

Line Item: Do You Know Where Your Overhead Is?

Law firms tend to not track things well. That includes time and billing, where they regularly tend to leave hours on the table. But, it also extends to other parts of the practice. So, when was the last time you examined your budget?

Lawyers who know their overhead are empowered because they have a baseline idea of what they need to make to keep the lights on, and what they need to make over and above that to earn a comfortable living. Knowing those things means that the law firm can better forecast revenue and also set revenue goals, both of which are important to effective law firm management.

This all makes sense; but, the challenge lies in creating a current snapshot of the law firm budget. Many managing attorneys don't track their expenses effectively, which means they never get an accurate sense of their overhead, which by extension means that their revenue projections are less likely to be accurate and the revenue goals are less likely to be realistic.

In a practical sense, this means that many law firms spend too much money. Since they're not checking up on what they're paying for, they are less likely to scrutinize budget items, so they can make changes if necessary. Is the law firm hanging onto outdated technology? Is there a marketing campaign that continues to run to little effect? Since most lawyers don't continually ask and answer these questions, they're not trimming their budgets in a consistent fashion, in order to keep their overhead numbers as low as possible.

Even something as simple as sticking to an annual budget review can help you save real money.

...

If you're having trouble pruning your law firm budget, we can help. The [Rhode Island Bar Association](#) now offers FREE law practice management consulting services through [Red Cave Law Firm Consulting](#). To request a consult, visit [the Rhode Island Bar's law practice management page](#), and start running your law firm like a business.