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The Alchemy of Cash Flow : Tips for Turning Time into Money

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How do you keep your firm's cash flow healthy? At the Estate Planning & Legacy Law Center, PLC, we record our time conscientiously; we review our time regularly; we invoice thoroughly and promptly; we track collections. Sounds easy, doesn't it?

We use a combination of methods to turn our time into money.

Collecting Time

We track our time using electronic timers. We use Timeslips™ to track and bill our time, but any process will work so long as you are consistent.

As soon as we are engaged to handle a matter, we set up a separate ID for it in Timeslips™. Each staff member charges time to that matter by creating a slip for his/her action. If Client B calls on the telephone while we are working on Client A's matter, we are trained, much like Pavlov's dogs, to close Client A's slip and open a slip for Client B's matter as we pick up the handset.

Reviewing Time

- *Nut Report*

Every Monday morning, we produce and publicize internally our "Nut Report." Each billable staff member has an expected amount of billable time – the "nut." The Nut Report shows for the prior week, by name, the billable hours, the nut, and the variance. We create the Nut Report in Excel, using information taken from Timeslips™.

The Nut Report is a quick and dirty – and timely – head's up. Was staff productive last week? If not, why not?

- *Slip Report*

Monthly, we distribute to each legal staff member a Slip Report. The Slip Report shows, by client matter, every slip that was created by that staff member for the prior month. Each staff member must review all of his/her slips, correct any typos and errors, and affirm that the report is accurate. We produce invoices based on these proofed slips.

After invoices have been finalized for the month, we produce two reports to track how well we invoiced and collected.

Tracking Effectiveness of Invoicing and Collections

- *Aged Work In Process and Aged Accounts Receivable*

How do you make sure that all of your firm's work has been invoiced each month? We use the Aged Work in Process (WIP) report.

WIP is time that has been charged to a matter, but has not been included on an invoice to a client. For a service organization, WIP is inventory. At the Estate Planning & Legacy Law Center, we want WIP converted into an invoice. But the best invoice in the world is no good to us until the client pays it. We don't want invoices outstanding. We want cash in hand.

Accounts Receivable are invoices that have been created, but the client has not paid.

Our Aged WIP and A/R reports are sorted by attorney, with a sub-sort by paralegal, and by age of the slip or invoice. Our report shows the dollar and percentage value of slips or invoices at 30, 60, 90, and greater than 120 days old.

We create the Aged WIP and Aged A/R reports in Excel, using reports from Timeslips™. Our Controller meets monthly with each attorney and paralegal to review these reports and identify matters or clients that need special attention. WIP or A/R that is more than 30 days old is a signal to us that the matter or client may be in crisis. Once we recognize trouble, we remediate swiftly. We may assign different or additional staff to the matter, or call or write the client to request payment; we may write-off the time or invoice if we deem it uncollectible. We do not allow slips or invoices to linger.

Consistent, positive cash flow is vital to the stability of your firm. Don't let money fritter away because you aren't paying attention. Track your efforts, invoice regularly and completely, and make sure your clients pay promptly. Your cash flow will flourish.

Merrell Bailey is the Managing Attorney for Florida firm Estate Planning & Legacy Law Center, PLC. She concentrates her practice on complex estate planning, with attention focused on transfer taxes, FLPs, unmarried couples, and end-of-life issues. She is licensed to practice in Florida, and may be reached by email at: mbailey@epllc-plc.com.

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