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# Guide to Opening Your Practice

Take the necessary steps to succeed in your business.



The Law Society of  
Upper Canada | Barreau  
du Haut-Canada

Legal information and support designed for you.

# GUIDE TO OPENING YOUR PRACTICE

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## **INTRODUCTION TO THE GUIDE**

The Law Society of Upper Canada created the Guide to Opening Your Practice to inform lawyers of the steps involved in opening a law practice and to assist them to prepare a business plan. Intended for lawyer licensees interested in operating as either sole practitioners or in a small firm (five lawyers or less), the guide will be helpful if you are considering or have decided to open your own practice.

Because of the wealth of information available, researching how to open your professional business can be overwhelming. If you have already begun your research, the Guide will help you to complete a business plan for the professional business you wish to create. If reading the Guide is your first step, it will inform you about the major issues you should consider when opening a law practice and will direct you to other materials in each area you should review. Once you have completed your review, you may return to the Guide and use it as a roadmap to assist you to complete your business plan.

Where possible sample documents\*, references, links and/or contact information have been included. The information and resources contained in the Guide may not be applicable to other professional businesses and references to relevant government Ministries are accurate at the time of printing.

Owning a law practice means both practising law and operating a business. It is exciting and challenging. If you take the time to determine for yourself why opening your own professional business is attractive to you and to write a business plan that creates the professional business you desire, your chance for success will be greatly increased.

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\* Documents reprinted with the permission of David Epperson, Mitchel L. Winick, Veronica Bell Gilbert, and Jonathan E. Smaby, *Opening and Managing a Law Practice*, 3<sup>rd</sup> edition, published by the Texas Center for Legal Ethics and Professionalism.

## **SHOULD I OPEN MY OWN PRACTICE?**

Opening and operating your own law practice makes you the owner of a business as well as a lawyer. The concerns of a self-employed business owner are different than those of an employee so the decision to open a practice should be well-informed. Before opening your own professional business, you should first evaluate whether you have or need to develop the necessary skills and attitudes to do so.

Tools exist to test your suitability to open and operate your own business, some of which have been included in the Resources section of this Guide. These self-assessment tools can provide you with a snapshot analysis of your strengths and weaknesses, as compared with those of successful business owners. Use the test results to determine what skills you lack to either augment those skills or to tailor your business and business plan accordingly. You will always be the most important part of your law practice.

### **Checklist**

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#### **Personality and Attitude**

- Consider whether you are
  - a “self-starter”
  - a leader
  - competitive
  - organized
  - energetic
  - healthy
  - a “risk taker”
  
- Assess your problem-solving style.
  
- Evaluate your planning and organizational skills.
  
- Assess whether you have the management and interpersonal skills to be an effective leader and to manage others.
  
- Consider whether you have the necessary health, energy and drive to open and maintain a practice.
  
- Evaluate whether you have the “people skills” necessary to establish and maintain business relationships, both internal and external.
  
- Assess whether you can make decisions easily, either autonomously or with outside input.

- ❑ Consider whether you are flexible and can adapt to changing conditions, financial or otherwise, as your practice evolves.
- ❑ Consider whether you are able to handle stress well and how you deal with crises.

### **Other Considerations**

- ❑ Assess the time needed to focus on your practice and whether you have competing commitments (e.g. family).
- ❑ Evaluate whether and how others will be affected if you open your own practice (e.g. long hours, after-hour demands, financial stress).
- ❑ Consider how you will separate your business and personal lives, considering health benefits, insurance, vacation and retirement planning [see the Insuring You and Your Practice section of this Guide for more information].
- ❑ Determine what skills or knowledge you will not be able to develop that can be provided by a third party (e.g. marketing, accounting, bookkeeping, technology services, etc.).

## DEFINING YOUR PRACTICE

To open a law practice you will need to know in which area of law and in what city or region of Ontario you would like to provide legal services. However, to prepare an adequate business plan, you may need to further define your practice. This includes identifying your target clients, the services you will provide and in what location you would like to provide them.

Initially you may need to offer a wider range of services to a broader-based clientele than you would for the long term. To ensure that you are successful in the long term, you will require a strategy that defines your practice area and target market at the beginning and during the evolution of your law practice.

### **Checklist**

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#### **Target Client(s)**

- Determine your target client.
- Ascertain what services your target client wants and values.
- Evaluate how your target client would like to receive those services (e.g. use of e-mail, home or evening appointments).

#### **Practice Area(s) and Scope of Services**

- Determine in what area(s) of law you will practise.
- Consider compatible practice areas (e.g. an estate litigation practice may start as a general litigation practice then narrow its client base or may also do wills and estate planning before restricting its activities to litigation).
- Ensure that you are competent to practise in your chosen areas of law, and take appropriate steps to build and maintain your competence, in accordance with the *Rules of Professional Conduct* [Rule 2.01].
- Consider whether you will provide other ancillary non-legal services (e.g. commissioning or notarization of documents) in addition to legal work.
- Evaluate whether you may do contract work for other lawyers or for Legal Aid Ontario, as a panel lawyer or as duty counsel. Note that you must first receive a solicitor number from Legal Aid Ontario before you may do certificate work.
- Ensure that you understand your obligations under the *Rules of Professional Conduct* [Rule 6.04] if you choose to engage in activities

outside the practice of law to supplement your income while developing your practice.

## **Location**

- ❑ Determine where you would like to open your practice.
- ❑ Consider whether you are limited or are flexible in your choice of location (e.g. by finances or by other commitments).
- ❑ Evaluate whether there is a market for the legal and non-legal services you wish to provide in the location(s) you are considering (i.e., the location is home to enough of your target clients to support your business).
- ❑ If there are other legal service providers in the area, consider whether the market will support your business initially and as your practice evolves.
- ❑ Consider population, demographics and future growth areas of the community where you would like to open your professional business.
- ❑ Review available demographic and market statistics by province or metropolitan area.

## CHOICE OF OFFICE SPACE

Choosing a location for your practice involves a number of considerations. Issues such as cost, attracting and servicing your target client market, type of practice and personal convenience may all play a role in deciding where to open your practice. In addition, you should consider whether the office space you seek is for the short or long term. You should ensure that the space you choose will meet your needs for the time period you have in mind and should factor in the cost of moving if the space you select is for the short term only.

### **Checklist**

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#### **Home Office**

- Consider whether a home office will attract your target client.
- Assess whether there is a risk in having your clients know where you live.
- Consider whether you can balance and separate your work and home life.
- Ensure you are able to comply with the *Rules of Professional Conduct* concerning client confidentiality [Rule 2.03].
- Ascertain whether there are any municipal by-laws or rules of a condominium complex or subdivision that may limit your ability to operate your practice (e.g. zoning, parking, licensing, signage, etc.).
- Determine where any support staff will be located, if applicable.
- Discuss with your accountant any tax advantages of a home office.
- Determine what physical changes may be needed to accommodate a home office (e.g. wiring, servicing, renovations, changes to décor, client parking, etc.), and the cost of those changes.
- Consider business centres for “boardroom tenancy” or the temporary or occasional use of
  - private office space
  - meeting rooms
  - mail processing
  - telephone and fax service
  - administrative support

## **Renting Office Space**

- ❑ When looking for office space, the following should be considered:
  - location
  - cost of space
  - square footage required
  - storage on site
  - security of premises
  - room for growth
  - facilities and services included (e.g. client parking)
  
- ❑ Compare rental rates in your geographical area by reviewing information available from
  - commercial real estate websites
  - municipal development agencies
  - business improvement agencies
  - local chambers of commerce
  
- ❑ When entering into arrangement to rent or lease office space, ensure that you review the following:
  - type of lease (i.e., gross or net)
  - term of the lease
  - improvements or betterments and how these will be paid for
  - whether rent-free periods can be negotiated to allow for improvements
  - if the total rental cost is reasonable in comparison to market rates in the area
  
- ❑ Ensure that the proper party or parties are listed as tenant(s) in the agreement to rent or lease if operating as a sole practitioner, through a professional corporation or partnership.
  
- ❑ Consider whether you are interested in providing the landlord a personal guarantee in the event the corporate structure will be listed as the tenant in the agreement to rent or lease.
  
- ❑ Consider hiring a lawyer and commercial real estate agent if you are unfamiliar with the issues involved with commercial leases.

## **Sharing Office Space**

- ❑ Evaluate if there is any cost or other benefit to sharing office space with other professionals.
  
- ❑ Determine who will sign the lease as the tenant (i.e., one, some or all of the individuals or corporate entities sharing space).

- ❑ Ascertain whether there will be shared staff and who will employ and be responsible for delegation of work supervision in accordance with the *Rules of Professional Conduct* [Rule 5.01].
- ❑ Clarify who will be responsible for joint equipment and other supplies required for the office.
- ❑ Decide how joint expenses will be allocated among the parties.
- ❑ Consider how the space sharing arrangement may be perceived by clients and others.
- ❑ Discuss what will occur if one or all of the parties involved choose to end the space sharing arrangement.
- ❑ Devise a contingency plan to address all issues associated with relocating your office (e.g. cost, equipment, staff, supplies, etc.) in the event you need to vacate the premises on short notice.
- ❑ Ensure that the office sharing arrangement complies with the *Rules of Professional Conduct* and the by-laws to the *Law Society Act* [Rule 2.03 Confidentiality, Rule 2.04 Conflicts of Interest, By-law 9: Financial Transactions and Records], and errors and omissions insurance requirements.
- ❑ Consider putting the terms of the office sharing arrangement in writing. Doing so will clearly outline responsibilities and reduce the possibility of misunderstanding.

### **Purchasing Office Space**

- ❑ If you are in the rare position of being able to purchase a commercial property to house your practice, ensure that you consult with the appropriate professionals for advice and guidance in the transaction. These may include:
  - a commercial real estate agent
  - a lawyer with experience in commercial purchase and leases, if there are multiple units in the building you wish to purchase
  - a banker with lending experience in this area
  - a tax accountant to discuss any relevant tax issues

## **COMPUTER SYSTEMS FOR YOUR PRACTICE**

To determine what computer systems are best for your practice you should assess the different tasks performed during any matter, from the initial contact by a prospective client to the closing of the file. Ensure that your choice of computer system meets your obligations under the *Rules of Professional Conduct* and consider consulting with an information technology (IT) or information systems (IS) consultant to ensure that your decisions are well informed.

### **Checklist**

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#### **Software**

- ❑ Determine your software needs first to ensure that your hardware selections will support them.
- ❑ Consider whether the various software applications available are compatible or can be integrated to work in conjunction with each other.
- ❑ Consider applications specific to a law practice and for use in any business and whether these programs can be integrated.
- ❑ When selecting programs specifically for use in a law practice, consider
  - programs mandatory for the area of law you practice (e.g. Teraview software for electronic registration of documents in real estate)
  - programs commonly used for the area of law you practise (e.g. for assembly and management of documents in family or civil matters)
  - programs for use in any law practice (e.g. for time docketing, fees and billings, trust accounting or conflicts checking)
- ❑ When selecting business-specific programs, consider the need for
  - word processing and spreadsheets, software suites
  - research (e.g. internet access and browsers)
  - time management (e.g. calendars, to-do lists, reminders)
  - communication (e.g. e-mail, internet video conferencing)
  - security (e.g. back-up, virus protection, encryption, spyware)

#### **Hardware**

- ❑ Ensure that your hardware options can support your selected software.
- ❑ Review available hardware options, considering
  - desktop and laptop models, personal digital assistants (PDAs)
  - available and expandable memory (i.e., RAM vs. hard drive)
  - portable memory storage (e.g. memory stick, USB flash drive)

- peripherals (e.g. monitor, mouse, printer, scanner, CD-DVD drive)
- access ports required
- networking abilities, by wire or wireless
- available warranties

### ***Other Considerations***

- Determine your computer system needs by considering
  - system users (e.g. single user or multiple users through a network)
  - system access (e.g. remotely or from multiple locations)
  - system security (e.g. passwords, limited access, theft potential)
  - system back-up (e.g. offsite data storage and back-up servers)
  
- If using the expertise of a consultant
  - consider whether the advice you require is initial or ongoing
  - ensure that he or she can advise on both software and hardware
  - ensure that he or she understands your obligations under the *Rules of Professional Conduct*
  
- Factor your computer system costs into your budget, including
  - purchase, delivery, installation and warranties
  - user fees or service charges (e.g. monthly, yearly or per use)
  - necessary or optional upgrades
  - support and maintenance (e.g. via service contract or per problem)
  - training required for you and your staff
  - consultant expertise
  
- Review consumer reports or surveys to determine most commonly used software and hardware in business and in a law practice.
  
- Speak to colleagues in similar practice environments to discuss the pros and cons of various software, hardware and system options.
  
- Contact vendors to arrange demonstrations or obtain samples to test the options available and to evaluate their suitability for use in a law office.
  
- Ensure third party service providers (e.g. consultants, technicians) agree (in writing) not to disclose any confidential information they may view.
  
- Consider preparing a chart or something similar to compare the suitability of different software and hardware options available to you.

## SETTING UP YOUR OFFICE

To launch your law practice you will need to choose furniture and equipment, in addition to your computer system, that will fit the needs of you and your staff in your chosen office space. You will also need to design an appropriate layout for these and will need to procure other office supplies to support your practice.

### **Checklist**

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#### **Office Supplies**

- ❑ Determine your supply needs, considering basic supplies (e.g. those for filing, mailing, and writing, stationery and other paper supplies) and those specifically for a law office (e.g. legal seals, litigation tab dividers).
- ❑ Investigate and compare different office supply companies, considering
  - specialized legal office suppliers
  - account and payment options
  - referrals from colleagues
  - convenience and reliability

#### **Equipment**

- ❑ Determine your equipment needs, considering
  - fax machine
  - photocopier
  - scanner
  - shredder
  - dictation system
  - telephone system
  - single-purpose machines that have a specific function
  - multi-purpose machines that meet multiple needs
- ❑ When evaluating your telephone system needs, consider
  - the number of lines required for staff
  - dedicated lines for fax machine(s) or Internet connection(s)
  - handsets, headsets and cordless models
  - answering machines or voicemail capability
  - conference calling and call forwarding capabilities
  - intercom and paging capabilities
  - automated system attendant and holding options

## Furniture

- ❑ Determine your furniture needs, considering
  - staff workstations
  - filing and storage
  - reception or waiting area
  - meeting or conference room(s)
  - servery or lunch room
- ❑ Consider basic office furniture (e.g. desks, tables, seating, shelving, and storage) and office accessories (e.g. monitor stands, coat racks, décor).
- ❑ Consider specific law office furniture (e.g. lockable filing cabinets and other storage, fireproof safe).

## Other Considerations

- ❑ Consider both your current and future needs when selecting equipment and furniture for your office. Ensure that your office space can accommodate these selections.
- ❑ Plan the layout of your selected office equipment and furniture to ensure efficient use of the space you have, including proximity to electrical outlets, light sources and telephone jacks.
- ❑ Ensure your office layout will allow you to meet your obligations under the *Rules of Professional Conduct* concerning confidentiality [Rule 2.03] (e.g. clients in the reception area must not be able to overhear conversations with other clients or see the computer screens used by you or your staff).
- ❑ Consider different payment options for procuring your selected office equipment and furniture, as well as any tax ramifications, including
  - purchasing, new or used
  - leasing
  - rent-to-own
- ❑ Factor your office equipment and furniture costs into your budget, including
  - purchase, delivery, installation and warranties
  - user fees or service charges (e.g. monthly or yearly)
  - support and maintenance (e.g. via service contract or per problem)

## **CHOICE OF BUSINESS STRUCTURE OR PRACTICE ARRANGEMENT**

Under the *Law Society Act* and its by-laws, you are permitted to set up your practice as a sole proprietorship, general partnership, limited liability partnership or a professional corporation. The Law Society also recognizes two practice arrangements that involve non-licensees: multi-discipline practices and affiliations.

A sole proprietor or sole practitioner owns and operates his or her professional business alone. This is the simplest structure for a law practice and may be the least costly as there are few formal business registrations required. This structure may be appropriate for you if you plan to practise law alone or to employ lawyers to practise law under your name or your trade name, as employees of your practice.

A general partnership consists of two or more individuals carrying on business. A limited liability partnership (LLP) is a specific type of partnership that protects the personal assets of the individual partners for purposes of professional liability. Your choice of partnership structure will determine the business registration and regulatory requirements that you must meet. A partnership, either general or LLP, may be appropriate for you if you wish to practise law with another lawyer or lawyers and are not in a employee-employer relationship.

A professional corporation is a type of corporation whose business is limited to providing professional services. When a law practice is incorporated, the resulting professional corporation is a separate legal entity. The shareholder(s) of this entity must also be its director(s), and must be licensees. Practising law through a professional corporation does not limit the licensee's professional liability but this business structure may offer tax deferral benefits. However, these benefits may only be realized after the business has generated income for which the tax may be deferred. There are also specific requirements that apply to professional corporations that do not apply to other business corporations. These include restrictions regarding shareholders, directors, corporate name and the services provided through the professional corporation.

There is no specific legal definition of an "association." Lawyers who choose to practise in association with other lawyers usually operate their separate practices from the same location, with an agreement to share the overhead costs. Because the term "association" can mean various arrangements, lawyers choosing to practise in association are obliged to clearly identify the nature of the relationship between the associated parties to clients and the public at large.

A multi-discipline practice (MDP) is an association or partnership (that is not a corporation) between a lawyer and an individual who is not a lawyer licensee who practises a profession, trade or occupation that supports or supplements the practise of law (e.g. an accountant, tax consultant, trademark and patent agent,

etc.). If the lawyer and non-licensee have entered into a partnership agreement, it may also be referred to as a multi-discipline partnership.

An affiliation can be defined as "a lawyer or a group of lawyers who has or have an affiliation with a non-legal entity (e.g. an accounting firm) which regularly joins the lawyer for the promotion and delivery of their respective services to the public." The definition of an affiliation is very broad and captures arrangements that range from the informal to the structured and comprehensive arrangements of a law firm with a non-legal professional services firm.

To determine the most appropriate structure or arrangement for your practice, you should consider a variety of factors, including

- ownership and control of the business and its assets
- liabilities and potential for negligence claims
- professional liability insurance for the business structure or practice arrangement
- set-up and operational costs for the business, and
- tax issues

Consider consulting with an accountant, tax lawyer or corporate lawyer to discuss potential benefits or drawbacks of each business structure or practice arrangement to ensure that you select the best structure or arrangement for you.

## **Checklist**

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### **Considerations When Comparing Structures or Arrangements**

- Whether the terms of the business structure or practice arrangement must be contained in a written agreement to be recognized (i.e., an LLP) or whether it would just be prudent to do so.
- Any legislation that may govern the business structure (e.g. the *Partnerships Act* if a general partnership or LLP, *Ontario Business Corporations Act* if a professional corporation, the *Business Names Act* if operating under a trade name, as a general partnership or LLP).
- Whether the relevant party (i.e., the sole practitioner, the partnership or LLP and its partners, or the professional corporation and its shareholder/directors) is subject to the laws that apply to those contractual relationships (e.g. the *Employment Standards Act* if employing staff or other lawyers, the *Personal Property and Security Act* if leasing equipment, etc.).
- Who has the ability to enter into and will be responsible for contractual relationships with third parties, on behalf of the business entity.

- ❑ Who owns and controls the assets of the business entity and in what proportion.
- ❑ Who is responsible for the non-professional liabilities of the business entity (e.g. general liability may be limited for shareholder/directors of a professional corporation).
- ❑ Who is responsible for the professional liabilities of the business entity (e.g. professional liability may be limited for the partners of a LLP).
- ❑ If the assets of the business entity are insufficient to meet the non-professional liabilities of the business entity, whether personal assets will be at risk.
- ❑ If the assets of the business entity are insufficient to meet the professional liabilities of the business entity, whether personal assets will be at risk.
- ❑ Whether the business structure allows the lawyer(s) to enter into an employment relationship with the business entity (i.e. to receive a paycheque that has the typical source deductions for Employment Insurance, income tax, and the Canada Pension Plan).
- ❑ Who is the taxpayer of the business entity and how taxes are paid. Whether the business structure will require the lawyer(s) involved to file a tax return for the business in addition to a personal tax return that reports income from all sources, including the business entity. Different methods of payment (e.g. salary, shareholder dividends, management bonus) will be taxed differently.
- ❑ When the financial year-end should be. Business income is reported to the Canada Revenue Agency based on the calendar year. The financial year-end for the business entity will be December 31<sup>st</sup> unless the sole practitioner, partnership or professional corporation applies for permission to do otherwise.
- ❑ Whether there are specific Law Society requirements for the business structure, practice arrangement or the lawyers practicing within the specific structure or arrangement [By-law 7 under the *Law Society Act*]. These may include
  - requirements related to non-licensees
  - notification requirements and methods
  - applications for, renewals or surrendering of certificates
  - applicable fees
- ❑ The Law Society's administration, filing and reporting requirements for the business structure or practice arrangement.

- ❑ Whether there are other registration or filing requirements for the business structure or practice arrangement, which are discussed in the Business Registrations section of this Guide.
- ❑ Whether the business structure or practice arrangement will allow you to continue to meet your professional conduct obligations, as outlined in the *Rules of Professional Conduct* [Rule 2.03 Confidentiality, Rule 2.04 Conflicts of Interest, Rule 2.08 Referral Fees and Division of Fees, Rule 6.01 Responsibility to the Profession].
- ❑ The professional liability insurance coverage required for each business structure or practice arrangement. Contact LAWPRO® to discuss this.

### **Added Considerations When Entering Into an “Association”**

- ❑ Determine the responsibilities of each party in the association and clearly define them. Consider preparing a written association agreement.
- ❑ Whether your association could be perceived as a partnership. Courts have used various tests to differentiate a true association from an apparent partnership, such as whether the parties share premises and resources, the use of firm name on pleadings and sharing of bank accounts. Consider stating the relationship clearly on letterhead, business cards, signage and advertising.
- ❑ Lawyers practising in association may not share trust accounts. If holding client money you must deposit it into a trust account that is in your name, or in the name of the law firm of which you are an employee or a partner [By-law 9 under the *Law Society Act*].

### **Added Considerations When Entering an Arrangement With Non-licensees**

- ❑ Whether there are requirements to be met by the non-licensee before the lawyer may enter into a practice arrangement, including
  - the non-licensee’s “good character” (i.e., in an MDP)
  - effective control of the non-licensee’s practice of his or her profession, trade or occupation
  - the non-licensee’s provision of services to clients of the practice arrangement
  - the non-licensee’s provision of services to clients outside of the practice arrangement
  - the non-licensee’s compliance with the *Law Society Act*, its by-laws and the *Rules of Professional Conduct*
  - confirmation of compliance with these requirements, in writing

- ❑ Whether the lawyer is required to carry additional professional liability insurance for the non-licensee(s) in the practice arrangement.
- ❑ The professional liability insurance coverage required for each business structure or practice arrangement. Contact LAWPRO® to discuss this.
- ❑ Lawyers in a multi-discipline practice or an affiliation must not allow the non-licensees signing authority on any trust accounts. If holding client money you must deposit it into a trust account that is in your name, or in the name of the law firm of which you are an employee or a partner [By-law 9 under the *Law Society Act*].

## **BUSINESS REGISTRATIONS**

You will need to consider what steps you may need to take to ensure that your practice is operating in compliance with the laws and regulations applicable to your selected business structure. You should also confirm the cost associated with any necessary application, registration or renewal.

### **Checklist**

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#### **Federal**

##### ***Business Number***

- ❑ Determine whether you require a Business Number (BN). If you do not have any employees or do not have taxable services (i.e. professional fees) of more than the amount set out by the Canada Revenue Agency, then you will not require a BN. See the Canada Revenue Agency website to ascertain whether you will need to apply.
- ❑ A BN is required to open a payroll account. If you have employees, you must apply for and obtain a payroll account from the Canada Revenue Agency to file any source deduction remittances (e.g. Employment Insurance, income tax, Canada Pension Plan) on behalf of your employees.
- ❑ A BN is required to collect and remit the Goods and Services Tax (GST) under the *Excise Tax Act*. If you have professional fees exceeding the amount prescribed by the Canada Revenue Agency, you must collect and remit GST.
- ❑ If required to collect and remit the GST, consider the cost of filing the GST return yearly, monthly or quarterly. Also consider opening a separate bank account to accumulate the GST to be remitted, to avoid using the funds for other purposes. Note that once you have billed a client for services that are subject to the GST, regardless of whether the client has paid for those services, GST must be remitted per the Canada Revenue Agency's schedule.
- ❑ Ensure that you apply for your BN after you have committed to opening your own practice but before rendering any accounts or hiring any employees. Note that you will be responsible for payroll deductions for any employee(s) and monthly remittances to the Canada Revenue Agency.

### ***Income Tax Number***

- ❑ Determine whether you require an income tax number. A BN is required to apply for one. Sole proprietors and both general and limited liability partnerships do not require an income tax number. A professional corporation, as a separate taxpayer, must obtain an income tax number. See the Canada Revenue Agency website to ascertain whether you will need to apply.

### **Provincial**

#### ***Business Name***

- ❑ Determine whether you are required to register your business name under the *Business Names Act*. Individuals or professional corporations who identify their practice to the public or carry on business using a name other than their own name (e.g. “John Doe, Barrister & Solicitor”) or a corporate name (e.g. “John Doe, Professional Corporation”), such as a trade name, must register that name with the Ministry of Government Services. General and limited liability partnership (LLP) names must also be registered.
- ❑ If you register a business name, ensure that you receive your Provincial Business Identification Number (BIN) from the Ministry.
- ❑ Ensure that your name complies with the *Rules of Professional Conduct* [Rule 3.02].
- ❑ The application to register for a business name also includes sections for a Retail Sales Tax (RST) number, Workplace Safety and Insurance Board (WSIB) number, and an Employer Health Tax (EHT) number. Though it is unlikely you will need to apply for these, contact the Ministry to determine whether you must apply for any of these registrations.

#### ***Professional Corporation***

- ❑ Determine whether you would like to practise law through a professional corporation. If you incorporate, you must comply with the Ontario *Business Corporations Act*, the *Law Society Act* and the relevant by-law [By-law 7].
- ❑ Before you apply for incorporation through the Ministry of Government Services, consider completing the voluntary application to the Law Society for a Corporate Name Certificate to ensure that the name you have selected complies with the *Rules of Professional Conduct* [Rule 3.02].

- ❑ Once incorporated, ensure that you apply for and obtain a Certificate of Authorization from the Law Society to practise law through your new professional corporation. This certificate must be renewed annually.
- ❑ Once incorporated, ensure that you also comply with the requirements of the *Corporations Information Act* (e.g. initial reporting, annual reporting and providing notice of changes made to the professional corporation).

## **Municipal**

### ***Licensing***

- ❑ Confirm whether the municipality in which you will practise requires you to obtain a license to carry on business.

## **BANKING AND OTHER FINANCIAL ISSUES**

You cannot operate a law practice without the assistance of a financial institution. Your financial institution is part of the network you should build to help your business succeed and your financial advisor can be a source of information, networking contacts and advice. Because the relationship with your financial institution will likely be long-term and is vital to the success of your practice, you should spend some time considering which institution you will use for both your bank accounts and financing needs.

### **Checklist**

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#### **Bank Accounts**

- Review By-law 9 for the Law Society's record keeping requirements regarding general and trust accounts for your practice (see the Law Society of Upper Canada's *Bookkeeping Guide*).
- Determine how many bank accounts you will require for your practice, (i.e., general and trust, a separate electronic registration bank account for payment of land transfer tax and registration fees).
- Assess what additional services you will require (e.g. payroll services, financing or credit options, use of debit cards or wire transfer, the ability to obtain bank drafts or money orders and certified cheques).
- Evaluate how often you will need to communicate with the financial institution and the need for a dedicated account manager for your practice.
- Consider whether your banking needs can be met by one financial institution or can only be met if you use multiple providers.
- Prepare a budget for the cost of your required financial services.

#### **Financing and Credit**

- Consider the financing options available to you for all or part of the capital you may require to open your professional business, including
  - personal investment
  - money invested by friends or family
  - leasing or lease-to-own options for your equipment
- Educate yourself as to what criteria the financial institution will use to evaluate your suitability for financing or credit.

- ❑ Consider assembling a competent team to advise you on financial issues outside your area of knowledge (e.g. accountant, tax advisor, bookkeeper, etc.).
- ❑ Evaluate the type of financing products that are available (e.g. line of credit, term loan, credit cards).
- ❑ Determine what collateral (personal or business) will be required by the financial institution or lender to secure a loan.
- ❑ Determine whether the financial institution or lender will require a personal guarantee from you (i.e. if operating through a professional corporation), or from a spouse or relative.
- ❑ Determine whether the financial institution or lender will require a general security agreement on the assets of the professional business (i.e. on accounts receivable and equipment) or on any personal assets (e.g. your house, savings or investments).
- ❑ Consider tailoring your business plan to meet the financial institution or lender's criteria.
- ❑ Consider using a mortgage broker or financial consultant to help you determine the financing product that is right for you and to locate a lender.

### **Financial Institutions**

- ❑ Determine the financial institutions available in your area, such as
  - chartered banks
  - provincial savings offices
  - credit unions
  - registered trust corporations
- ❑ Consider the location, hours of operation and services offered.
- ❑ Determine whether the institution offers inter-branch services for your convenience.
- ❑ Consider whether the institution offers electronic banking services, in compliance with Law Society requirements [By-law 9].
- ❑ When choosing a financial institution for your general and/or trust account, ensure it meets Law Society requirements [By-law 9].
- ❑ Consider whether the financial institution is sophisticated enough to deal with a lawyer's needs regarding general and trust accounts (i.e. do they

serve other lawyers, do they understand the account and record keeping requirements, do they understand the need to remit the interest on a mixed trust account to the Law Foundation).

- ❑ Consider whether the financial institution has a specialized department or staff to deal with small business owners or other professionals, for your convenience. If not, evaluate if you can build a direct relationship with the branch an account manager who may be able to provide personalized service and assistance.
- ❑ Assess the cost of doing business with the financial institution (e.g. account service fees, cost of special services, parking costs when visiting, whether discounts may be offered if you use the institution for multiple accounts or services, etc.) and whether it fits within your budget.

## **INSURING YOURSELF AND YOUR PRACTICE**

In addition to obtaining and maintaining the required level of professional liability insurance, selecting the appropriate insurance to protect yourself and your law practice is essential. The insurance products that best suit your needs will depend on many factors and may change as your law practice evolves. Available products include

- business or commercial insurance, to protect you from losses that will affect the financial health of your business
- life insurance, to provide funds in the event of your death
- health insurance, to provide funds in the event of your loss of income due to disability or critical illness
- extended health care insurance, to pay hospital, medical or dental expenses

Consider getting advice from a qualified and independent insurance professional before you choose or change your insurance product(s) and provider(s).

### **Checklist**

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#### **Business or Commercial Insurance**

- Determine what your policy should cover, considering
  - property
  - crime
  - business interruption
  - comprehensive or commercial liability (i.e. for claims not related to professional services)
  - commercial automobile (i.e. if used primarily for business or is owned by the business)
- Advise potential insurers of any special coverage requirements, such as
  - valuable papers (e.g. Wills or Powers of Attorney)
  - electronic data (e.g. work product, precedents, accounting data)
- Discuss whether any special endorsements or amendments to the standard policy are required for special coverage and any resulting cost.
- Consider the deductible, the policy limit and whether premiums can be paid monthly or annually.
- If leasing or renting office space, ensure that your chosen policy meets any obligations contained in your commercial lease.

- ❑ If using a home office, ensure that you still obtain appropriate business insurance. Failure to do so may jeopardize your home insurance policy.

## **Life Insurance**

- ❑ When evaluating the need for life insurance consider your
  - estate needs (e.g. to provide income for a dependent or to satisfy any liabilities upon death)
  - business needs (e.g. to provide funds to a small firm left without a key practitioner or security to the firm's lenders)
  - buy-sell needs (e.g. to provide funds to implement any buy-sell provisions contained in the partnership agreement)
- ❑ Determine what type of policy will work for you, including
  - term insurance, which provides funds if the insured dies during the term of coverage
  - permanent insurance, which provides funds when the insured dies
- ❑ Consider whom you will designate a beneficiary (e.g. personal or corporate, if practicing law through a professional corporation).
- ❑ Assess whether the policy can serve as an investment vehicle that is sheltered from taxes or from creditors or for retirement planning purposes.

## **Health Insurance**

- ❑ Assess your individual disability and critical illness needs, considering the needs of any dependents not covered by another plan.
- ❑ When evaluating disability or critical illness policies, consider
  - the definition of "disability" (e.g. does it refer to the occupation of the insured or is it based on a percentage of lost income)
  - the definition of "critical illness" (e.g. what conditions or diseases)
  - under what circumstances disability or critical illness benefits will be payable (e.g. how long after disability or diagnosis)
  - whether benefits will be paid via lump sum or multiple payments and whether partial payments are available for partial disability
- ❑ Determine whether you may change the policy's coverage or premiums at a later date and whether premiums can be paid monthly or annually.

## **Extended Health Care Insurance**

- ❑ Assess your individual medical and dental coverage needs, considering the needs of any dependents not covered by another plan.

- ❑ Evaluate whether you can afford to set up and offer a private health services plan to your employees.
- ❑ Consider joining an existing group benefit plan with your employees. These may be available through local business associations or your Chamber of Commerce.
- ❑ Determine whether premiums can be paid monthly or annually.

## **BUILDING YOUR SUPPORT TEAM**

At the start of your practice you may be able to do every task yourself, both legal and administrative. However, you should plan to hire support staff as your law practice grows, to allow you to make more efficient use of your own time. Paying for the services of non-lawyer support staff may be one of the highest costs you will incur when operating your law practice. Therefore, preparing a plan to find, hire and effectively use support staff is very important.

### **Checklist**

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#### **Hiring Staff**

- ❑ If you are unable to hire full-time or part-time staff, but still require assistance, consider alternatives, such as
  - independent contractors (e.g. accountant, bookkeeper)
  - temporary services
  - community college co-op programs
  - virtual assistants (i.e., an independent contractor who provides service from his or her office using technological modes of communication and data delivery)
  
- ❑ Recognize that you may not be able to hire staff immediately but should plan to do so as soon as possible.
  
- ❑ Consider whether you can afford to hire staff. In addition to salary, costs may include
  - employer contributions for Canada Pension Plan (CPP) and Employment insurance (EI)
  - annual vacation pay
  - payroll administration costs
  - benefits (e.g. health or dental plans, gift/bonuses, parking, etc.)
  - staff replacement during vacation
  
- ❑ When you are ready to hire support staff, take the following steps:
  - write a job description for the position that outlines the skills, education and designations required
  - determine what salary you are prepared to pay, reviewing the range of pay for similar positions (e.g. job postings and information from colleagues, etc.)
  - determine how you will find candidates (e.g. advertising, online job boards, professional referrals or an employee search company)
  - prepare for your interview(s); develop questions that will be used for all candidates so that you can compare responses easily;

- ensure that your questions are appropriate and meet the requirements of the *Rules of Professional Conduct* [Rule 5.04]
  - schedule initial telephone interviews before personal interviews
  - ask for and check references of the candidates who have made your short list
  - communicate with your candidates throughout the process, and remember that you are also being evaluated
- Prepare a letter offering employment to your selected candidate that sets out the terms of employment (e.g. salary, holidays, sick time, etc.), and includes a probationary period that will allow you to terminate the employee without notice or cause. Consider including a provision to ensure that the employee is legally bound to maintain confidentiality as outlined by the *Rules of Professional Conduct* [Rule 2.03].
- Consider whether you will prepare a full employment contract in place of a letter of offer of employment.
- Ensure you retain a signed copy of the letter of offer or employment contract and provide a copy to the employee.
- Ensure that you understand your obligations as an employer as set out by the *Employment Standards Act* (Ontario).

### **Working with Staff**

- **Communication.** Ensure that you are managing staff expectations and are providing clear instructions (e.g. when you can be interrupted, how you would like mail or telephone messages brought to your attention, how will you communicate these to staff, etc.).
- **Training.** Consider initial and ongoing training requirements, as well as cross-training in the event of illness or unexpected departure. As processes change and new technologies emerge you and your staff may require additional training.
- **Delegation.** By delegating work you will have more time to devote to the tasks that must be completed by you, the lawyer. Properly delegating work to capable staff may also result in savings to your clients.
- **Supervision.** You are ultimately responsible for any work done by support staff so adequate supervision is a must. Ensure that you review the work done by staff during and after its completion.

- ❑ Ensure that you understand your obligations under the *Rules of Professional Conduct* and Law Society By-laws [Rule 5.01 Supervision, By-law 7.1: Operational Obligations and Responsibilities].
- ❑ Consider preparing a policy manual or employee handbook as a reference for your employee(s) and protection for you from any claims.
- ❑ Ensure that the content of any manual or handbook is consistent with the *Employment Standards Act* and the *Rules of Professional Conduct* [Rule 5.04 Discrimination] (see the Law Society's *Equity Model Policies, Publications and Reports*).

## **MARKETING YOUR PRACTICE**

Marketing is a means to publicise your law practice – to attract and obtain the clients you want so that you may provide them the services you offer. You will also need to complete market research to assess the viability of your business in the market you have chosen to serve. This information is especially important if you will be applying for financing from the bank. You will also need to devise a budget to implement your marketing plan.

To develop an effective marketing plan you should first identify your target client, and the services you wish to offer, discussed further in the Defining Your Practice section of this Guide. Your marketing plan should be tailored to your practice and should allow you to gain exposure to your target market at the start and throughout the evolution of your business. You should monitor your activities with respect to meeting the goals and budget of the marketing plan to determine what methods have worked well, and those that need to be changed or replaced.

### **Checklist**

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- ❑ Consider obtaining business cards as a first step, which can be used while you devise your marketing plan.
- ❑ Consider the available means to market your practice to your target client:
  - enrollment in a lawyer or legal services referral service
  - advertising in a directory, on the internet, in print or other media
  - direct marketing via pamphlets, leaflets, mail, fax or e-mail
  - networking by participation in civic or community events, local business or trade fairs, or speaking engagements (Networking is discussed further in that section of the Guide)
- ❑ Evaluate the goals you would like to achieve with your marketing strategy both at the start of your practice and as it evolves (e.g. an initial goal may be to build your client base to a certain level, with subsequent goals to increase that client base or narrow it).
- ❑ Of the services you offer, determine which you would like to market or advertise.
- ❑ Consider the suitability of marketing methods available to your practice and services and whether they will reach and attract your target market (e.g. advertising in print, by television or radio, website, e-mail, etc.).
- ❑ Consider your comfort level when evaluating what marketing methods will work best for you and your practice (e.g. including a personal photograph in one's advertising may not be for everyone).

- ❑ Consider outsourcing parts or all of your marketing efforts if you do not have the skill or knowledge to implement these yourself (e.g. designing a web page may be beyond your own capabilities).
- ❑ Prepare a budget for the cost of using various marketing methods.
- ❑ Determine what benchmarks you will use to measure whether your marketing plan is succeeding (e.g. number of clients, income generated, referrals generated, recognition of your practice, etc.).
- ❑ Include a timeframe to measure progress against those benchmarks.
- ❑ Ensure that the methods chosen comply with the *Rules of Professional Conduct* [Rules 3.03 Letterhead, Rule 3.04 Advertising, Rule 3.05 Advertising Nature of Practice, and Rule 3.06 Offering Professional Services].
- ❑ Prepare a marketing plan that includes a description of
  - the type of client who will likely use your services
  - the potential size of the target market in your geographical area
  - your direct and indirect competition, if any
  - the major trends presently affecting your marketplace
  - what makes your services unique (i.e., reasons why clients would choose your services over those of your competition)
  - your pricing strategy (e.g. type of fees you will charge, methods of payment you will accept, discounts you may offer for volume or certain clients, value billings, accepting Legal Aid clients)
  - how you will offer your services
  - how you will communicate and promote your services to your target market (e.g. brochures, websites, advertising, etc.)

## **NETWORKING**

Not to be confused with marketing, networking refers to building relationships with others. Networking may lead to increased business for your law practice and can help you to avoid isolating yourself, to the detriment of your health and your business. Networking can also provide broader benefits, which may include the opportunity to connect with

- mentors, to assist or to guide you in your practice
- mentees, to share the benefits of your own experience
- other professionals, to exchange services or referrals
- prospective employees, to help support your practice
- prospective employers or clients, to engage your services
- your community, to build friendships and support

Though the benefits of any particular networking relationship may not be immediate, any lawyer opening a law practice should consider networking to increase their visibility both professionally and personally.

### **Checklist**

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- Consider prospective contacts for your network, including
  - continuing legal education initiatives, as a speaker or registrant
  - friends, family and neighbours
  - volunteer, association and religious affiliations
  - former professors and classmates
  - sports team and health club members
  - colleagues of personal contacts
  - former and existing clients
- Consider using the goods and services offered by those in your network and referring others to do the same.
- Re-evaluate your methods as you become more comfortable with networking.
- Schedule time to develop and maintain your network.

## MENTORING

Mentoring is an integral part of the legal profession. A mentor can provide you with the necessary support, guidance and insight that your family, friends and staff may not be able to offer while you open and build your law practice. Whether for a short or long-term relationship, a mentor may offer you advice on

- specific or complex legal procedures
- strategy or tactical issues
- ethics and professional responsibilities
- business or practice management issues
- career and professional development
- health and wellness issues

The right mentor can assist you with the practice of law and may also help to reduce potential claims or complaints. The benefits of a relationship with a mentor can be immediate and enduring, and any lawyer opening a law practice should consider connecting with a mentor.

### **Checklist**

---

- Determine what assistance you would like from a mentor.
- Consider that multiple needs may require more than one mentor.
- Consider sources of prospective mentors, including
  - former law professors or articling principal(s)
  - previous and current colleagues or peers
  - organized mentoring programs or initiatives
- Consider mentoring programs or initiatives offered by
  - Law Society of Upper Canada
  - Legal Aid Ontario
  - Ontario Lawyer Assistance Program
  - local, provincial and national law associations
  - community or volunteer associations (e.g. Pro Bono Law)
  - associations based on area of law (e.g. Advocates' Society)
  - associations based on demographics (e.g. Women's Law Association of Ontario)
- Evaluate what type of mentor relationship will best suit your need(s), considering formal and informal arrangements that may span
  - a particular substantive or procedural inquiry
  - a particular matter
  - a particular area of law

- ❑ Consider initially meeting with a prospective mentor in person to ensure that your respective personalities and mentoring styles are compatible.
- ❑ When establishing a mentor relationship, set boundaries by discussing
  - the scope of the relationship
  - the goals or expectations of the relationship
  - how to deal with confidential information
  - how to avoid conflicts of interest
  - methods of interaction and communication
  - the time available for the relationship
  - how to deal with obstacles or problems
  - when evaluate the relationship
  - how to provide feedback about the relationship
  - when and how the relationship will end
- ❑ When in a relationship with a mentor ensure that
  - you independently verify any advice, suggestions or recommendations offered to you
  - your mentor does not communicate with your clients in any way that might form a solicitor-client relationship
- ❑ Recognize that a mentor relationship may evolve or become obsolete.
- ❑ Consider outlining the terms of your mentoring relationship in a written agreement or contract. Formalizing your relationship may reduce your mentor's professional liability concerns.

## **PROFESSIONAL RESPONSIBILITIES**

When opening your own law practice you are still required to meet the Law Society's administrative requirements to maintain your licence to practise law. Each year, you must

- pay an annual fee, due January 1<sup>st</sup> each year [By-law 5]
- submit the Annual Report, due March 31<sup>st</sup> each year [By-law 8]
- maintain appropriate professional liability insurance [By-law 6]
- (individual policy or exemption status will dictate due dates)
- meet other professional responsibilities related to business structure [By-law7], bankruptcy or insolvency, and offences [By-law 8]

### **Checklist**

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#### **Annual Fee**

- Advise the Law Society of your current status to ensure that your Annual Fee Invoice will be accurate.
- Advise of any changes in status (e.g. not practising for at least one calendar month) so that your annual fee may be adjusted, as necessary. Note that practising law part-time does not affect your annual fee.
- Ensure the Law Society has your current contact information so that your Annual Fee Invoice will be received. The Annual Fee Invoice is usually sent in early December each year.
- Ensure that you meet the payment deadline of January 1<sup>st</sup>, as you risk suspension of your license to practice law if payment is not received within 120 days of that date.
- Budget for the cost of your annual fee and ensure that you can make payment by an accepted method (i.e. cheque, money order, bank draft, credit card, debit card, internet or telephone banking, payment via the Law Society's e-commerce website).
- Consider enrolling in the Law Society's Pre-Authorized Payment Plan to spread the payment of your annual fee over the calendar year. Note that there is an additional administrative fee to use this payment option.

## **Annual Report**

- ❑ Ensure the Law Society has your current contact information to ensure that your Annual Report will be received. The Annual Report is usually sent in early December each year.
- ❑ Ensure that you meet the filing deadline of March 31<sup>st</sup>, as you risk suspension of your license to practice law if your report is not received within 120 days of that date.
- ❑ Whether you are completing all sections of the report or you have the input of others (i.e. accountant or bookkeeper), ensure that the information you provide on the Annual Report is complete, true and accurate. Filing a false or misleading report to the Law Society is professional misconduct.

## **Professional Liability Insurance**

- ❑ Determine the type of errors and omissions insurance coverage you require (e.g. standard, innocent party, excess, run-off, real estate). This will depend on your chosen business structure, your areas of practice and whether you practise law part-time.
- ❑ Ensure that you review the deductible options and amounts before selecting an option and policy.
- ❑ Determine the premium amount under your selected policy. This will depend on the deductible option selected.
- ❑ Determine if you must pay real estate or civil litigation transaction levy surcharges and file appropriate transaction forms quarterly. If not, you must file the annual exemption form by the prescribed deadline.
- ❑ Contact LAWPRO® customer service to review and discuss insurance coverage, options, premiums, filings and relevant deadlines.

## **Other Professional Responsibilities**

- ❑ Ensure that you fulfil the additional yearly filing requirements if you practise law through a professional corporation, a multi-discipline practice or if you choose to affiliate with non-licensees.
- ❑ Ensure that you meet additional reporting requirements in the event that you become bankrupt or insolvent, or are charged and/or convicted with an offence.

## PREPARING A BUSINESS PLAN

A business plan is a document that contains a formal statement of business goals and the plan for reaching those goals. It may also contain background information about the organization or team attempting to reach those goals. There is no fixed content for a business plan.

The business plan for your law practice should be tailored for your intended audience. If the plan is for your purposes only it will contain less detailed information than if it is to be used by a bank for purposes of financing, or by another party for some other purpose.

When you are implementing your completed business plan, you should regularly review it to determine if you have met the goals outlined in your plan. If you are not meeting your goals, you may need to update the plan and amend your original strategies. The process of reviewing and updating your plan as your goals are met or change is one that will continue as long as you operate your own practice. The level of formality involved in the review and update process will be determined by the needs of your audience.

### **Checklist**

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- When preparing a business plan for third parties, such as financial institutions, ascertain whether they have a preferred format or template available.
- Use plain language and keep your ideas brief. Ensure that your business plan is easy to read.
- Use appendices if you include tables, charts, graphs, illustrations, financial statements, resumés, etc.
- Create a professional document that is properly printed, indexed and bound.
- Prepare a *Cover Page*, outlining
  - title
  - name of the law practice
  - address of the law practice
  - key contact people and contact information
- Create a *Table of Contents*, for your audience's ease of reference.

- ❑ Include an *Executive Summary* that outlines the most important points of your business plan. Consider drafting this after the remainder of your plan is complete.
- ❑ Complete a *Practice Summary and Business Environment*, describing
  - nature of the business (i.e. a law practice)
  - major demographic, economic, social and/or cultural factors that will affect the practice
  - competitors and your competitive advantages
- ❑ Include a section on *Practice Management, the Professional Team and Human Resources*, outlining
  - backgrounds, responsibilities, qualifications and resumés of the lawyers involved in managing the practice
  - ownership structure (i.e. sole proprietorship, partnership, etc.)
  - information on the team of professionals you have gathered to advise you (e.g. accountant, lawyer, IT specialist, etc).
  - human resource/staffing needs
  - relevant personnel policies
- ❑ Create a *Marketing Plan*, describing
  - proposed clients
  - market research
  - advertising and promotion plans
  - pricing strategy
- ❑ Devise an *Operational Plan*, describing
  - business location
  - set-up requirements
  - equipment needed
  - required technology
  - how your practice will operate
- ❑ Formulate a *Financial Plan* that outlines
  - projected financial performance, including a *pro forma* income statement, *pro forma* balance sheet and cash flow statement
  - financing requirements (if any) and repayment proposal, including personal wealth statements of the business owner(s)
- ❑ Include a *Conclusion* that restates your aims and objectives and, if the audience is a bank, explain why you are an excellent candidate for the financing.

## **MASTER CHECKLIST**

The following is a summary of the major steps that should be taken to complete a business plan, which is also summarized. Details of each step are discussed in further detail in each section of this guide.

### **Master Checklist**

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- Have you determined that you are ready to open your own law practice?
- Have you defined your practice by identifying your target client, selecting your practice area(s) and scope of services and location?
- Have you chosen office space?
- Have you selected the software and hardware for your law practice computer system?
- Have you procured the furniture, equipment and office supplies needed to set up your office?
- Have you selected a business structure or practice arrangement for your law practice?
- Have you completed the necessary registrations for your selected business structure or practice arrangement?
- Have you selected the appropriate financial institution(s) for the bank account(s), financing and credit you need to open and operate your law practice?
- Have you acquired the necessary business, life, health and extended health care insurance for you and your law practice?
- Have you built a suitable support team by hiring staff and implementing proper training and supervision controls?
- Have you developed a marketing plan that addresses how you will reach your target client(s) to meet your short and long term goals?
- Have you determined how you will network with colleagues, other professionals, prospective employees and clients?
- Have you fulfilled your professional responsibilities regarding your annual fee, annual reporting and professional liability insurance requirements?

- Have you reviewed the sample documents\*\* included with the Guide
  - Developing a Law Firm Business Plan
  - Fee Projections Worksheet
  - Sample Cash Flow Worksheet
  - Sample Profit and Loss Statement
  
- Have you prepared a business plan that includes
  - a cover page
  - a table of contents
  - an executive summary
  - a practice summary and business environment
  - a section on practice management, the professional team and human resources
  - a marketing plan
  - an operational plan
  - a financial plan
  - a conclusion

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\* Documents reprinted with the permission of David Epperson, Mitchel L. Winick, Veronica Bell Gilbert, and Jonathan E. Smaby, *Opening and Managing a Law Practice*, 3<sup>rd</sup> edition, published by the Texas Center for Legal Ethics and Professionalism.

# Sample Document: Developing a Law Firm Business Plan

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The following worksheet leads you through each of the categories of a basic law practice business plan. Although the practice of law is a profession. . . law practice is a business. Careful planning increases the opportunity for a successful practice without the unanticipated surprises that cause practices to fail.

## I. EXECUTIVE SUMMARY

### A. Description of the Law Firm

[brief summary paragraph]

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### B. Firm Goals and Strategy

[brief statement]

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### C. Partners and Key Staff

[brief statement]

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### D. Practice Areas and Specialties

[brief statement]

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### E. Unique Characteristics of the Firm

[brief statement]

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### F. Types of Clients to be Served

[brief statement]

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## Sample Document: Developing a Law Firm Business Plan (Cont'd)

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G. Firm Economics and Profitability

[brief statement]

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H. Financing Requirements

[brief statement]

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### II. THE MARKET FOR LEGAL SERVICES

A. The Local Economy and the Need for Legal Services

[detailed analysis - may be additional pages]

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B. The Firm's Marketing Plan

[detailed analysis - may be additional pages]

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C. The Firm's Practice Areas

[detailed analysis - may be additional pages]

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D. The Firm's Start-Up and Growth Strategy

[detailed analysis - may be additional pages]

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### III. MARKET RESEARCH AND ANALYSIS

A. Current and Potential Clients

[detailed analysis - may be additional pages]

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## Sample Document: Developing a Law Firm Business Plan (Cont'd)

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### B. Market Size and Trends

[detailed analysis - may be additional pages]

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### C. Competition - Other law firms

[detailed analysis - may be additional pages]

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### D. Future Practice Areas

[detailed analysis - may be additional pages]

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## IV. FIRM ECONOMICS

### A. Start-up Expenses

[detailed analysis - insert chart or spreadsheet]

Expense Items	Estimated Cost	Cash or Credit	Source of Cash or Credit
<b>Total Start-Up Expenses</b>			

### B. Billing Summaries

[detailed analysis - insert chart or spreadsheet]

Projected Revenue	Per Month	Per Year
Hourly Fees	\$	\$
Contingency Fees	\$	\$
Flat Fees	\$	\$
Retainer Fees	\$	\$
Other Fees	\$	\$
Other Revenue	\$	\$
<b>Total Revenue</b>	\$	\$

## Sample Document: Developing a Law Firm Business Plan (Cont'd)

### C. Expense Summaries

	<u>Monthly</u>	<u>Annual</u>	
Payroll:			
Partners	\$.....	\$.....	
Associates	\$.....	\$.....	
Paralegals	\$.....	\$.....	
Law Clerks	\$.....	\$.....	
Assistants	\$.....	\$.....	
Other Staff	\$.....	\$.....	
Sub-total Payroll Expenses		\$.....	\$.....
Taxes and Benefits:			
Payroll Taxes	\$.....	\$.....	
Insurance	\$.....	\$.....	
Parking	\$.....	\$.....	
Other	\$.....	\$.....	
Sub-total Taxes & Benefits		\$.....	\$.....
Office Expenses:			
Advertising	\$.....	\$.....	
Bank Charges	\$.....	\$.....	
Books	\$.....	\$.....	
Other Library Expenses	\$.....	\$.....	
Client Development	\$.....	\$.....	
Equipment Rental	\$.....	\$.....	
Insurance-Gen. Liability	\$.....	\$.....	
Insurance-Excess	\$.....	\$.....	
Maintenance/Repair	\$.....	\$.....	
Office Supplies	\$.....	\$.....	
Periodicals	\$.....	\$.....	
Professional Fees/Dues	\$.....	\$.....	
Rent	\$.....	\$.....	
Taxes	\$.....	\$.....	
Telephone	\$.....	\$.....	
Travel Expenses	\$.....	\$.....	
Utilities	\$.....	\$.....	
Sub-total Office Expenses		\$.....	\$.....
		=====	=====
<b>Total Expenses</b>		\$.....	\$.....

### D. Revenue/Net Income per Partner

Partner Name	Gross Revenue (total fees)	Net Income (fees-expenses)	Partner Compensation
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$

## Sample Document: Developing a Law Firm Business Plan (Cont'd)

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### V. MARKETING PLAN

#### A. Overall Marketing Strategy

[detailed analysis - may be additional pages]

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#### B. Billing Rates and Alternative Billing Policies

[detailed analysis - may be additional pages]

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#### C. Client Service Initiatives

[detailed analysis - may be additional pages]

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#### D. Advertising and Solicitation Plan

[detailed analysis - may be additional pages]

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### VII. FIRM PERSONNEL

	<u>Name</u>	<u>Brief Biography</u>
A. Partners	<hr/> <hr/>	<hr/> <hr/>
B. Associates	<hr/> <hr/>	<hr/> <hr/>
C. Key Staff	<hr/> <hr/>	<hr/> <hr/>

### X. THE FINANCIAL PLAN

#### A. Income Statements and Balance Sheets

[detailed analysis - insert chart or spreadsheet]

#### B. Pro Forma Income Statements

[detailed analysis - insert chart or spreadsheet]

#### C. Pro Forma Balance Sheet

[detailed analysis - insert chart or spreadsheet]

#### D. Pro Forma Cash Flow Analysis

[detailed analysis - insert chart or spreadsheet]

# Sample Document: Fee Projections Worksheet

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Use this format to make fee projections. Multiply your estimated monthly billable hours times your average billing rate to derive your projected billable fees. Multiply that by the percentage of fees actually billed to clients and by the percentage of billed fees you expect to collect from clients. The result is projected fees received.

	Jan	Feb	Mar	Apr	Mar	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Billable Hours Worked													
Average Billing Rate													
Projected Billable Fees													
% Billed (Invoiced)													
Projected Billed Fees													
% Collected													
Projected Fees Received													

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# Sample Document: Cash Flow Worksheet

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The process of developing and tracking a monthly cash budget forces you to identify how much it costs to operate and manage your law practice. The budget process is one of the most essential management tools for maintaining the financial health of your practice.

On a monthly basis you should compare your actual vs. budgeted cash flow. By creating and reviewing a monthly cash flow report, you can make decisions on certain expense items based on the availability of cash. The careful monitoring of a cash flow budget can make the difference between success and financial failure of a law practice.

	<u>Budget</u>	<u>Actual</u>
<b>Sources of Cash:</b>		
Fee Income:		
Hourly Fee Income	\$.....	\$.....
Flat Fee Income	\$.....	\$.....
Contingency Fee Income	\$.....	\$.....
Retainer Fee Income	\$.....	\$.....
Other Income	\$.....	\$.....
	_____	_____
 Total Cash Available	 \$.....	 \$.....
 <b>Uses of Cash:</b>		
Payroll:		
Partners	\$.....	\$.....
Associates	\$.....	\$.....
Paralegals	\$.....	\$.....
Law Clerks	\$.....	\$.....
Assistants	\$.....	\$.....
Other Staff	\$.....	\$.....
 Total Payroll Expenses	 \$.....	 \$.....
Taxes and Benefits:		
Payroll Taxes	\$.....	\$.....
Insurance	\$.....	\$.....
Parking	\$.....	\$.....
Other	\$.....	\$.....
 Total Taxes & Benefits	 \$.....	 \$.....
Office Expenses:		
Advertising	\$.....	\$.....
Bank Charges	\$.....	\$.....
Books	\$.....	\$.....
Other Library Expenses	\$.....	\$.....
Client Development	\$.....	\$.....
Equipment Rental	\$.....	\$.....
Insurance-Gen.Liability	\$.....	\$.....
Insurance-Excess	\$.....	\$.....
Maintenance/Repair	\$.....	\$.....
Office Supplies	\$.....	\$.....

# Sample Document: Cash Flow Worksheet (Cont'd)

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Periodicals	\$.....	\$.....
Professional Fees/Dues	\$.....	\$.....
Rent	\$.....	\$.....
Taxes	\$.....	\$.....
Telephone	\$.....	\$.....
Travel Expenses	\$.....	\$.....
Utilities	\$.....	\$.....
Total Office Expenses	\$.....	\$.....
Client Related Expenses:		
Filing Fees	\$.....	\$.....
Court Reporters	\$.....	\$.....
Expert Witnesses	\$.....	\$.....
Travel	\$.....	\$.....
Parking	\$.....	\$.....
Other	\$.....	\$.....
Delivery Services	\$.....	\$.....
Total Client Related Expenses	\$.....	\$.....
	_____	_____
<b>Total Cash Uses</b>	(\$.....)	(\$.....)
Total Cash Sources	\$.....	\$.....
	_____	_____
<b>Cash Balance</b>	\$.....	\$.....

# Sample Document: Profit and Loss Statement

<u>INCOME</u>	CURRENT PERIOD	YEAR-TO-DATE
Fee Income	\$ _____	\$ _____
Client Expense Income	\$ _____	\$ _____
Sublease Rental Income	\$ _____	\$ _____
Fee Income	\$ _____	\$ _____
Interest Income	\$ _____	\$ _____
<b><u>TOTAL INCOME</u></b>	<b>\$ _____</b>	<b>\$ _____</b>
<u>EXPENSES</u>		
Shareholder Compensation	\$ _____	\$ _____
Advertising	\$ _____	\$ _____
Postage	\$ _____	\$ _____
Telephone	\$ _____	\$ _____
Fax	\$ _____	\$ _____
Total Communications Expenses	\$ _____	\$ _____
Associate Expenses	\$ _____	\$ _____
Staff Salaries	\$ _____	\$ _____
Employer's Taxes	\$ _____	\$ _____
Group Benefits	\$ _____	\$ _____
Contract Services	\$ _____	\$ _____
Parking/Office	\$ _____	\$ _____
Total Employee Expenses	\$ _____	\$ _____
Workers Comp.	\$ _____	\$ _____
Multi Peril, Etc.	\$ _____	\$ _____
Key Man	\$ _____	\$ _____
Professional Services/Others	\$ _____	\$ _____
Referral Fees	\$ _____	\$ _____
Penalties	\$ _____	\$ _____
Total Insurance, Tax & Fee Expenses	\$ _____	\$ _____
Rent – Office/Basement	\$ _____	\$ _____
Utilities	\$ _____	\$ _____
Total Occupancy Expenses	\$ _____	\$ _____
Client Expenses	\$ _____	\$ _____
Accounting	\$ _____	\$ _____
Auto Expense	\$ _____	\$ _____
Bank Charges	\$ _____	\$ _____
Delivery Expense	\$ _____	\$ _____
Firm Business Meals	\$ _____	\$ _____
Filing Fees/Firm Expense	\$ _____	\$ _____
Internet Fees	\$ _____	\$ _____
Lease Equipment	\$ _____	\$ _____
Library	\$ _____	\$ _____
Maintenance – Equipment	\$ _____	\$ _____
Parking	\$ _____	\$ _____
Reproduction – Equipment	\$ _____	\$ _____
Subscriptions	\$ _____	\$ _____
Supplies	\$ _____	\$ _____
Total Office Expenses	\$ _____	\$ _____
Annual Functions	\$ _____	\$ _____
Continuing Legal Education (CLE)	\$ _____	\$ _____
Client Development	\$ _____	\$ _____
Professional Fees/Dues	\$ _____	\$ _____
Entertainment	\$ _____	\$ _____
Gifts	\$ _____	\$ _____
Total Professional Activities Expenses	\$ _____	\$ _____
Contributions	\$ _____	\$ _____
Interest	\$ _____	\$ _____
Total Miscellaneous Expenses	\$ _____	\$ _____
<b><u>TOTAL EXPENSES</u></b>	<b>\$ _____</b>	<b>\$ _____</b>
<b><u>OPERATING INCOME</u></b>	<b>\$ _____</b>	<b>\$ _____</b>

## LIST OF RESOURCES

### General Guides and Resources

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Law Society of Upper Canada, *Opening Your Law Practice 2005*, under Continuing Legal Education [www.lsuc.on.ca](http://www.lsuc.on.ca).

LawPRO® Lending Library, *Solo and Small Firms*, under Practice Aids [www.practicepro.ca](http://www.practicepro.ca).

My Shingle, *Online Guide*, under Links [www.myshingle.com](http://www.myshingle.com). †

Ministry of Small Business and Entrepreneurship, *Your Guide to Small Business*, under Publications [www.sbe.gov.on.ca](http://www.sbe.gov.on.ca). ‡

Service Ontario (Ministry of Government and Consumer Services), *Business Resources*, under Your Government [www.gov.on.ca](http://www.gov.on.ca).

Canada Business, *Starting a Business*, under Topics [www.canadabusiness.ca](http://www.canadabusiness.ca). ‡

Business Development Bank of Canada, *Start a Business*, under My Project Is [www.bdc.ca](http://www.bdc.ca). †‡

Canadian Bankers Association Booklet, *Getting Started in Small Business*, under Resources [www.cba.ca](http://www.cba.ca). †‡

### Technology Resources

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Canadian Lawyer Magazine, *2007 Legal Software Survey*, under Surveys [www.canadianlawyermag.com](http://www.canadianlawyermag.com).

LawPRO® Booklets, *Electronic Data Security and Practice Interruptions*, under Practice Aids [www.practicepro.ca](http://www.practicepro.ca).

Canadian Bar Association, *Technology Resources*, under Technology [www.cba.org](http://www.cba.org).

American Bar Association, *Technology Help: ABA Legal Technology Resource Center*, under Lawyer Resources [www.abanet.org](http://www.abanet.org).

LAW.COM, *Legal Technology*, under Law.com Sites [www.law.com](http://www.law.com).

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† Contains entrepreneurial self-assessment tools or resources.

‡ Contains a business plan outline or template.

## **Business Structure, Arrangements and Registrations Resources**

Law Society of Upper Canada Resource Centre, *Office Sharing*, under the Knowledge Tree <http://rc.lsuc.on.ca>.

Law Society of Upper Canada, *Practice Gems: Alternative Vehicles for Carrying on Business 2005*, under Continuing Legal Education [www.lsuc.on.ca](http://www.lsuc.on.ca).

Ontario Bar Association, *Taxation: Professional Corporations - the Pros and Cons 2006*, under Professional Development Publications [www.oba.org](http://www.oba.org).

Lawyers' Professional Indemnity Company LawPRO® Magazine, *Managing Risk Through Firm Structure*, under Practice Aids [www.practicepro.ca](http://www.practicepro.ca).

Service Ontario (Ministry of Government and Consumer Services), *Search, Register, Renew a Business*, under Your Business [www.gov.on.ca](http://www.gov.on.ca).

Canada Revenue Agency, under Business [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca).

## **Insurance Resources**

Canadian Bar Insurance Association [www.barinsurance.com](http://www.barinsurance.com).

Insurance Bureau of Canada, *Buying or Renewing Business Insurance and How to Read an Insurance Policy*, under Business Insurance [www.ibc.ca](http://www.ibc.ca).

Insurance Canada, *Insurance: What's It All About?*, under Consumer News and Information and *Insurance Coverage and Services for Small Business*, under Insurance for Businesses [www.insurance-canada.ca](http://www.insurance-canada.ca).

Insurance Information Institute, *Insuring Your Business: Small Business Owner's Guide to Insurance*, under Business [www.iii.org](http://www.iii.org).

## **Marketing and Networking Resources**

LawPRO® Lending Library, Books and Publications on *Marketing & Client Relations*, under Practice Aids [www.practicepro.ca](http://www.practicepro.ca).

Canadian Bar Association, *National Magazine Online Supplement: Marketing*, available under Publications [www.cba.org](http://www.cba.org).

American Bar Association, Your ABA Magazine, *Q & A on Lawyer Networking*, under Media [www.abanet.org](http://www.abanet.org).

## **Mentoring Resources**

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Law Society of Upper Canada, *Mentoring Initiatives*, under Practice Resources [www.lsuc.on.ca](http://www.lsuc.on.ca).

Legal Aid Ontario, *Mentoring*, under Information For Lawyers [www.legalaid.on.ca](http://www.legalaid.on.ca).

Ontario Lawyers Assistance Program [www.olap.ca](http://www.olap.ca).

Advocates' Society, *Mentoring*, [www.advocates.ca](http://www.advocates.ca).

Women's Law Association of Ontario, *Mentoring Program*, under Member Information [www.wlao.on.ca](http://www.wlao.on.ca).

LawPRO® Booklet, *Managing a Mentoring Relationship*, under Practice Aids [www.practicepro.ca](http://www.practicepro.ca).

## **Other Law Society of Upper Canada Resources**

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Law Society of Upper Canada, *Practice Review: Basic Management Checklist*, under Practice Resources [www.lsuc.on.ca](http://www.lsuc.on.ca).

Law Society of Upper Canada, *Bookkeeping Guide*, under Practice Resources [www.lsuc.on.ca](http://www.lsuc.on.ca).

Law Society of Upper Canada, *Equity Model Policies, Publications and Reports*, under Practice Resources [www.lsuc.on.ca](http://www.lsuc.on.ca).

## **Websites and Telephone Numbers**

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Law Society of Upper Canada [www.lsuc.on.ca](http://www.lsuc.on.ca)  
416-947-3315 or 1-800-668-7380 ext. 3315

Lawyers' Professional Indemnity Company (LAWPRO®) [www.lawpro.ca](http://www.lawpro.ca)  
416-598-5800/416-598-5899 or 1-800-410-1013

Legal Aid Ontario [www.legalaid.on.ca](http://www.legalaid.on.ca)  
416-979-1446 or 1-800-668-8258

Ministry of Government and Consumer Services [www.gov.on.ca/MGS](http://www.gov.on.ca/MGS)  
416-326-8555 or 1-800-268-1142

Canada Revenue Agency [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)  
1-800-959-5525 for inquiries related to business

## **Rules, Regulations and Statutes**

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*Law Society Act, Rules of Professional Conduct and by-laws pursuant to the Act*

By-law 5: Annual Fee

By-law 6: Professional Liability Insurance

By-law 7: Business Entities

By-law 7.1: Operational Obligations and Responsibilities

By-law 8: Reporting and Filing Requirements

By-law 9: Financial Transactions and Records

*(Ontario) Business Corporations Act*

*Business Names Act*

*Corporations Information Act*

*Employment Standards Act*

*Excise Tax Act*

*Partnerships Act*

*Personal Property and Security Act*



The Law Society of  
Upper Canada

Barreau  
du Haut-Canada

Visit the Resource Centre at  
[www.lsuc.on.ca](http://www.lsuc.on.ca) or phone 416-947-3315 or  
1-800-668-7380 ext 3315.

**Legal information and support designed for you.**