FSA ACCOUNTS
  - PTO AND SICK POLICIES

## ❖ ACCOUNTING AND BILLING CONSIDERATIONS (TBA)

### ➤ TBA AND PRACTICE MANAGEMENT SOFTWARE

- **CLOUD OR PREMISE BASED SOFTWARE?**
  - Schedule demos with sufficient time to review options and plan the implementation
  - Identify beforehand your billing procedures (see Billing and Accounting Procedures section) so you can determine if the program will handle your needs.
  - Review data that exists in existing locations (e.g. Outlook, documents, spreadsheets) to consider what could/should be migrated to the new product

### ➤ SETUP NEW BANK ACCOUNTS

- **OPERATING, MONEY MARKET/SAVINGS, PAYROLL, ETC.**
- **IOLTA ACCOUNT – CONFIRM THE BANK IS OPENING AN IOLTA ACCOUNT THAT COMPLIES WITH THE BAR ASSOCIATION’S GUIDELINES, NOT A REGULAR BANK ACCOUNT LABELED AS A TRUST ACCOUNT; IOLTA ACCOUNT REMIT THE INTEREST TO THE BAR ASSOCIATION’S IOLTA PROGRAM EVERY MONTH.**
- **CREDIT CARD USAGE – WILL YOU OBTAIN A CORPORATE CREDIT CARD OR USE YOUR PERSONAL CARD AND GET REIMBURSED?**
- **WILL YOU ACCEPT CREDIT CARD PAYMENTS FROM YOUR CLIENTS?**
  - Research credit card merchants and create accounts. The merchant must understand how law firm trust accounting works and no credit card processing fees should be charged against the trust account. LawPay is recommended by many state and local bar associations.

### ➤ WILL YOU OBTAIN A LINE OF CREDIT?

### ➤ CREATE A BUSINESS PLAN OR AT LEAST A BUDGET

- **CAPTURE THE KNOWN MONTHLY RECURRING EXPENSES (E.G. RENT, UTILITIES, ADVERTISING, SOFTWARE, SUPPLIES, ETC.)**

### ➤ ESTABLISH A GENERAL LEDGER CHART OF ACCOUNTS FOR ALLOCATION OF BANKING AND BILLING TRANSACTIONS

- **CONSULT WITH YOUR CPA**
- **OPTIONS MAY BE AVAILABLE FROM THE BAR ASSOCIATION OR THE ABA**

### ➤ PAYROLL

- **WILL YOU PROCESS MANUALLY (NOT ENCOURAGED) OR USE A PAYROLL SERVICE (ENCOURAGED)?**
- **WHO WILL FILE THE QUARTERLY PAYROLL TAX RETURNS AND MAKE THE QUARTERLY OR MONTHLY TAX PAYMENTS?**

### ➤ INSURANCE POLICIES

- **PROFESSIONAL LIABILITY (CONFIRM IF TAIL INSURANCE IS INCLUDED)**
- **PROPERTY (LIABILITY, WIND, FIRE, FLOOD, ETC.)**
- **AUTO**
- **KEY MAN**

- BUSINESS INTERRUPTION
- LOSS OF VALUABLE DOCUMENTS
- WORKERS' COMPENSATION
- TAIL INSURANCE COVERAGE

➤ DESIGNATE ANOTHER ATTORNEY TO CLOSE THE PRACTICE IN THE EVENT OF DEATH, DISABILITY, IMPAIRMENT OR INCAPACITY AND HAVE A WRITTEN AGREEMENT OUTLINING THEIR RESPONSIBILITIES.

- SHOULD THIS ATTORNEY ALSO ACT AS YOUR PERSONAL ATTORNEY?
- SIGNED CONSENT AUTHORIZING THE ATTORNEY TO CONTACT CLIENTS FOR INSTRUCTIONS TO TRANSFER FILES, AUTHORIZATION TO OBTAIN EXTENSIONS OF TIME, ETC.
- BANK AUTHORIZATION TO SIGN ON GENERAL OR TRUST ACCOUNTS, TAKING INTO CONSIDERATION THAT ATTORNEY'S ACCESS TO YOUR ACCOUNTS, ESPECIALLY THE TRUST ACCOUNT. DECIDE WHEN ACCESS IS GRANTED (E.G. ALL TIMES, SPECIFIC TIMES, OR THE HAPPENING OF A SPECIFIC EVENT).
- INFORM STAFF AND SPOUSE OF THE AGREEMENT AND THE ASSISTING ATTORNEY'S CONTACT INFORMATION.
- UPDATE ANY RETAINER AGREEMENTS TO IDENTIFY THE ASSISTING ATTORNEY.

➤ BILLING PROCEDURES

- CREATE AND USE A RETAINER/ENGAGEMENT AGREEMENT
- WILL YOU CHARGE AN INITIAL CONSULTATION FEE?
- ESTABLISH BILLING ARRANGEMENTS
  - Hourly, Fixed Fee, Contingent, Phased, etc.
  - If Fixed Fee or Contingent, will you still track your hours to measure the profitability on your cases? You can't measure it if you don't track it.
- HOW WILL ADVANCED COSTS BE ADDRESSED?
  - Asset or Expense (NOTE: Per the IRS Attorney Audit guidelines, costs advanced should be maintained as an asset and not expensed every year. Consult with your CPA).
  - Cash required to fund advanced costs?
- ARE YOUR NON-REFUNDABLE FEES DEPOSITED DIRECTLY INTO OPERATING OR TRUST?
- WILL YOU IMPLEMENT A RETAINER REPLENISHMENT/EVERGREEN RETAINER POLICY? IMPERATIVE FOR CONSISTENT CASH FLOW.
- COMMIT TO CONSISTENT BILLING. WIP IS YOUR INVENTORY AND YOU CAN'T GET PAID IF YOU DON'T BILL YOUR FEES.

➤ **REPORTING**

- **UNDERSTAND THE COMMON PRODUCTIVITY REPORTS**
  - Accounts Receivables
  - Billings
  - Collections
  - Billable/Non-Billable Time
  - Timekeeper Budgeting
- **FIRM FINANCIAL REPORTING USED FOR YOUR TAX RETURN**
  - Profit and Loss Statement (Income and Expense Statement)
  - Balance Sheet
  - Trial Balance