

# Managing a Profitable Practice with Purpose: Financial Strategies for Small Firm Lawyers



Jessica Medina, LLC  
Financial Coaching

# *Today's Presentation*

## **AGENDA**

Remember Your Purpose  
Check Your Financial Health  
Profitable Business Systems  
Business In Difficult Times  
Resources  
Questions

*Jessica Medina, LLC*  
Financial Coaching

# *Jessica Medina, Esq.*

## **Financial counselor & coach**

Licensed attorney practicing over 15 years

Eight years at major DC law firm

Five years at the United States Securities & Exchange Commission

Candidate to become an Accredited Financial Counselor through the

Association of Financial Counseling & Planning Education

Mom to twin teenagers

\*Jessica Medina, LLC does not give investment, tax, or legal advice



# ENTREPRENEURSHIP IS TOUGH

**In a study by Statistic Brain, Startup Business Failure Rate by Industry, the failure rate of all U.S. companies after five years was over 50 percent.**

2017 STUDY BY STATISTIC BRAIN ON STARTUP FAILURE

<https://www.entrepreneur.com/article/288769> (data available at <https://www.statisticbrain.com/startup-failure-by-industry/>)





There is a better way...

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## TRANSFORM YOUR PRACTICE

### ***TODAY***

No profits in hand  
Unable to pay tax bills  
Too confused by accounting  
No regular salary  
Unfocused efforts

**PLANNING**



**EXECUTION**

### ***TOMORROW***

Regular profit distributions  
Segregated tax \$  
Account balance clarity  
Pay yourself a salary  
Focus on expertise

*Remember Your Purpose*

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**NON PROFIT**

**FOR PROFIT**



**GENERALIST**

**EXPERTISE**

*Client  
Service  
Activities*

**SETTING APPROPRIATE RATES**

**COLLECTION PRACTICES**

# OLD FORMULA

$\text{Sales} - \text{Expenses} = \text{Profit}$

# NEW FORMULA

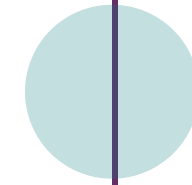
$\text{Sales} - \text{Profit} = \text{Expenses}$

**Check Your Financial Health:**  
*Profit First* by Mike  
**Michalowicz**

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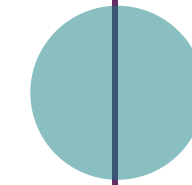
# Where do you stand?

## Calculate % of Real Income



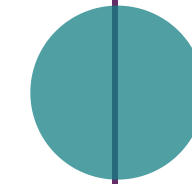
### **ANNUAL REAL INCOME (AFTER CONTRACTOR FEES)**

Represents REAL income from business  
(minus Cost of Goods Sold type expenses)



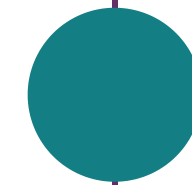
### **ANNUAL PROFIT**

Cash on hand or distributions made to  
owners separate from salary



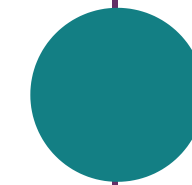
### **OWNER'S SALARY(IES)**

Owner salary(ies)



### **TAXES**

Taxes paid by company on your behalf  
(may be \$0)

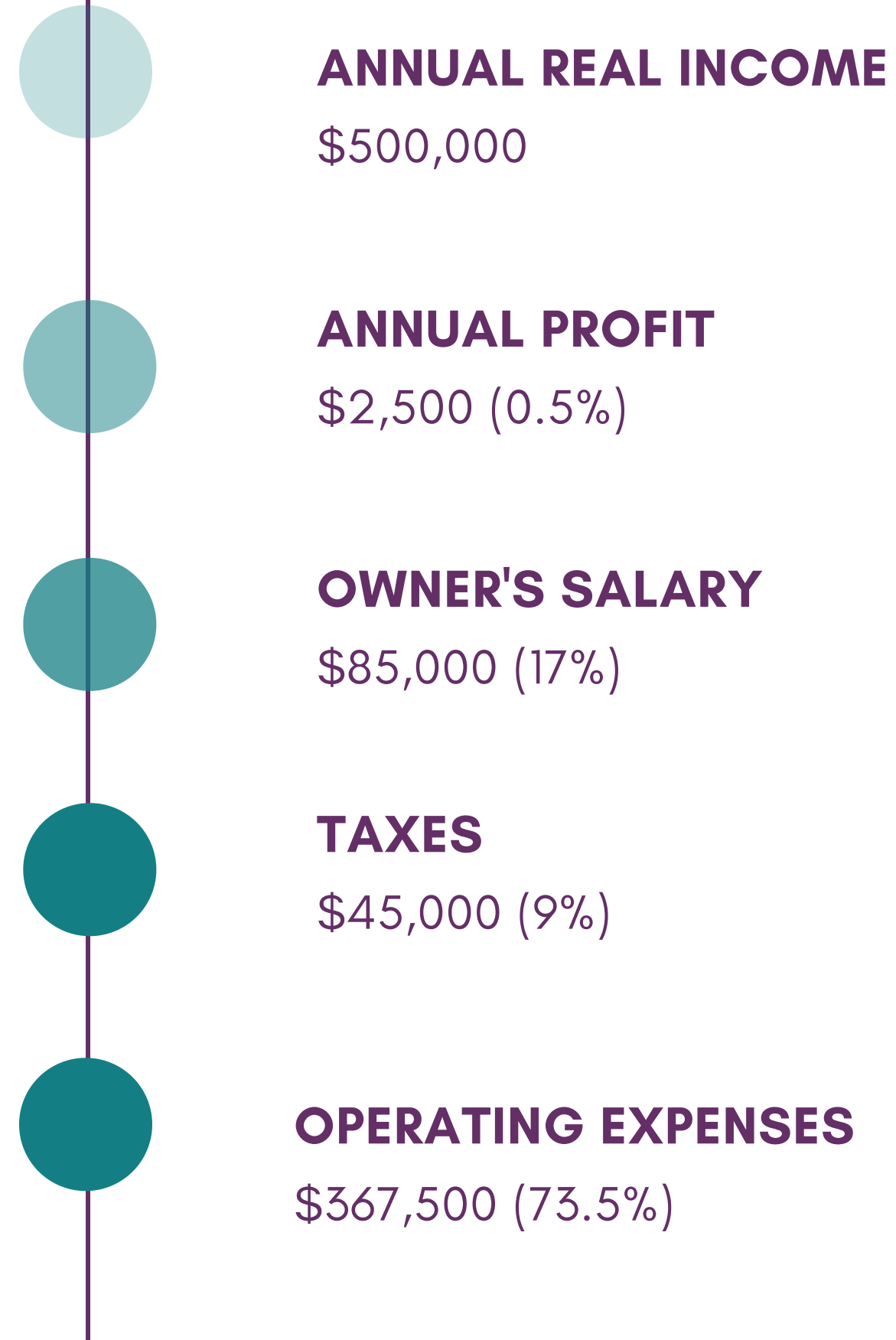


### **OPERATING EXPENSES**

Staff salaries, office space, supplies, etc.

Take the Profit First Instant Assessment at  
<https://profitfirstaustralia.com.au/instant-assessment/>

# Sample Law Firm Solo Practitioner Example



This solo practitioner is barely earning enough to live in DC, gets no bonus for running their own business, and is one bad month away from ruin.

# *How do we get profitable?*

ADJUST THE RATIOS



# Sample Law Firm Example

## Benchmark Ratios



### ANNUAL REAL INCOME

\$500,000

### ANNUAL PROFIT

\$2,500 (0.5%) --> Increase to 10% (\$50,000)

### OWNER'S SALARY

\$85,000 (17%) --> Increase to 35% (\$175,000)

### TAXES

\$45,000 (9%) --> Increase to 15% (\$75,000)

### OPERATING EXPENSES

\$367,500 (73.5%) --> Decrease to 40%  
(\$200,000)

This solo practitioner is earning a good salary for our area, gets a \$50,000 "bonus" each year, and will have reserves to survive a month with no revenue.

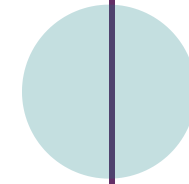


*How do we get  
profitable?*

GET CREATIVE & BE RUTHLESS

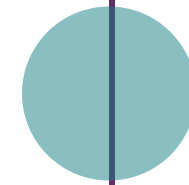


# LOWER YOUR OPERATING EXPENSES



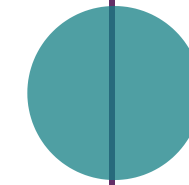
## **PICK YOUR TOP OPERATING EXPENSES**

Can you remove, reduce, or reframe these costs?



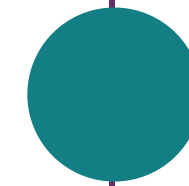
## **EVALUATE YOUR SERVICES**

Which services are outside your expertise and costing resources to provide?



## **LOOK FOR MORE EXPENSES TO CUT**

Recurring subscriptions or membership fees, office space, work vehicles, staff



## **CHECK YOUR PROGRESS**

Confirm you have cut enough to have a profitable business

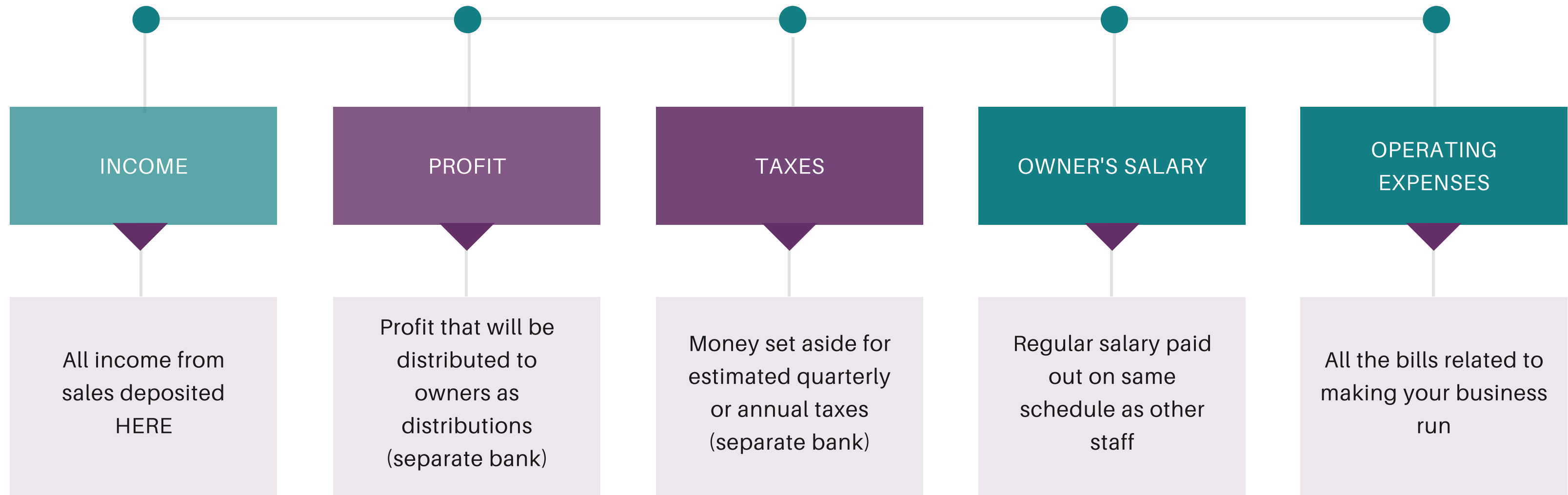
# *Profitable Business Systems*

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# *PROFIT FIRST SYSTEM*

by Mike Michalowicz

## 5 ACCOUNTS TO KEEP YOU ON TRACK

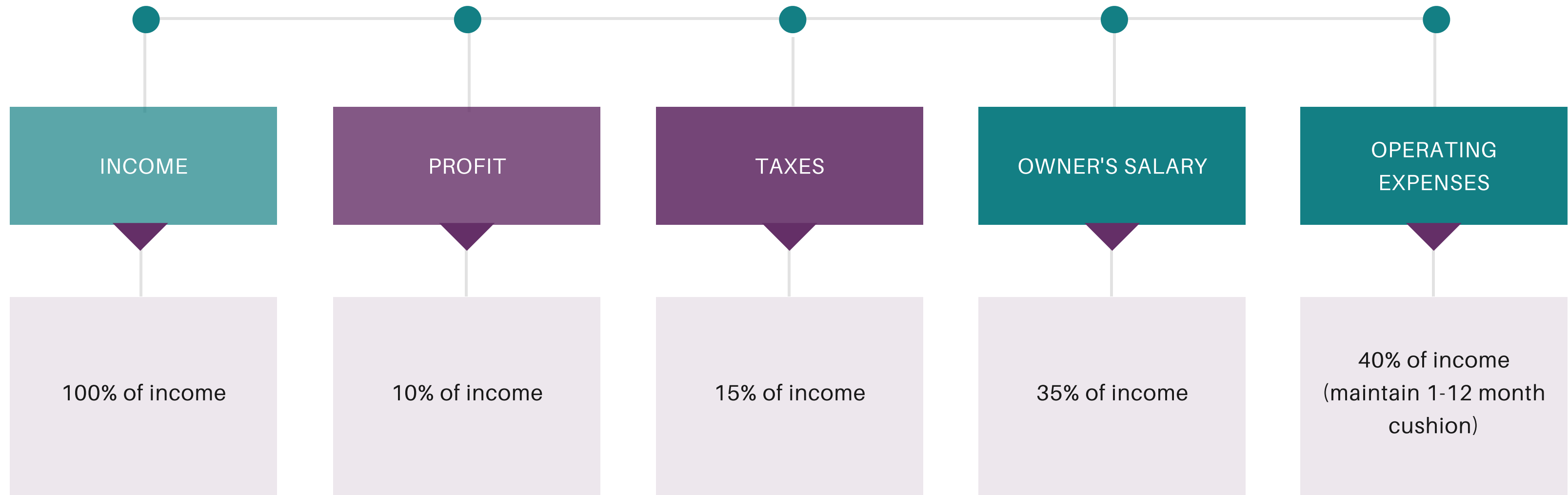


# ***PROFIT FIRST SYSTEM***

by Mike Michalowicz

**Sample proportions for Solo Practitioner (\$500,000 annual rev)**

**Transfer funds 2 x month**



# WHAT TO DO ON BILL PAYING DAYS

## 2 x month

01

### PAY BILLS

Use money in Operating Expenses Account to pay any bills due including staff salaries

02

### PAY OWNER SALARY

Use money in Owner's Salary Account to pay your regular salary -- or partial

03

### IF TAXES DUE

Use money in Taxes Account to pay your estimated quarterly taxes or annual tax bill

05

### TRACK PROGRESS

You can see how you're doing just by checking your account balances

04

### QUARTERLY PROFITS

Each quarter, pay out HALF of what is in the Profits Account to all owners proportionately

*2 More  
Accounts*

**VAULT ACCOUNT**

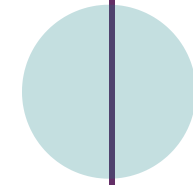
**DRIP ACCOUNT**

# *Business In Difficult Times*

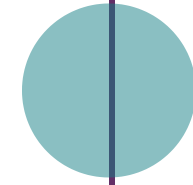
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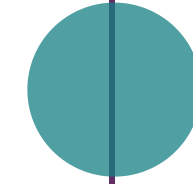
# What to do during tough times?



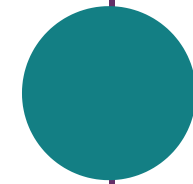
**TRIM EXPENSES**



**OPERATING EXPENSES CUSHION**



**VAULT ACCOUNT**



**PROFIT ACCOUNT SURPLUS**

Consider other funding as a last resort and incorporate debt payoff into operating expenses.

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# *Resources*

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# *RESOURCES*

- *Profit First* by Mike Michalowicz (available everywhere)
- Financial coaches specializing in entrepreneur business finances (contact me for recommendations)
- DC Bar Association: Practice Management Advisory Service  
(<https://www.dcbar.org/for-lawyers/practice-management-advisory-service>)

# *Questions*

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## LET'S STAY CONNECTED

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Check out my reviews on Facebook & Google and full testimonials on website

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