



ALL DIGITAL MEMBERSHIP

**Creating Sanity
Through Policies
and Procedures**



November 2018 Coaching Call

Scott: Hi! It sounds good, so let's officially start our call. Again, my name is Scott Whitaker and I want to welcome you to your monthly coaching call with RJon Robins as part of your All-Digital Membership with How to MANAGE a Small Law Firm, so I want to welcome you to today's call. If you dialed in early, you heard us talking about policies and procedures. If you saw my emails, you know that's the theme for today's coaching call, so let me give you a couple of housekeeping notes that you can take advantage of.

One is we're going to do a live Q&A as part of our call today and later on, I'll bring our operator on to the line. She'll give you instructions, but if for some reason you don't want to join on the call live and be able to ask your questions directly to RJon, you can always email me your question. Just reply to any of the emails I send you or my email address is scottwhitaker@howtomanage.com and I'll be glad to ask your questions directly to RJon and have him answer it. Then of course, RJon is going to share with us about policies and procedures.

RJon, welcome to the call. Thank you for everyone joining in and let's get started.

RJon: Well, thank you for organizing this, Scott. Should I just dive in or do you have something else you want to say to get everyone started?

Scott: Nah, let's just go and dive in.

RJon: Okay. The theme of the call in my opinion is not policies or procedures. I'm sorry for everyone who called in to the call thinking that you're going to call in to learn about policies and procedures, and I'm more sorry for everyone who didn't dial in thinking that, "Oh, this is policies and procedures and I'm not interested."

The real theme of this call is sanity. It's a choice that each of us gets to make. I'm not going to say "has" to make. I'm going to say we get to make this choice and the choice is do I want to live a life of sanity or do I want to continue to have insanity in my life because of how my business operates? Years ago, I made the choice that I am

going to enjoy sanity in my life. Now, that doesn't mean that I am expecting to ever achieve perfection and I certainly have not. Things go wrong all the time in my business. Things are not always perfect in my life, but it's a choice of living a sane life versus settling for, tolerating, putting up with, and in some cases, people even start bragging and taking pride in living a life of insanity. I can't think of anything more insane than taking pride in living a life of insanity.

Let me talk about what I mean by sanity and insanity first. Should I start there, Scott, or do you want me to go somewhere else?

Scott: Nope. Let's start right there.

RJon: All right. A life of insanity as the owner of a small law firm or any business for that matter is a life where your priorities, your schedule, the most important decisions about the most important things in your life all get dictated to you at the whim of other people and circumstances. People will go around saying, "The most important thing in my life is my children" but then when you actually peel the veneer off, peel the cover off, lift the hood, lift the hood off the engine bay of their business, you realize that their children really are not their priority because they're not taking action to make their children their priority. They're just paying lip service to the idea.

People will say, "My freedom is my priority," but when you look at the decisions they're making, the choices they're making in their life and in their business, freedom is not really their priority because their actions are not reasonably calculated to give them any kind of freedom. Saying that you're going to make your children your priority, saying you're going to make freedom your priority, saying you're going to live life on your terms, but setting yourself up to constantly have to take shit from other people and let other people's priorities and other people's goals and other people's motives and other people's whims dictate your life to you, that is insane.

Now, if you start off and say, "My goal and my intention is to be a doormat to all of my

employees and my goal is to be a doormat to all of my clients and my goal is to be a doormat to all of my referral sources and my goal is to be a doormat to everyone around me" and you don't pay attention to any kind of policies, don't pay attention to any kind of procedures, that is ironically less insane because that's what you said you wanted to do and that's what you get. It's really all about sanity.

Let me give you an example of what sanity, a sane life, looks like. A sane life, and this is according to me and people could disagree, but in my book, a sane life is a life where we can look out at our calendar for the next 12 weeks, even for the next 12 months, and be proactive in our decisions. We can make plans about where we want to be, what we want to do, who we want to invest our time with, and be proactive and in control of our life.

Scott, every quarter, we have a new enrollment for prospective new members of How to MANAGE a Small Law Firm. That's one every 90 days. Every quarter, I am reminded just how many lawyers have zero control over their schedule and therefore, zero control over their lives. We'll run into lawyers who say, "Oh, I really need to go there. I really need to do that. I really need to check this thing out." It does come with 100 percent money back guarantee, so why the hell wouldn't you at least check it out? You're like, "Yeah, I've got to check this thing out." Okay. Well, the next one is in 90 days, 50 days, 60 days, 45 days, 30 days, 20 days, whatever, you name it. Every quarter, we get dozens and dozens and dozens of lawyers who are like, "Oh, I can't do that because..." and then they always have an excuse because of their calendar.

Now, some of the reasons they can't make it are legitimate reasons. "I can't make it. My daughter is getting married." Good. You should make that a priority in your life. "I can't make it. I have a big trial scheduled." Okay, good. You have to make that a priority in your life. "I can't make it. I'm taking a vacation." Good. You should make taking a vacation with your family a priority, but we get lawyers who quarter after quarter after quarter after quarter and we've got some people

who have been kicking the can down the road for more than a year, sometimes even longer, and they just can never take control of their calendar and make a commitment to be somewhere and to do something.

The reason why I say that's insane is because sooner or later inevitably, all of us have to know we are going to be called upon to be somewhere and do something in an emergency for a loved one or for a client or just for a really amazing opportunity that we're not going to want to miss out on. If we fail to put basic policies and basic procedures and basic systems in place for our business today, that's the same thing as traveling through time into that future day when an emergency happens and saying, "I'm sorry. I can't possibly be there on account of the fact that I'm choosing because I chose a year ago," two years ago, three years ago, whenever the choice was made, "to live a life of insanity where I'm a doormat to everyone around me and can't make my family a priority." It's really all about sanity.

Policies plus procedures, policies added together with procedures equal systems. The goal is to have systems managing your business, systems that run the marketing, systems that convert prospective clients into paying clients with the sales, systems that get the work done in a consistent, predictable, reliable way to set standards, systems that keep the team accountable, the staff accountable to operating against those standards, systems that control the finances of your business.

The systems run the business and then you hire people and train them to those systems. Now, the way most lawyers do this unfortunately is they don't think about systems at all. Instead, they depend on superstars. In the last, we've got 24 or 25 outside CEO, COO, and CFOs. If you think of them as lawyers -- if we were a traditional law firm, you would say that we have 24 lawyers in our law firm. They're outside CEOs or outside COOs or outside CFOs. These are people with MBAs, CPAs, very, very accomplished professionals who have run successful law firms and other successful businesses who provide our outside CEO, outside COO, and outside CFO services.

The point is, Scott, that in the last 12 months, we have lost four of them. One of them we lost because this person was not meeting our prescribed standards. They weren't living up to our systems and we had to terminate this person. One person had to quit because of some extended waiting situation going on in his family. One person quit unfortunately without any notice in violation of our policies, and one person unexpectedly died, but through this all, our business did not miss a beat. Our members kept getting services. If you were to look at our cash flow, if you were to look at our revenues, if you were to look at any historical record of our business performance over the last 12 months, you would be hard-pressed to see where these things happened based on the performance of the business and that is because the system is bigger than anyone who runs it. The system is bigger than any of us, including myself.

I even had some challenges in the past year that prevented me from being able to do some things that I had originally wanted to do and the business kept chugging along because the systems run the business. When the day comes that you sell your law firm -- and everyone on the call should be thinking about selling your law firm someday -- you're either going to sell it voluntarily on your terms and have some control over the negotiation with the buyer and the price and the terms or it's going to be sold involuntarily by your creditors while you look on or it's going to be sold involuntarily by your state after you die, but sooner or later, your law firm is going to be sold unless you just shut it down, I guess.

Sooner or later, your law firm is going to be sold and you should be looking forward to that and making decisions based on the inevitable expectation that the business will be sold. Ultimately, what the buyer is going to value, if they are an educated buyer, what they're going to be valuing above and beyond everything else -- and Scott, this would be a really interesting topic for another of these trainings. It's some basic financial literacy to help everyone understand the difference between a balance sheet and a profit and loss statement and cash flow projections and where

real equity in a law firm is because a lot of lawyers don't understand that and that's what allows them to miss these important points which one day usually after it's too late, they wake up and realize, "Oh crap, I missed that."

When the buyer comes along the value of your firm, the most valuable asset that they're going to value is the systems because they're not going to value your office space. There's not a whole lot of equity in your office space on account of the fact that your office space is presumably being rented out at market value, so I'm not going to pay you a premium just for the privilege of taking over your lease. There's no real equity there. There's no equity in most law firms in the fixtures, in the equipment, in the software because presumably it's worth what you paid for and usually it's worth less than what you paid for because of depreciation. It's not like I'm going to come in and write you a big check for the equipment or the furniture or the software over and above what you paid for it or over and above what it's worth because I could just go out and buy it new for usually less than what you owe on it or what you got into it. There's no equity in the physical plant, meaning the physical space or the equipment or the furniture.

Lincoln freed the slaves, so it's not like I'm going to buy your staff from you. I might be willing to pay you a little something if you've got a team already in place, but I'm only going to be willing to pay you for your team, for having the team in place, if the team is working according to systems. I'm not going to be willing to pay you a premium for a superstar who has no systems to support him or her because I understand if I'm an educated, sophisticated buyer, I understand that the superstar without systems is like one bad step away from getting hit by a bus and there goes all the equity, so I'm not going to pay a lot for that.

What I'm going to pay for -- and when you see law firms being bought and sold, which if anyone on the call doubts that law firms are bought and sold on a regular basis, I would encourage you to do a little research and find out that people are buying and selling law firms all the time and a lot

of the equity that they're paying for comes from the existence and the maturity and the development of the systems, the systems that keep the marketing working, the systems that keep the sales working, converting prospective clients into new clients, the systems that keep the work getting done by a staff, the systems that keep the staff in check and keep the staff motivated and keep the staff trained, the systems that control the financials of the firm. The systems are what really make the law firm work.

When you've got those systems then you can have sanity. The systems are based on two things: policies plus procedures. Policies are the rules; procedures are the instructions. You might want to write this down. Policies are the rules; procedures are the instructions. Policies are the rules for who does what by when and why. Procedures are the instructions for how they do it using what tools, using what resources, pursuant to what standards and checklists and things like that. Policies are the rules; procedures are the instructions. You put policies together with procedures and you get a system.

Now, there are two different kinds of policies to pay attention to. There are internal policies and there are external policies. Internal policies are the rules that govern everyone internal to the business. As a very general but a very reliable rule of thumb, internal policies govern everyone that you or the business writes a check to. If you are paying someone, they are subject to your internal policies because you can basically say, "A condition of my being willing to pay you is your willingness to agree to abide by and respect my internal policies." That's why they're internal policies. If a person says, "I'm not willing to abide by or comply with these policies," you have the right to say, "Well, then I'm not willing to employ you and I'm not going to pay you."

Internal policies, there are 12 key basic foundational internal policies which, Scott, I'm not going to go into all of them here because quite frankly, I don't have them on the top of my head and the reason I don't have them on the top of my head is because I wrote them down, so I wouldn't

have to walk around with these on the top of my head. That was the system. I wrote something down. That's a simple system, but everyone who is listening to this call has access to lessons on the key internal policies, the 12 key internal policies.

External policies are rules that govern the firm's interaction with everyone external to the firm, meaning everyone that you're not paying money to. That would be judges, clients, opposing counsel. Those are really the three external parties, classes of parties that your external policies govern. If anyone listening to this is thinking, "Yeah, right, that's a joke. That's bullshit. Judges are not going to respect my external policies," respectfully, you are mistaken. We've got solo and small law firm owners all over the country in all different practice areas who have judges and opposing counsel who do respect their firm's external policies. A hundred percent? No, of course not. Half the time or better? Yes. At least half the time, usually more than half the time, a lot of it comes from when the judge or when the opposing counsel says something or does something and the lawyer can say, "Respectfully, that violates the policies of my firm." You'd be surprised how often judges don't even question that.

You see, if you're working for a big law firm, maybe an Am Law 100 firm with hundreds of lawyers and multiple offices and layers of administration and there was a policy for what you could or could not do, for example, before you can commit to a court date, you have to check and verify whatever. If you didn't have a choice because that was the policy of the firm that you work for and you went to court and the judge wanted you to do something that violated the policies of your firm, you would be able to say with confidence, "Respectfully, Your Honor, the policy of my firm is..." blah, blah, blah, X, Y, Z, one, two, three, whatever it is, and most judges work for a firm and understand that these are the practical realities of being a lawyer and most judges respect those policies, but if you don't have any policies then [Inaudible 00:21:39] making the bumper on the fly. Judges will say, "Well, why should I bother respecting it if you don't respect it enough to even write it down,

document it, and defend it?" which brings me to the next point, which is, if you don't respect your own rules enough to write them down, how can you ever expect staff to respect the rules?

Everywhere I go, Scott, I run into lawyers who -- policies in particular really sets off -- it touches a nerve with lawyers and they'll say, "Why bother writing any of this stuff down? No one is going to respect it anyway," to which I respond and say, "Have you ever actually written any rules down?" "Well, no, because why should I bother? No one's going to respect them anyway," to which I usually respond and say, "Well, have you ever considered the possibility that maybe the reason no one respects your rules is because you don't respect your rules enough to write them down?" At which point, I often don't get invited back. That's the obvious question, right?

Scott: Yeah.

RJon: The theme of this whole thing is systems. Systems are built on policies and procedures. Policies are the rules. There are internal rules and external rules. Procedures are the instructions, the checklists, the templates, the how to's, if you will. You put policies together, rules of who is supposed to be what by when using what tools and resources and why. The why is what's usually missing that takes them from mediocre to really good and get people to buy into them. That's what you see missing in a lot of policies in law firms, is the why, why does this policy exist, what purpose is it meant to serve. You put those policies together with procedures and you get systems. You build a law firm based on systems and you have sanity.

The last points that I'm going to make before we go to Q&A -- are you ready to go to Q&A soon?

Scott: Yeah, I'm ready and I've got a couple of things to add too with what you're sharing here.

RJon: Okay. Last thing I'm going to say before we go to Q&A is -- well, let's just go to Q&A and we'll get to that later.

Scott: All right, sounds good. Let me invite our operator on to the line and she's going to give instructions on how to get in the queue to ask questions to RJon, and then while she's doing that, I'll share a couple of things as well that RJon sparked. Carrie, if you would come on the line and give everyone instructions on how to get in the queue.

Carrie: Absolutely. If you have a question at this time, all you need to do is press *1 on your phone. Once again, that's *1. That gets you into the question queue and we'll take all questions in the order that they are received.

Scott: Okay. If you have a question, press *1 and only press it one time because if you press it twice then it'll take you out of the queue, so just press it one time and Carrie, our operator, she'll isolate your phone line. She'll bring you on to the line with RJon and myself. You'll be able to ask your question directly to RJon and get a response. By the way, this is a great opportunity even if you don't have a question. It's a great opportunity to learn from other people's questions. Learn from them because we've got all different practices. Everybody is in a different level of their business and how long they've been practicing, so a great opportunity.

RJon, in talking about systems, one of the things I've always believed is that the results you're getting are from the systems you have in place. So if you think about your law firm and you think about the areas that are causing you stress, the areas that are causing you frustration, that is a good time to go back and double-check the systems that you have in place. Look again at the procedures that you've written or need to write maybe. Look at those policies that you've set up because if you're getting stressed and there's frustration or there's some sort of friction going on in your law firm, it is most likely based upon the systems that you've put in place for which then the systems are broken down into these procedures along with the policies.

Sometimes the policies and the procedures that we put in place will get us to a certain level of

growth. They will cause growth to take place, but then we'll get to that barrier where all of a sudden, the systems that we've put in place got us to that point, but now we have to go back and we have to readjust the systems. We have to readjust the procedures, maybe even revisit the policies that we put in place because they only got us to a certain level within your business, within your firm.

If you're thinking about, "Hey, this sounds really good. I've got clarity on what policies are. I've got clarity on what procedures are. Putting them together equals my systems, which are going to give me the sanity that RJon was describing, but where do I start?" well, I would encourage you to look at what area in your law firm is causing you some frustration. What area in your law firm is causing you to lose sleep at night? Then go back and say, "Okay. This is the area that is causing me the frustration the most. What are the systems that I have in place? What are the procedures, what are the policies that I have in place, and what needs to be adjusted?" What maybe new policies or procedures need to be written? What old policies and procedures maybe have a need to be edited, maybe what's missing altogether in the way of these policies and procedures.

I would just add to that a little bit, RJon, in the sense of the results that you're getting from your law firm are directly tied to your systems, which equals your policies and your procedures. Anything you would add to that? Is there more?

RJon: I know we've got people on the line who'd want to ask questions and I know we've got people who've written in questions and I want to make sure we give time to that. I just want to challenge everyone who's listening to this and everyone who listens to the recording afterwards. Scott, I don't know how to say this politely. It's going to come off like I'm being a jerk, but I really don't mean it like a jerk. If this is what instigates you to really take this stuff seriously and you wake up a few years and your life is just like a million times better then maybe this is the kick in the ass that you needed.

If you don't take advantage of the opportunity to ask questions on calls like this, it just tells me a lot about how serious you are about building a successful business. When I was struggling financially, I subscribed to digital, virtual membership programs like this. Back then, \$500 a month was a lot of money for me. Even though I knew I could listen to the recordings later, it was very, very rare that I would miss a call. I always made the calls, almost always made the calls. Obviously there were instances where I couldn't, but I made it a priority to be on those calls. It's kind of funny. I'm now friends with a lot of the people who run those businesses. They were my mentors. Now, some of them are paying me for advice on how to run a business. It's funny sometimes to go back and listen to those old recordings and there I am. I'm asking questions and I'm asking questions and I'm asking questions. I used to be famous for going to the microphone at live events.

I remember this one live event that was four days long and by the fourth day -- it was a big room and there were three microphones, one on the left, one on the middle, one on the right, and by the fourth day, there was RJon's mic and then mic #2 and mic #3. I would ask a question and then they go to the second mic and they go to the third mic, and then they come back to me and then go to the next person on line at the second mic and the next person on line on the third mic and then they come back to me because they knew I was never going to miss a chance to ask questions.

Now, today, I have a \$10 million business with 35 employees who make my life much, much easier than it used to be when I was trying to do everything myself and struggling. I am telling everyone that this life that I get to enjoy is in large part an effect of the fact that I took advantage of these kinds of opportunities. If you are going around telling yourself that you're really serious about building a successful law firm and you don't take advantage of these kinds of opportunities then I have to question either your judgment or your commitment. Since I know this stuff works, I have to question your commitment.

Scott, do you want to go to the first question or do you want to read the first question?

Scott: Actually, let's go to the first question and I want to make sure that I don't ask somebody's questions who's actually already in the queue, so I'll save my questions to the very end and we'll give everybody a chance who's in the queue. Carrie, we are ready for our first question. Will you bring them on and just give us their first name, and then when you come on the line, go ahead and ask your question to RJon and we'll go from there.

Carrie: Okay. Sure. Our first question is going to come from Lena. Lena, your line is open.

Lena: Yes, hi! How soon do I need to hire and who do I hire? As of today, I earned \$270,000. Annually, it's going to be over \$300,000. At this point, I'm not sure. I'm actively working on policies and procedures and updating them, but who do I hire and how many people would I need? That's the question.

RJon: Lena, first of all, congratulations! For all the shit I just finished giving everyone who misses out on the opportunity to be on this call and ask these questions, I should give ten times more compliment and praise and congratulations to people like yourself, Lena, who like myself make our success a priority and demonstrate that success is a priority by where and how we show up, so let me just begin by saying congratulations.

Scott: Let me just also say, RJon, let me just also say this is Lena's very first coaching call. Lena's a brand new member and has made it a point to be here as well, so I figured out to throw that in there. Not only is she on this call and not only is she asking a question, but she's a brand new member taking this seriously, so Lena, you are to be congratulated. I just wanted to throw that in here as well.

RJon: Well, good for you. Okay, so Lena, let me ask you a few questions, okay?

Lena: Yes.

RJon: When you say you earned \$270,000 and you're on track to earn \$300,000 this year, do you mean gross or do you mean net?

Lena: Gross.

RJon: Gross, okay, so \$300,000 gross. Out of \$300,000 gross this year, assuming that you don't hire anyone, assuming you don't make any other investments, I'm going to guesstimate that -- what is your practice area?

Lena: Trusts and estates.

RJon: I'm going to guesstimate that you're going to take out around \$175,000 between income and other benefits you run through the business.

Lena: Income and potentially taxes, yes. There's a little bit of taxes, a little bit of unknown, but yes, at least half of the \$300,000 is going to be income, net income.

RJon: So what I'm trying to say is that your income from the firm, your total owner benefits, and when I say total owner benefits, what I mean is your W2 income, which is the salary -- first off, let me ask you, do you have yourself on W2 salary for the firm? The firm pays you a paycheck every two weeks?

Lena: I do not.

RJon: Okay. Would you please put yourself on payroll?

Lena: Okay.

RJon: I'm really serious. You will make more money. Your business will run better. Your life will be better. Everything will be better if you will put yourself on payroll.

Lena: Okay, will do.

RJon: Okay. Do not pay yourself last. Do not settle for getting paid last. You must get paid first.

Lena: Okay.

RJon: Would anyone else work for your firm and wait to see if they get paid until the end of the month after everyone else gets paid? Is there any other person on the planet who isn't related to you who would ever put up with that kind of shit?

Lena: No, absolutely not.

RJon: Okay. So what does it tell the world when you respect yourself less than you respect anyone else?

Lena: Yes, I do pay some -- I don't have an S-corp, so I don't think of myself first. I contribute as much as I can to my solo 401(k), so \$50,000 at least this year. I did some distributions, but there's going to be more than \$150,000 that's available either to be paid total or reinvested back into the business.

RJon: Okay. The point that I'm trying to make is you may not realize this right now. You might, but a lot of people don't realize right now. I get asked the question you ask me a lot. "When should I hire someone?" and people are usually surprised that my first response is usually, "Do you have yourself on salary? Do you have yourself on payroll?" If you don't have yourself on payroll, it's going to be very complicated to hire someone else and to make a decision to hire somebody else. It's going to become much more scary to hire someone else if you don't have yourself on payroll because emotionally, here's how it works. I'll just say this having had the experience of doing it myself the wrong way and having worked with thousands of people who used to do it the wrong way and they do it the right way and they say almost without any exception that life got better when they put themselves on payroll because right now, you're basically taking whatever the scraps that are left over, right?

Lena: Yup, it looks like it.

RJon: Well, that's exactly how it is if you don't have yourself on payroll. You're taking the scraps that are left over. Now, someone comes along,

someone like me comes along and say, "You should hire blah, blah, blah to help you with these different things." Emotionally, the way that it looks, and it's actually how it really looks because that's how it really is, it looks like wait a second, that means there are going to be fewer scraps left over for me and it's very, very scary and you start to see the employees as your competition for the scraps as opposed to an investment so you don't have to keep living on scraps. Does that make sense?

Lena: Yes.

RJon: Okay. Number two, if you have yourself on payroll and the firm pays you every other week along with everyone else no matter what without exemption, you will always find a way to make payroll for other people. Owners of businesses will always find a way to make payroll for other people. If you just blend your own payroll right into everyone else's payroll, as you're going along finding a way to hit that number every month to "make payroll", you get paid, and so everyone else almost protects you and guarantee that you're going to pay yourself because you're not going to miss payroll because missing payroll for one person means missing payroll for everyone. Does that make sense?

Lena: Yes.

RJon: All right. Next, when you are making payroll and when you are getting paid every two weeks and the money is just electronically hitting your account just like if you had a job working for someone else, it allows you to make better decisions. You're going to think more clearly. You're going to be less emotional. You might have cash flow problems in the business, but at least you've protected your household from having cash flow problems also. Are you still with me?

Lena: Yes. I'm just taking notes.

RJon: I'll give you an example. I'm sorry?

Lena: I'm just taking notes, but I agree.

RJon: Okay. I'll give you an example. Tomorrow, I am meeting with our CFO and our in-house accountant. We have a full-time, in-house CFO and we have a full-time, in-house controller, accountant, management accountant, controller, same difference, and we are going to be meeting to talk about some cash crunches in How to MANAGE a Small Law Firm. We will gross \$10 million this year. We're grossing almost \$1 million a month at this point. At the end of next month, so six weeks from now because we look at our numbers, we know we're going to have a cash crunch because we've made a lot of investments for the future, because we've strategically spent the money this year for tax planning purposes. We hired a bunch of new staff. We did a bunch of things that I'm very confident will be the right decision to make, but it's putting us into a cash crunch six weeks from now. Are you with me?

Lena: Yes.

RJon: By the way, I'm not embarrassed to tell you it's like a \$200,000 cash crunch. In other words, we are looking six weeks ahead and seeing that we're going to come up around \$200,000 short of what we need to cover our expenses six weeks from now, the week coming up six weeks from now. Well, the reason that I'm able to think clearly about this, the reason I'm able to bring some objectivity to this, the reason that I'm able to search and discover the solution, and in fact, I'm confident that when we meet tomorrow to dig into this, there will actually be an opportunity, the reason that I'm able to think clearly instead of losing my mind is because I'm still getting paid. Do you follow what I'm saying?

Lena: Yes.

RJon: My mortgage still gets paid. My car is still getting paid for by the company. I'm still going to be able to pay my son's college private school -- not college. Holy crap, he's three years old -- his private school tuition. I'm still going to be able to pay his tuition next month. I'm still going to be able to pay the nanny next month. I'm still going to be able to pay my house manager next month. I'm not telling my wife we had to cancel

our vacation for next month because of the cash crunch in the business because our personal household economy is protected and somewhat insulated from the business. That allows me to go to work with my head screwed on straight as opposed to going to work like a deranged lunatic running from fear. Does this all make sense?

Lena: Yes. Thank you.

RJon: So it's really important that you put yourself on payroll. I don't care if you put yourself on a \$100,000 payroll or a \$50,000 payroll or whatever you can afford right now, but you put yourself on payroll.

Lena: Okay, will do.

RJon: That also helps you make smarter decisions and the exercise of determining how much you need to pay yourself will help answer the question that you actually asked me, which we're going to get to. This is all part of my answer to your question, but it's a longer answer. It's not just like a simple answer. I know there are a lot of people getting a lot of business advice off of freaking Twitter with 140 characters, but this requires a longer discussion and I'm respecting you to give you the full answer, not just a sound bite answer. Got it?

Lena: Yes.

RJon: Okay. The next thing you do is you have to ask a question. Now that I've made the decision to put myself on payroll, which everyone listening to this should have yourselves on payroll, now that you've made the decision of putting yourself on payroll, the question is how much? The answer is what is a normalized salary? In other words, how much would we have to pay someone else to do the jobs that you are doing for the firm? Do you understand the issue or the question?

Lena: Yes.

RJon: Okay. Let's take 100 percent of your time. Approximately, what percentage of your time -- you draw a circle in front of you. Take out a piece

of paper and just draw a circle in front of you like a pie chart. What percentage of that circle, what percentage of your time do you actually practice law as opposed to all the other things you do for the business? I'm sorry?

Lena: Probably 50 percent, half.

RJon: 50 percent, so you want to draw a line straight down the middle of the circle. 50 percent is practicing law, 50 percent is everything else, right?

Lena: Yes.

RJon: Okay. Now, of the 50 percent that you practice law, how much of that 50 percent is senior associate time and how much of that is junior associate time? In other words, how much of that time, how much of that 50 percent could be done by a junior person as opposed to what is required a more senior experience?

Lena: Probably 70 percent by the junior associate and 30 percent by the senior.

RJon: Okay, so 70 percent of 50 percent is -- I've got to open a calculator on my phone. I'm sorry. 50 percent times 0.70 is 35 percent, so 35 percent of the whole is senior, 35 percent is senior associate -- I'm sorry, it's junior associate. 35 percent is junior associate, and 15 percent -- 35 percent is junior associate, 15 percent is senior associate. Are you following what I'm doing here?

Lena: Yes.

RJon: Okay. If anyone has any questions about how I'm doing this, you can get on the forum and ask for follow-up. This is critical. This is critical. I hope everyone's listening to this. If you don't know how to do this, you do not know how to get out of the box you are stuck in. This is critical. It's very simple, but a little confusing the first time you do it.

Lena, 35 percent of your total time is doing the job of a junior associate. 15 percent of your time is doing the job of a senior associate. Together,

that accounts for roughly half of your time. Is that about right?

Lena: Yes.

RJon: Now, the other half of your time, how much of that is spent marketing? How much of that is spent on sales? How much of that is spent doing secretarial work? Account for the rest of that time for me just roughly. Right now, "abouts" are good enough. It doesn't need to add up to 100 percent for purposes of this conversation. Obviously in reality, it does, but don't worry about that.

Lena: Okay. About half of the 50 percent is probably marketing and networking, and the rest is administrating the law firm, some secretarial work, not always. I do have a part-time person.

RJon: Okay. So if 25 percent is marketing -- for the purposes of this conversation, we'll say "marketing and sales" as if they're the same thing even though you know they're not, right?

Lena: Yes.

RJon: Okay. Marketing is marketing, sales is sales. They're not the same thing, but for the purposes of this conversation, we'll just stick them together and say 25 percent of the total is marketing and sales, and then the other 25 percent of the time -- administrative and paralegal work and secretarial work are not the same thing. So of the 25 percent remaining, how much is real administrative work and how much of it is paralegal or legal secretary work?

Lena: Probably half is paralegal, half is administrative.

RJon: Okay. We're just going to say 12.5 percent admin and 12.5 percent paralegal, paralegal/legal secretary. I've been drawing this circle while we're talking. I just drew a circle. The circle represents 100 percent of your time. 35 percent of your time is junior associate, 15 percent of your time is senior associate, 25 percent of your time is marketing and sales, 12.5 percent is admin, and 12.5 percent is paralegal. If I've done this right, that should add up to 100 percent. Are you with me?

Lena: Yes, that's correct. Yes.

RJon: Okay. Now, how much would it cost us to hire a full-time senior associate to do trusts and estates work in your local market?

Lena: Probably \$100,000 or more.

RJon: Okay. Let's just say \$125,000. Are you reasonably comfortable you could hire a senior associate for \$125,000 a year in your market?

Lena: Yes, absolutely.

RJon: Okay, so since 35 percent of your time is senior associate -- I'm sorry, 15 percent of your time is senior associate, we take \$125,000 times 0.15 and \$18,750 is what it costs to replace you showing up as a senior associate 15 percent of the time. It's the same thing if you hired a senior associate and the senior associate said to you, "Listen, I appreciate you're willing to pay me \$125,000 a year to show up full-time, but if I only decided to show up 15 percent of the time part-time, what would you pay me?" and your answer would be, "I'd pay you 15 percent of \$125,000 or \$18,000 a year." Are you with me?

Lena: Yes.

RJon: Okay. What would it cost to hire a good junior associate in your market?

Lena: 60 to 80.

RJon: Let's say \$80,000. \$80,000 times 0.35 because this \$80,000 junior associate is only working 35 percent of the time, so we're going to pay that person \$28,000 a year. Are you with me?

Lena: Yes.

RJon: All right. What would it cost to hire a really good legal secretary or paralegal in your market?

Lena: 35, 45?

RJon: Let's say 50. Would you be real happy with a \$50,000 legal secretary/paralegal?

Lena: Yes.

RJon: Okay, so \$50,000 times 0.125, 12 percent, is \$6,250 a year. We would pay a \$50,000 paralegal -- if he or she only worked for 12.5 percent of the time, we would pay that person 12.5 percent of \$50,000, which is \$6,250. Are you with me?

Lena: Yes.

RJon: Let's say we hire a \$50,000 admin person who works 12.5 percent of the time and that would be another \$6,250, and then how much would we pay a really good marketing and salesperson in your local market if they work full-time?

Lena: I am not sure, but probably between 45 and 60.

RJon: Let's say \$100,000 because people underestimate the value of marketing and salespeople because without marketing and sales, the rest of it is really not necessary, is it?

Lena: Correct.

RJon: So let's say \$100,000 for the marketing and salesperson, but that person is only working 25 percent of the time, so that's \$25,000. If we were to calculate what you're doing to the firm, we would pay you \$18,750 for working 15 percent as a senior associate. We would pay you \$28,000 for working 35 percent as a junior associate. We would pay you \$6,250 for working 12.5 percent as a \$50,000 paralegal. We would pay you \$6,250 for working 12.5 percent as a \$50,000 administrative person. We would pay you \$25,000 for working 25 percent as a \$100,000 marketing sales professional. Are you with me?

Lena: Yes.

RJon: So we take \$18,750 plus \$28,000 plus \$6,250 plus \$6,250 plus \$25,000 and we would now say that you are contributing \$84,250 a year to the firm. In other words, if you got hit by a bus and the business had to hire third party professionals to do the jobs you're doing, we would have to pay them \$84,250 because we would have to

hire a senior associate for 15 percent of their time and a junior associate part-time for 35 percent of their time. Obviously, this isn't exactly perfect because it's not like you're going to be able to hire a paralegal for 12.5 percent of their time, but the idea is your normalized salary is around \$85,000 a year.

Lena: Okay. Wow, you make it so easy.

RJon: I've done this once or twice. You take \$84,000 -- we'll call it \$85,000 divided by 26 weeks, and so you should put yourself on payroll for \$3,269 every other week, basically \$6,500 a month. Now, if you knew today in the month of October that in January, your household income is going to be \$5,500 as W2 salary from your firm, would that bring some peace of mind? Would that bring some sanity into your life?

Lena: Absolutely.

RJon: Okay. From that place, we can now have a rational conversation about who to hire, when to hire them, how much to pay them, and all of that. Make sense?

Lena: Yes.

RJon: Okay. From what I can tell, it seems like -- we said that the paralegal is \$50,000 a year. The admin is \$50,000 a year and you're spending 12.5 percent of your time doing the work of a \$50,000 a year person. You're not a \$50,000 a year person, are you?

Lena: Correct.

RJon: You're at least \$125,000 a year person. You're probably more like a \$250,000 a year person, but you're a \$200,000 a year person who's working as a \$50,000 a year person 12.5 percent of your time. Does that make a lot of sense?

Lena: It does, yes.

RJon: No, I'm asking does it make a lot of sense to do that.

Lena: Oh, no, no, no. No, it doesn't.

RJon: No, it doesn't. Now, you asked me which position should you hire first and my answer is you should fire yourself as a legal secretary/paralegal immediately as soon as you can because every minute, every hour that you work as a legal secretary or paralegal, you are experiencing what we call false economy. You think you're saving yourself money, but it's really costing you a lot of money. Do you get what I'm saying?

Scott: Yes, absolutely.

RJon: Let me put this in even more direct terms that's going to hurt the feelings of a lot of lawyers listening to this and probably offend a few people. If they have any morality whatsoever, if you have any ethics, if you have any level of professionalism, the following should really punch you in the gut. If you're an unethical, unprofessional piece of shit then this won't faze you at all, but I trust that this is going to affect you, so are you bracing yourself?

Lena: Yes.

RJon: Okay. If you were billing by the hour -- and you don't bill by the hour for the most part, correct?

Lena: I do some probate and guardianship. I do.

RJon: Okay. How much do you bill out the senior associate for? You have a \$125,000 a year senior associate. What do you think is a reasonable rate to bill that person out at?

Lena: I'm not sure. I bill for my time. I recently raised my price of \$300 an hour, but I would not --

RJon: Okay, so let's just say for a senior associate, we should bill \$300 an hour, yes?

Lena: Yes, it sounds about right.

RJon: Okay. How much should we then bill for a junior associate? Less than \$300 an hour, don't you think?

Lena: Absolutely.

RJon: Okay. How much do we bill for a junior associate? Let's say \$200 an hour?

Lena: Yes, for a beginning junior, yeah, \$200 sounds right.

RJon: \$200 an hour. How much should we bill for a paralegal?

Lena: I tend to bill \$135.

RJon: \$135 an hour, all right. Now, when you are doing the job of a paralegal, what should you ethically bill the client for?

Lena: \$135.

RJon: That's right. Now, if you're capable of earning \$300 an hour and you're billing only \$135 an hour, 300 minus 135 means for every hour that you work as a paralegal, you basically just wasted \$165.

Lena: Okay.

RJon: So let me ask you, what's the first position you should replace yourself?

Lena: Legal secretary/paralegal.

RJon: Exactly because for every hour that you "save" yourself money doing the job of a legal secretary/paralegal yourself, you're actually costing yourself \$165 an hour because you could be doing the job of a senior associate making \$300 an hour. Do you get what I'm saying?

Lena: Yes.

RJon: All right. Then the question now comes that everyone always asks because I've had this conversation with like a thousand lawyers, "Well, yeah, that would be great if I had enough work to keep my junior associate and my senior associate busy, but I don't," which then answers the next question, is what should you be doing with the time that you free up by hiring a paralegal and the answer is do more marketing, do more sales.

Lena: Okay. This would be actually my next question. What if I don't have enough work for them? But yes, if I have more time, I will spend that time marketing.

RJon: Do more marketing, do more sales because every hour that you spend doing the job of a paralegal, you're costing yourself \$165 in opportunity cost and you're costing yourself even more than that in opportunity cost that you could be doing marketing and sales.

Let's say on a 45-hour week, 45 hours a week times 0.125 is roughly six hours that you spend doing the job of a paralegal. So in those six hours that you spend doing the job of a paralegal that you tell yourself you're saving money, you take six times \$165, you really cost yourself \$900 in opportunity cost. What's worst, if I gave you six hours for almost an entire day once a week, you could do nothing but marketing, marketing, marketing, marketing, sales, sales, sales, sales, couldn't you find a few extra hours a week of productive work that you could bring in?

Lena: I think so.

RJon: I know you could. You could just pick up the phone and call all of your former clients. If six hours a week you did nothing but call all of your former clients to see how they're doing, don't you think you could get one or two referrals out of that?

Lena: Potentially. I don't know if I would feel comfortable.

RJon: You wouldn't feel comfortable calling them and saying, "I actually give a shit about you even though the ink is dry. I'm not like every other fucking lawyer who forgot your name the minute the check cleared. I actually still care about you and I want to see how you're doing." You wouldn't feel comfortable having that conversation?

Lena: I could force myself to do that, yes, absolutely, but it would be unusual --

RJon: It would be unusual for you to call a former

client and say, "Hello! Remember me? I'm the person who did your estate plan. I'm the person that you shared your deepest, darkest fears and concerns and I helped you plan the future of your life and helped you make important decisions about your family. I'm calling to let you know I still care about you and I want to see how you're doing."

Lena: Oh yes, I potentially could've gotten more clients like that, additional work.

RJon: What part of that conversation is uncomfortable for you?

Lena: It just sounds strange. Clients would still --

RJon: To who?

Lena: To me and maybe to the former clients because they would be kind of surprised to hear from me.

RJon: Right. They'd be surprised that a lawyer actually gives a shit about them. They'd be surprised that for once, they ran to a lawyer who isn't a fucking asshole. They'd be surprised that a lawyer who, even though the case is closed, even though the check has cleared, even though there's nothing to do on a case, they'd be surprised that a lawyer actually has the decency and the humanity to check back with them and say, "I still care about you." You're right. They would be surprised, but they'd be pleasantly surprised. Wouldn't you be pleasantly surprised if a lawyer called you months or years after the cases were over to say, "Hey listen, Lena, I care about you. How are you doing?"

Lena: Yup. I guess I would be as pleasantly surprised.

RJon: I don't know your last name. Don't tell me your last name. I want you to feel comfortable being anonymous here, but have you ever had any kind of medical procedure or have you ever had a lawyer represent you in an emotional situation?

Lena: No.

RJon: You've never had a medical procedure?

Lena: Not that a lawyer would represent me.

RJon: Have you ever had a medical procedure?

Lena: Oh, medical procedure, yes, sure, LASIK.

RJon: Okay. Would you be offended or impressed if your LASIK doctor called you a year later to say, "Hi! Listen, I just like to make it a practice to call all of my patients about a year after the surgery is over. I like to call them one year anniversary around there to just see how you're doing, if you have any questions, if you're happy with the results, and find out how your life is now that you've had the surgery."

Lena: Yeah, I would've been very surprised.

RJon: Pleasantly surprised or unpleasantly surprised?

Lena: Pleasantly.

RJon: Okay. When you had your LASIK surgery, did your doctor have a conversation with you before you had a LASIK surgery about what your hopes, dreams, goals, and plans were and why you were getting the LASIK surgery and all the ways you're hoping it was going to make your life better?

Lena: Yes.

RJon: Would it be nice if the doctor called you and actually remembered and had some notes to talk about some of those hopes and dreams? "Hey, Lena, a year ago when we had the LASIK surgery, you mentioned to me that one of the things you were hoping to do as a result of getting LASIK surgery is you were hoping to learn to play the harmonica and getting a LASIK surgery would help you play the harmonica. Did you ever take those harmonica lessons?"

Lena: I guess it's a little bit strange because that's not a common practice.

RJon: You think it's strange that the doctor calls you and actually demonstrates that he actually cares about you and hasn't forgotten about you?

Lena: I've never had it before. It would've been definitely the first doctor who would've called me.

RJon: The question is would it be pleasantly strange or unpleasantly strange?

Lena: A little bit of both.

RJon: Okay. You need to get over yourself and you need to stop hanging around with a bunch of loser lawyers who are broke and complain. I'm really serious. I can already tell everyone you hang around. I can already tell that most of the lawyers you hang around with are broke, they're struggling, they're complaining about the economy, and they're probably throwing money at every marketing scam that comes down the pipe. Do you know any lawyers, do you hang around any lawyers who have half a million dollar or a million dollar law firm?

Lena: Lawyers usually don't discuss how much they're making. They make it sound like they're doing very well, but how well, I have no idea. That's just my experience.

RJon: If you ever get an opportunity, if Scott ever gives you an opportunity to attend any of our Live Quarterly Meetings, you'll be around a room of 400 lawyers, 340 lawyers who all are open and honest about everything going on in their business, they celebrate each other's success, and the most successful lawyers will tell you that they regularly make what we call GAS calls, Give A Shit calls, calls to their former client to let them know even though your case is over, I still give a shit about you. Don't you think your clients would like to know that even though their case is over, you still give a shit about them?

Lena: Absolutely.

RJon: By the way, what happens the minute the ink dries on the estate plan? What begins to happen to that estate plan? You do trusts and

estates. What happens the minute the ink dries on the estate plan?

Lena: I'm not sure. I usually tell them to revisit it every year on their own and every three to five years, so as a lawyer, I review just to make sure that it complies with the current law.

RJon: Do you think that any of your clients ever follow that advice?

Lena: Probably not, but I used to work for somebody who would be calling -- not himself, but he would have a very good salesperson call all his clients and tries to schedule complimentary consultations three to five years later, and he was very successful at that.

RJon: You know what would work even better than three to five years is if you call them every year.

Lena: Okay.

RJon: So I'm asking you a question. What happens to every estate plan the minute the ink dries? What begins happening to that estate plan the minute the ink dries? You're an estate planning attorney. You know the answer to this.

Lena: Okay. I guess I'm just not sure.

RJon: The estate plans become less and less relevant by the minute.

Lena: Okay. I thought about it for a second.

RJon: Because people change their age. People change their health. People change their marital status. Their kids get older. They buy property. They sell property. They have things happening in their life. They start businesses. They close businesses. They move. They do different things. Their relationships change. Meanwhile, you don't give a shit about any of them because you don't care enough to call them even though you know better.

Lena: Absolutely.

RJon: You're an estate planning attorney. You know this. They don't know this. They didn't go to law school. They did not focus on trust and estate law. They don't understand or appreciate just how much their estate plan is becoming less and less relevant by the minute as their life goes on and as they make changes in their life. You know this, but you leave it to them to figure it out for themselves. A year, two years, three years, five years down the line after they haven't heard from you, but you gave them that very tactically correct advice of, "Don't forget to check your estate plan every year because of blah, blah, blah" and three years when they need their estate plan because some tragedy befalls their life but they have not updated their estate plan, meanwhile they bought some property, they sold some property, they opened a business, they closed a business, they took out credit, they put some money in savings, they had a new grandchild and their estate plan is no longer really the same state that it was three years ago or five years ago, now they die and they find out the hard way after they die or their heirs find out the hard way after they die that their estate plan is no longer relevant, do you think that any of them really appreciate the fact that you didn't contact grandma or grandpa for the last three to five years where they all think you're an asshole?

Lena: I guess they could benefit from it, yes, that they would absolutely appreciate it.

RJon: I know that I'm speaking harshly to you, Lena. I'm speaking harshly to you because I have a very short period of time to get a really important point across to you and the point that I'm trying to get across to you is that you're hiding out behind the way most lawyers run their business, and the way most lawyers run their business is garbage. They do not demonstrate by their actions that they give a crap about their clients. They demonstrate by their actions that they don't give a crap about their clients because they don't bother to check in with them afterwards.

After you got your LASIK surgery, did anyone check in with you a day later, a week later, a

month later to see how you were recovering, how you were doing?

Lena: No. I've had a couple of scheduled consultations to check right after, but not after that.

RJon: But you did at least have a few scheduled consultations, right?

Lena: Yes, within the first week.

RJon: How would you have felt if the doctor saw you at post-op and said, "Your LASIK surgery is over. Good luck! You should check with a doctor every once in a while. Good bye! You're never going to hear from us again." How would you have felt?

Lena: Concerned that the doctor didn't really care about me or my particular problem.

RJon: Okay, and how would you have felt if the doctor said on the other hand by comparison, if the doctor said, "Listen. Your surgery went well. We're going to let you go home. We're going to check back with you tomorrow to see how you're doing then we're going to have an appointment for a week from now, then we're going to have another appointment for a month from now, then we're going to have another appointment for six months from now, and then we're going to have an annual checkup just to see how you're doing because I want to make sure that everything is going just right for you," how would you have felt then?

Lena: Wonderful.

RJon: Can you see the analogy? Do you see the connection I'm making between the LASIK surgery and the estate plan?

Lena: Yes, absolutely.

RJon: So now you want to know where you go to get more business. What do you think is going to happen when you check in with the doctor a year later?

Lena: Well, if the doctor would've called me, I would've felt very special that they cared. Potentially, somebody else would've been asking my opinion about the LASIK doctor and their names would've come up.

RJon: Right, especially if the doctor engineered it so that part of the checkup with you in six months and part of the checkup with you in a year asks some questions that were designed to get your thinking along those lines, right?

Lena: Um-hmm.

RJon: One of the questions the doctor could've asked in six months is, "How has your life changed since you got the LASIK surgery?" and you would've said, "Oh, I started playing tennis again," "Oh, I started doing crochet again," "Oh, I started to do" whatever again. The doctor could've said, "Oh, have any of your friends or family commented on anything because you now have a LASIK?" These questions that the doctor would've been asking would've caused you to think, "Oh yeah. You know what? I forgot. I've got to make this referral."

Lena: Absolutely.

RJon: See how much business is right there at your fingertips with all your former clients that you've never tapped into?

Lena: Absolutely.

RJon: Your average estate plan is, what, \$5,000?

Lena: They're actually less. For basic estate planning documents, it's probably \$1,800 to \$2,000 for a couple; the trust, probably \$4,500 for a couple.

RJon: My point being you've got 100 clients a year or 50 clients a year. The last three years, you've got 150 phone calls you could make and out of 150 phone calls you can make for people from the last three or four years, you could probably raise another \$150,000 or \$200,000 in your business.

Lena: Yup, good point.

RJon: But instead, you're fucking around doing paralegal work.

Lena: Okay, yes.

RJon: Are you getting my point?

Lena: Yes.

RJon: Good. Fire yourself as a paralegal. Hire a paralegal. Pick up the phone and start calling your former clients and you'll have more than enough business to keep your paralegal, your junior associate, and your senior associate busy.

Lena: Okay.

RJon: You know what we call it when we have a rule whereby every time we close an estate plan or every time we do a trust or a probate, we systematically call the person back a month later, three months, a year later, every single person? That's called a system. You put that system together. You run that system yourself for six months to prove that it works. Test it, tweak it, improve it, and then you can hire someone else to run the systems for you. Now, you've got a marketing system. Now, you've got a marketing system that gets done by someone other than you and now someone else other than you is doing the paralegal work and the next thing you know, you hire someone else as the junior associate, and next thing you know, we've just taken 25, 35, 60 -- we're going to take 70 percent of your hours off your plate and you're making more money, so you're making more money and you've got 70 percent of your time being done by other people and you're making more money. It's all because of systems.

Lena: Okay. I'll do that.

RJon: Please, please, please. I know I'm being aggressive in this call. It's just that we have a very short amount of time and I have to get a lot through you in a very short time. If we were at a workshop, if you were at a Live Quarterly

Meeting and we had more time, I would be able to have walked you through this and you would've reached a lot of these conclusions on your own, but I had to accelerate the process and I appreciate you being a good sport, so thank you for that.

Lena: Okay. Yes. Thank you very much, RJon.

RJon: You're welcome.

Scott: Lena, thank you.

RJon: Scott, do we have time for anyone else?

Scott: Yeah. We've got two more questions in the queue, so I'm going to invite Carrie to put them on the line and let's see if we can hammer through these next two questions as quickly as possible. Carrie, bring our next question please.

Carrie: Okay. Our next question is going to come from Claudia. One moment. Claudia, your line is open.

Claudia: Hello?

Scott: Hi, Claudia!

RJon: Hey, Claudia! How are you?

Claudia: Good. Thank you and thank you, Lena. I've learned a lot from the previous caller. My question is I know you talked about that there are seven components of a business. My question is how do you know -- and they have to all be balanced, but how do you know which one to focus on because right now, I feel like they're all imbalanced and I'm trying to focus on which one. I was doing marketing and I got a lot of cases, but then I felt that I was being overwhelmed with the work, so I stopped the marketing. Now, I'm realizing -- not yet, but probably a couple of months -- I will be running out of work, but then I don't want to be on the turn the marketing off, turn it on, off and on. I just feel I'm just jumping in between these hoops and I'm not really stable, or no sanity, I guess, like you call it.

RJon: Right. Just to refresh everyone's recollec-

tion, there are seven main parts of every successful law firm and there are seven main parts of every unsuccessful law firm and they're all the same seven main parts. The difference between a successful law firm and a law firm that struggles and makes the owner crazy, lack of sanity, is the degree to which these seven main parts get systematized, and what you're beginning to experience is what happens when you don't systematize the seven main parts of your law firm and you turn them on and you turn them off. You turn them on and you turn them off. You turn them on and you turn them off and it starts to set up this wave, a cascade through your business. It's like a cascade of insanity through your business. Do you follow what I'm saying?

Claudia: Yeah.

RJon: All right. The seven main parts, just to refresh everyone's recollection, is marketing. Marketing is everything you do to bring prospective clients to the door. Sales. Sales is everything you do to convert your prospective clients into paying clients. Production. Production is how the work gets done. Marketing is going to market solutions. Sales, we're going to sell services and sell solutions, and now production kicks in to actually do the work that got sold. People. People, that's job descriptions. That's training of the receptionist, the secretary, the paralegal, the associate, the rainmaker, the manager, the owner, the bookkeeper, the CEO, the COO, the CFO, all the positions of the firm. Physical plant. Physical plant is the physical space, the office. Even if it's a home office, it's still an office, the furniture, the fixtures, the equipment, the technology, and a big part of a physical plant, the most valuable part of a physical plant are the systems, the documented systems for how things work, the policies plus the procedures.

Then there are the financial controls. Every month, we should be getting from our bookkeeper a written 12-month, forward-looking, revised budget. We should be getting a budget variance report. We should be getting a cash flow projection. We should be getting accounts receivables report. We should be getting a work in process

report and it should be like a pipeline of work that's going through that's not ready to be billed yet so we can predict cash flow. We should be getting a cash position, how much do we have in the operating account, how much do we have in the trust account. Of course the last of the seven main parts are your goals, your financial goals, your personal goals, and your professional goals. So there's a refresher, everyone, on the seven main parts of a law firm.

Now, your question is -- remind me your question. It was when to do what first?

Claudia: Yes. I don't know which one to focus on if I feel that they're somewhat imbalanced.

RJon: Okay. Well, I don't think they're in balance based on what you said. Based on what you said, it sounds like they're very much not in balance because you said you turned the marketing on for a little while and you got overwhelmed with work. If they were in balance then you wouldn't be overwhelmed with work.

Think of it like a garden hose. If the garden hose is let's say two inches, a two-inch garden hose, when the water is coming out the garden hose at a modest amount, the amount of water going in on one end of the garden hose, it's the same amount of water that's coming out the other end of the garden hose. It's a nice, easy, comfortable trickle, right? But if a lot more water is coming into one end of the garden hose, what comes out the other side?

Claudia: A lot of water?

RJon: A big spray with a lot of pressure. If you put your finger over the end of a garden hose, that's when you create that spray because you're adjusting the amount of water that can come out of it, and so the pressure pushes the water harder and builds up back pressure and backflow. Are you with me?

Claudia: Um-hmm.

RJon: So what you just told me is actually the

exact opposite of all of the seven main parts are in alignment because what you told me is that the minute you turned on your marketing, production got overwhelmed and you had so much so that you had to turn off your marketing.

Claudia: Correct, yes, they're not in balance.

RJon: Oh, I apologize. I misunderstood. I thought you said that you thought they were in balance.

Claudia: No, they're not. That I'm 100 percent sure of, they are not.

RJon: I apologize. I thought I heard you say the opposite of that. Good, good, good, so you recognize they're not in balance. So your question is how you get them in balance, right?

Claudia: Yes, because I know I can't tackle all seven at the same time and I want that --

RJon: Okay. First question I have for you is what is your practice area?

Claudia: I'm a tax attorney. I do tax. I do both planning and when you get in trouble with the IRS.

RJon: Got it. Okay. We've got several members who do the same thing. I'm very familiar with that practice area. All right. What are your revenues going to be this year 2018?

Claudia: I'm on track probably for 200 gross.

RJon: Okay. What are your financial goals for next year? How much does it cost to live the way you want to live next year, net income? How much net income do you have to have next year to live the way you want to live?

Claudia: I will want to -- for next year, I want to be able to double that, my gross.

RJon: Okay. Who cares about gross? I don't care about gross. I only care about net. How much does it cost to live the way you want to live next year?

Claudia: I guess next year, I want to be able to always get my salary of \$10,000 every month.

RJon: Okay, so next year, your goal is to take \$120,000 a year. Okay. \$120,000 a year is roughly \$360,000 a year gross, so roughly double what you're grossing now. Is that about right?

Claudia: Yeah.

RJon: Okay.

Claudia: Just for reference, last year, my gross was 100, so I really want to build a business.

RJon: Okay. I hear you. I hear your words and I also hear the tone in your voice, which makes me really believe that you're sincere. From year one to year two, you grew your business by 100 percent. And from year two to year three, you need to grow your business by 100 percent again, correct?

Claudia: I want to, yes.

RJon: Okay. Do you know how much the average small law firm grows per year in this country?

Claudia: I think less than 10 percent.

RJon: It's like five percent.

Claudia: But I don't want to be the average. I want to have a business. I have a job right now, but if I don't work, I don't make money, so I want a business.

RJon: I completely understand you and I believe you and I'm trying to make a point.

Claudia: Okay. Sorry. I'll listen.

RJon: No, it's okay. It's okay. The average small law firm in this country grows by only five percent. If you go to most bar association meetings and you talk to most lawyers and you ask them about what they're doing, what they're not doing, what's normal, what's not normal, what's acceptable, what's not acceptable, most of the advice they

give you is going to be coming from a person who thinks it's okay to grow their business by five percent. Do you know what we have to do with most of the advice that most lawyers are giving you if you want to grow your business by 100 percent?

Claudia: Ignore it?

RJon: Ignore it, exactly. If you want to have what the average person has, do what the average person does. If you want to have what the average person does not have, you better stop doing what the average person does. Okay. If you want to grow your business by 100 percent the next 12 months, it's 100 percent possible. It's a lot of fun, very, very, very feasible, but you're going to have to get comfortable with a couple of ideas. This is more a mental game than anything else. The reason why most lawyers don't grow their businesses by 100 percent per year and the reason why most of our members at How to MANAGE a Small Law Firm do is because we focus on the mental game first.

The first part of the mental game is you have to get comfortable ignoring most of what most of the other lawyers around you are doing, not emulating them, not paying attention to them. Before you even take advice from anyone, you ask them, "How much did you grow your business?" and if they say five percent or ten percent, turn around and walk away. Don't listen to another word they say unless you listen to them and then take notes of what they say and say, "What is the exact opposite of that?"

Claudia: Okay.

RJon: Did you ever see that Seinfeld episode where George did Opposite Day?

Claudia: No, I didn't see it.

RJon: Okay. Did you ever watch Seinfeld?

Claudia: Yes.

RJon: Do you know who George is?

Claudia: Yes. Yes, I do.

RJon: The lovable loser on Seinfeld. He had a date -- so one day, he decided to start doing the opposite of whatever came naturally for him and all of a sudden, everything in his life started working. It's really funny. He met a girl and his natural instincts would be to do this, so he said, "What's the exact opposite of that?" He did exactly the opposite and she went out on a date with him. He went to his boss and his first instinct was to do this, so he said, "What's the exact opposite of that?" and he did the exact opposite and he got a raise. Do you get the idea?

You've got to listen to what the average lawyer is saying and just do the exact opposite of what the average lawyer is saying and doing and you're pretty much heading in the right direction if you do the opposite of what they're doing. It's a mental game. That's the first thing, is you have to get comfortable understanding that you're going to be very lonely in your local market. Where do you live? What city?

Claudia: I'm in Bethesda, Maryland, but I also have an office and floor in Miami.

RJon: Okay. You've got to get comfortable doing the opposite of what most of the other lawyers in your market are doing and probably doing the opposite of what most people in your life are doing if they're not growing their businesses really fast and that's a mental game more than anything else.

The second thing you've got to get comfortable with is you've got to get comfortable being uncomfortable. You get to a point where you're just comfortable being uncomfortable if you want to grow that fast.

Claudia: Okay.

RJon: All right. Third, you've got to wrap your head around the idea that lots of other people, even though we are the minority, we are hundreds and hundreds and hundreds of us, lots of other people are growing their businesses by

25 percent, 50 percent, 100 percent year on year on year on year. I don't know if you saw this year's Law Firm 500 Award. The fastest-growing law firm grew 1,900 percent in the last three years and there were lots of them over a thousand percent and many, many, many at 500 percent.

Claudia: Okay.

RJon: If they can do it -- I promise you, there's nothing extraordinary about any of these people that I have any reason to believe you don't possess also. They just wanted to do it more than most people and they were willing to do things that most people weren't willing to do. This is mostly a mental game, okay?

Claudia: Okay.

RJon: All right. Number one, turn your marketing back on. To the extent your marketing is overwhelming your firm then you will be in a very good position to raise your standards when it comes to the cases and the clients you'll accept. In the beginning days when I was first doing How to MANAGE a Small Law Firm, I needed cash and I was willing to help anyone who would let me. I accepted people in the How to MANAGE a Small Law Firm who I probably should not have accepted in the How to MANAGE a Small Law Firm because I needed the cash and I knew I can help them.

Nowadays, by January, we're literally going to have a waiting list and we're turning people away. I can now be a lot more selective about who I will accept and who I will not accept into How to MANAGE a Small Law Firm. Does that make sense?

Claudia: Yes.

RJon: So turn your marketing back on and raise your standards for the kinds of cases you'll take and raise your standards for the kind of clients you'll take and see if you can manage the demand by raising your standards because wouldn't it be a great thing if you turn your marketing back on and instead of taking every

case that came in the door, you turn down half the cases that don't meet your standards? Wouldn't life be better?

Claudia: Yes, but then I think it's a mental game that I'll worry what if I won't get another client and then I'll worry about making sure -- because I started projecting the cash flow, so I will know that --

RJon: Why wouldn't you get another client? You just said you turned the marketing on and you had more business than you could handle. Did I miss the memo that the IRS sent out that said, "We're going to start being reasonable and fair with everyone"? Did I miss that one?

Claudia: No. I guess it's like you said. I just have to be comfortable with not being 100 percent certain about things happening.

RJon: But you can be 100 percent certain about certain things happening. One of the things you can be 100 percent certain about is that the IRS will continue to be unreasonable and unfair and run by people who don't even read their own rules half the time.

Claudia: No, [inaudible 01:35:13] best marketing tool, the IRS. They make my life easier.

RJon: We're talking about things you can and cannot be 100 percent certain about and I'm asking can you be 100 percent certain that the IRS will continue to be unreasonable?

Claudia: Yes.

RJon: Okay, so we're 100 percent certain that the IRS will continue to create new clients for you, right? Yes?

Claudia: I guess, but --

RJon: You guess? Do you have any doubt in your mind whatsoever, do you have any doubt that the IRS is going to continue to be the way the IRS had been at least for the next couple of years?

Claudia: But just because you have somebody in the door doesn't mean that they're going to become your client.

RJon: The question is -- this is your mind playing games with you and causing you to be stupid. You're not stupid, but your mind is causing you to act like you are. Break this down into pieces. If one and one is two -- do you know that one and one is two?

Claudia: Um-hmm.

RJon: If one and one is two then what do you know two and two has to be?

Claudia: Four.

RJon: And four and four by the laws of the universe therefore have to be what?

Claudia: Eight.

RJon: And eight and eight by the laws of the universe must be 16, and 16 and 16 by the laws of the universe must be 32, and 32 and 32 by the laws of the universe must be 64. You've got to be able to get a 64 if you add 32 and 32. There's no way around that, right?

Claudia: Correct.

RJon: All because the laws of the universe also work and say one and one is two. What's happening is you are afraid and unfamiliar with 64. 64 is a huge number for you and it's a scary number for you. "Oh my God, how could I have 64?" so you're doubting the laws that get you to 64, which is why we've got to break it down to the basic fundamentals that one and one is two. Do you understand what I'm saying?

Claudia: Yes.

RJon: Do you understand that 24 months from now, you could have a million dollar law firm? 36 months, let's say?

Claudia: If I don't get in the way of myself.

RJon: Do you understand intellectually that 36 months from now, you could have a million dollar law firm?

Claudia: Umm.

RJon: You see? You're doubting yourself.

Claudia: Okay.

RJon: Do you know how simple it would be for you to have a million dollar law firm 36 months from now?

Claudia: Because if I double, that'll be four next year, and the following --

RJon: And double again one more time and you're almost at a million. It's not that the IRS is going to stop creating demand for your services unfortunately for the rest of us --

Claudia: And I'm a niche. I'm fluent in Spanish, so that's my niche market.

RJon: Okay. Listen. Stop striking yourself out. Just accept the basic building blocks. Let's just walk through this quickly together, okay?

Claudia: Okay.

RJon: Are you at least very confident that the IRS will continue to create problems for people in the next couple of years?

Claudia: Yes.

RJon: Okay. Are you at least very confident that the people who have IRS problems will go looking for a solution in the next couple of years?

Claudia: Yes.

RJon: Are you at least very confident that the people who go looking for solutions to their IRS problems will continue to be highly, highly motivated to find solutions to those problems on account of the fact that the IRS is very scary to everyone?

Claudia: Yes.

RJon: Okay. Are you at least very confident that IRS tax defense work is going to continue to be highly complex and very specialized?

Claudia: Yes.

RJon: Are you at least very confident that even if everyone decided to suddenly start doing IRS tax defense work, it would take them at least a few years to learn how to do the work? It's not something you can just learn overnight.

Claudia: Correct.

RJon: You went to law school. How many years ago did you go to law school?

Claudia: About 15.

RJon: Okay. Do you remember in law school how many people were afraid of math?

Claudia: A lot.

RJon: Are you at least very confident that most of the people coming out of law school today are still just as afraid of math as the people who came out of law school 15 years ago?

Claudia: Yes.

RJon: Okay. Are you at least very confident that anyone who you went to law school with who's afraid of math probably would run away from your kind of work because they're afraid of math?

Claudia: Yes.

RJon: Okay, so let's just see if we can put this altogether and tell me how confident you are in being able to double your business, okay? The IRS is going to continue to be unfair and unreasonable being run by people who don't even read their own rules. People who get targeted by the IRS or mistreated by the IRS are highly, highly motivated to find a solution on account of the fact that everyone is afraid of the IRS. People who

have IRS problems are resourceful and will find the money to solve their IRS problems because no one wants to have their assets seized or go to jail. Most lawyers are afraid of doing that kind of work because they're afraid of math, and even if they want to start doing that kind of work, it'd take years to develop any kind of technical proficiency. Are all these true statements?

Claudia: Correct.

RJon: Okay. Well then what has to be true about the prospect of growing your firm if all of that is true?

Claudia: That I should be able to grow my firm.

RJon: That there won't be a lack of demand for your services.

Claudia: Correct.

RJon: Now, you might mismanage your firm. You might misprice your services. You might hire the wrong people, manage them badly, manage the workflow processes badly, mismanage your own finances. There are a lot of ways you're going to screw this up, but it won't be from lack of demand for your services, right?

Claudia: Correct.

RJon: So you asked me what I thought you should focus on first and what I said as first is you should turn the marketing back on. And to the extent that you have more demand than you can handle, what you should do is you should raise your standards for the cases you take and the clients you take and then raise your fees.

Claudia: Okay.

RJon: Your current profit margin is roughly 33 percent, right?

Claudia: Yeah, something about that.

RJon: Well, if you raise your fees by 10 percent, that 10 percent is all profit, all net, isn't it?

Claudia: Um-hmm.

RJon: If in response to the fees being 10 percent higher than they are right now, half the people calling your firm say, "Thanks, but no thanks," problem solved when you said you have too much demand.

Claudia: Okay.

RJon: Turn the marketing back on. Don't turn the marketing off. If you want to launch the rocket to the moon, superglue the accelerator onto the floor and let's deal with the consequences of that.

Claudia: Okay.

RJon: I told you this is scary, didn't I?

Claudia: It is.

RJon: It's scary, but this is how you do it. Don't turn the marketing off. Raise the standards --

Claudia: Hello?

Scott: RJon, are you there? Claudia, I can still hear you. I think we may have lost RJon for a moment. I know he's calling in on his cellphone, so we'll give him a moment. I'm thinking his battery may have gone off on his cellphone, so let me see what we can do to get him back. Give me one moment here. I'm still here. He's dialing back in, so he did lose his cellphone there. He's calling back in.

As we're waiting on him, Claudia, what I want you to know is -- I know what RJon is sharing with you is scary, but you've got us along your side. So as you take these steps that RJon is suggesting that you take -- and many of you listening in whether you're on the call now or you're listening by way of the membership site or a CD, that's one of the things that you've got. You've got this membership. You've got one another in the forum to be able to support one another and encourage one another.

Hey, RJon, I was just telling Claudia that I know that what you're just sharing with her is scary, but she's got --

RJon: Scott?

Scott: Yes. Can you hear me?

RJon: Yeah, I'm back.

Scott: Okay. I was just telling Claudia that what you were saying to her is scary, but number one, she's got this membership to support her. She's got you. She's got me. She's got other members to the forum to be able to take these so that she's taking these steps that you're suggesting. We're here along the way to encourage her, to support her, and she will make it happen. I'll turn it back over to you. You were in the middle of a thought. I forgot what it was, but I'm glad you're able to join us back.

RJon: Yeah, sorry about that. I got cut off. Claudia, keep the marketing turned on. Temper the demand by raising your standards. Temper the demand by raising your fees. Take the extra profit you make from raising your fees and use it to hire more staff.

Claudia: Okay.

RJon: Then your marketing meets your capacity.

Claudia: Got it, okay, so that's how I start balancing things out.

RJon: Yes. Do not turn the marketing on and off, on and off, on and off. Leave the marketing on, raise the standards. Raise the prices. Take the extra profit you make from the higher prices. Take the extra free time you get from screaming out the clients who are too much trouble because you raised your standards. Reinvest that extra profit. Reinvest that extra time to hire and train your staff, and look to get yourself out of the day to day work as quick as you can. Apply all the lessons we've talked about with Lena in the previous call.

Claudia: Yes. Okay.

RJon: There's the short answer to your question.

Claudia: Okay.

RJon: Congratulations!

Claudia: Okay. Perfect! Thank you.

RJon: You're welcome.

Scott: Awesome. Thank you, Claudia! Carrie, we are ready for our final question. RJon, this will be our last question and then we'll go into concluding our call, so Carrie, can you bring the last question on the line please?

RJon: Scott, are we going to raffle off or are you going to raffle off a couple of spots to the Live Quarterly Meeting?

Scott: Yeah, we can do that. Yes. Let me think that through on the next question about how we can raffle that off and then I'll give instructions. We'll make that happen.

RJon: Why don't we save that announcement for the next monthly call and let's say that to qualify for the raffle, they have to be on the next monthly call? During the next monthly call live, we'll give instructions for how to enter the raffle and that way, they're on the call next month. They'll follow the instructions. They'll have an opportunity to win tickets to come to the next Live Quarterly Meeting. If they are only listening to the call pre-recorded because they missed the live call and missed the chance to have a question answered then I guess they're also going to miss their chance to come at the Live Quarterly Meeting and meet hundreds and hundreds of lawyers with some of the fastest-growing, most successful small law firms in the country.

Scott: Sounds like a plan. Let's do it.

RJon: Yeah, so we'll reward everyone who shows up for next month's call.

Scott: That sounds good. I'll make that known to everybody because I know some people weren't on the call today, so I'll be promoting that between now and our next call so that we can get

as many of our members on the call and raffle it off. It sounds good.

RJon: Excellent.

Scott: All right. Carrie, our last question.

Carrie: Okay. Our last question is going to come from Yadi. Yadi, your line is open.

Yadi: Thanks! Hi!

RJon: Hi! Spell your name for me please.

Yadi: Yadi. It's Y-A-D-I.

RJon: Yadi, okay. Hi, Yadi!

Yadi: Hi! One of the questions I had -- and I think it's kind of a little different from the previous two -- but mainly, I'm the one who's responsible for our policies and procedures and constantly updating them, reviewing them, improving them, et cetera. One of the policies/procedures that we are currently facing at our firm that's the most frustrating is financials, specifically getting paid. An issue that we have found is that once our clients are towards the end of their retainer and through with that, we have found that it's hard to get our clients to pay. I guess what are we doing wrong or what should we be doing to ensure that we are getting paid and clients aren't racking up \$10,000 to \$15,000 bills?

RJon: Wow. There's a lot wrapped in there, so let me ask a couple of questions to unpack it, okay? First off, are you saying that once they've exhausted the money in trust, you have a hard time getting them to replenish it and so you have to stop work, or are you telling me that once they've exhausted everything in trust, you have a hard time getting them to replenish it, the lawyer keeps working, and now you have accounts receivable problems?

Yadi: Basically, yes, so we have --

RJon: Back up. Is it that the client has money in the trust account and at some point, they

stopped replenishing the trust account, the law firm stops doing work on the file, and the case is unfinished/incomplete, but there's no account receivables, there's just no money left in the trust account, or a completely different situation, trust account gets exhausted, client won't replenish it, and law firm keeps doing work and now we have accounts receivable? So in the first scenario, we do not have accounts receivables. In the second scenario, we do.

Yadi: No, we definitely have a second scenario situation.

RJon: Got it. Okay. That's one issue. Next, you said something and I caught it for the red flag. You said policies/procedures. Are you --

Yadi: Well, it's policies and procedures. I'm not saying they're both the same. I just mean both.

RJon: Good. I just want to make sure everyone's clear that policies are not the same thing as procedures. Good. What is your role in the firm?

Yadi: I'm their law firm administrator, so I handle a variety of things, financials being my current project right now.

RJon: How big is the firm?

Yadi: It's a pretty small law firm, so it's just myself and then two other attorneys.

RJon: Okay, and what type of work?

Yadi: Family law.

RJon: Family, got it, okay. Are you a member of the Association of Legal Administrators?

Yadi: The attorney, yes. With them, yes.

RJon: The attorney is a member of the Association of Legal Administrators, but you're not?

Yadi: Oh no, no. I'm not officially a member with them. I've been to a few of their events, but I'm not a member with them yet.

RJon: Okay. What is your background? How long have you worked for this law firm for?

Yadi: Since April, so I haven't been here that long.

RJon: Okay, since April, and today is October, so May, June, July, August, September, October, so roughly six months.

Yadi: Yeah.

RJon: What did you do before you administered this law firm?

Yadi: I was a student in college.

RJon: What did you study in college?

Yadi: Criminal justice.

RJon: What experience do you have managing any kind of a business before you took this job?

Yadi: Little to none actually, which was quite a surprise almost as to why I got hired, which I greatly appreciated, but I've definitely learned a lot and have the learning from the attorney I work for as far as the stuff, but I really haven't had a whole lot of experience doing what I'm doing now.

RJon: How much did the firm gross last year?

Yadi: Last year, \$190,000 to \$200,000. I think that's the number.

RJon: That's not possible.

Yadi: I'm sorry. Annually, you mean?

RJon: Yes.

Yadi: The total number I have is \$189,000.

RJon: That's not possible.

Yadi: That's the number I have from him.

RJon: It's not possible that two lawyers working anywhere close to full-time, even part-time, could

gross only \$189,000 in a whole year. Think about that.

Yadi: Yeah, I don't know how much they were doing then.

RJon: How much is that per month?

Yadi: I don't know, roughly between 20.

RJon: \$20,000 a month and what do they bill per hour?

Yadi: \$350.

RJon: What's \$20,000 divided by \$350 an hour?

Yadi: It's like 60.

RJon: 60 hours. What's 60 hours divided by two?

Yadi: 30.

RJon: What's 30 divided by four weeks in a month?

Yadi: 7.5.

RJon: So basically, those lawyers have to each be billing seven hours a week to gross only \$189,000 in a year. Do you realize how impossible that is?

Yadi: It sounds pretty ridiculous, yeah. I don't know. Like I said, I wasn't --

RJon: More to the point, how could they even be paying the lights? Do you understand why I'm challenging you on this?

Yadi: Yeah, I understand because it's almost like --

RJon: Why do you think I'm challenging you on this?

Yadi: Because we're trying to build a business and if we're not --

RJon: Why do you think I'm challenging you on this, Yadi, who says you're a legal administrator?

Yadi: So I can go ahead and totally completely change this because there's clearly an issue and --

RJon: Why do you think I'm challenging you on this, Yadi?

Yadi: I don't know.

RJon: Does this make any sense to you, this information you're giving me? Does it make any sense at all that two lawyers could gross only \$189,000 last year? Now, they've got to pay rent. They've got to pay malpractice insurance. They've got to pay utilities. They've got to pay bar dues. They've got to pay for dues and subscriptions. They've got to pay for marketing. They've got to pay for staff. They've got to pay for coffee. They've got to pay for paper. They've got to pay for everything. How could they possibly have grossed only \$189,000 last year?

Yadi: Good question.

RJon: And yet you swallowed it hook, line, and sinker without even giving it a second thought and then repeated it to me.

Yadi: Yeah. Well, that's where the issue is personally myself that I'm not somebody who has a whole lot of experience with this, so learning all these numbers and what needs improvement then how to go about that has been quite my challenge personally, so I've been trying to get involved in coaching calls like these and meeting with other agencies --

RJon: And I'm giving you some coaching on it, okay?

Yadi: And I greatly appreciate it.

RJon: You don't have to have run a law firm before. You don't have to run any type of business before. You sound like an intelligent person. You're taking it upon yourself to be on this call, which tells me that you're an inquisitive, curious person. Do you consider yourself to be an intelligent, curious, inquisitive person?

Yadi: Very much so, yes.

RJon: Okay. The first thing that I can teach you about learning to run a law firm is question everything. Never walk around -- you should have a calculator with you at all times and every time they tell you anything, you should do the math on it and say, "Wait a second. This doesn't make any sense."

Yadi: Right.

RJon: I want to give you an assignment.

Yadi: Okay.

RJon: I want to give you an assignment to go out for dinner tonight. Can you go out for dinner tonight? Do you have time?

Yadi: Of course.

RJon: Okay. I want to give you an assignment to go out for dinner tonight and get on the forum and report to us what you think the restaurant probably grosses in a year.

Yadi: Okay.

RJon: How are you going to figure that out?

Yadi: Well, first of all, look at what I paid for for dinner. Look at the amount of people in the actual restaurant.

RJon: Count seats. Count how many chairs there are in the restaurant. Count how many tables, how many are two tops, how many are four tops, how many are six tops so you get an idea how much is full capacity, right?

Yadi: Right, and then multiply that by my bill and then average that out to what their average bill would be.

RJon: What else? If your job depended on getting this number within 20 percent, would you stop there?

Yadi: No.

RJon: If your job depended -- if you knew that if you got this wrong, you were going to get fired, what else would you do?

Yadi: Are you still specifically talking about this assignment?

RJon: Yeah.

Yadi: Then I would find what that would be weekly, monthly, yearly --

RJon: The assignment is to come back and tell us within 20 percent plus or minus how much this restaurant grosses in a year and if you're off by more than 20 percent, you'd get fired. On the spot, you're fired.

Yadi: Well, that would suck. I guess I'm not following now what you're --

RJon: I'm saying to you that if you get this wrong, you're fired, so I'm asking you what else would you do to figure out the right number so you'd come back tomorrow with the right number to not lose your job.

Yadi: Ask them.

RJon: There's an idea. What are some things you could ask them? Let's assume that you're not going to get access to the manager or the owner to ask them this question. Who could you ask what to?

Yadi: An employee maybe.

RJon: What questions could you ask the employee to find out the information you need to find out so you don't get fired tomorrow morning?

Yadi: If it's like what they're making, if they're --

RJon: Well, you know what you paid for dinner, right?

Yadi: Right.

RJon: You could ask them, for example, "Hey, what's your average ticket? I paid \$30. Is that about average?" "No. You know what? Most people pay \$50. Most people buy more than you. Most people have wine. You didn't have wine. The average ticket price is \$50, not \$30." Would that change your calculation?

Yadi: Yeah, definitely.

RJon: "Hey, are you open for breakfast, lunch, and dinner? I'm only here for dinner." "We're not open for breakfast. We are open for lunch. We are open for dinner." "Oh, okay. What's your average ticket price for lunch?" "Oh, the ticket price for lunch is \$25." "Hey, how many times do you turn a table in a night? Do you know how many one party per table, two parties per table, or three parties per table per night for dinner? How many times do you turn a table for lunch? Are you open for five days a week or seven days a week?" By asking a few questions, you could pretty reasonably estimate how much the restaurant grosses, couldn't you?

Yadi: Um-hmm.

RJon: Now, with a few little pieces of information that you could look up on your phone while you're sitting at the table, you could probably estimate how much profit the owner takes from the restaurant. Do they have a bar or do they not have a bar? How much of that average ticket price, Mr. Waiter or Ms. Waitress, comes from drinks? How much of that average ticket price comes from meals? Well, if you know that the liquor has 70 percent markup, 70 percent profit, and the food has only a 10 percent profit, you can start to figure this out, right?

Yadi: Um-hmm.

RJon: You could do this for a restaurant, couldn't you?

Yadi: Yeah.

RJon: Okay. If you don't figure this out for your law firm, the day is going to come that they're

going to fire you. How couldn't they fire you? They have to fire you if you don't get this together. That would suck, wouldn't it?

Yadi: Definitely.

RJon: Could you blame them?

Yadi: No. I mean if I'm going to be in charge of trying to increase revenue, I would have to know what I'm doing to do.

RJon: Are you saying you couldn't blame them as a matter of fairness?

Yadi: Yes.

RJon: What does fair have to do with anything? Why are we having this conversation about fair? Is it fair for them to pay you if you don't know how the business works?

Yadi: Well, I feel like they would be wasting -- I mean if I'm not performing at the level they would want me to perform and yet they're still paying me, it wouldn't be fair for them to waste their time and money.

RJon: Again, why are we having this conversation about fair? Do you mind if I ask how old are you? Feel free to tell me it's none of my business.

Yadi: I'm 24.

RJon: Okay, so you're a millennial.

Yadi: Um-hmm.

RJon: Okay. I have a millennial who works for me. Her name is Stephanie. Stephanie just turned 24 earlier this month. Stephanie's base salary is \$100,000 a year. She knows that if she doesn't make \$200,000 next year, she's fired. Stephanie will be making \$200,000 a year by the time she's 25 years old. Stephanie has worked with me for five years. She started working with me six months out of high school. Stephanie understands that "fair" is not part of our vocabulary. "Fair" leads to a sense of entitlement. You're entitled to have

what's fair. Fuck entitlement. Forget about fair. I'm giving you some really good career advice. I hope you're paying attention. Stop focusing on fair. There's only pragmatic. Practically speaking -- how much are they paying you?

Yadi: I'm paid \$17 an hour.

RJon: Do you think they're going to continue paying you \$17 an hour if they're only grossing \$189,000 a year between the two of them?

Yadi: Probably not.

RJon: \$189,000 a year between the two of them is -- oh, you said it's \$20,000 a month. That's not \$20,000 a month. What's 189 divided by 12?

Yadi: 15.

RJon: \$15,000 a month. What's \$17 an hour times 40 hours?

Yadi: \$680.

RJon: \$680 times 52?

Yadi: \$35,360.

RJon: Okay. Do you think that it's realistic? Do you think that they're going to be able to afford to pay \$35,000 or \$40,000 a year if they're only making \$15,000 a month between the two of them? You're practically making more money than they are.

Yadi: Yeah.

RJon: You see why fair has nothing to do with this conversation?

Yadi: Yes, I get it.

RJon: Okay. My point with all of this is you've got to question everything. You are clearly an intelligent person. People who are not intelligent are not able to follow along the kind of conversation you've been following along. You're clearly a resilient person. People who are not resilient

cannot take the pressure that I'm putting on you right now. You're clearly a curious and an inquisitive person. People who are not curious and not inquisitive don't call in to programs like this.

So you're intelligent, resilient, inquisitive, and a curious person, and when someone tells you, "Our law firm grossed \$189,000 last year," just do some simple math. Divide that by 12. "Wait a second, \$15,000 a month? How much do we bill per hour? \$300 an hour. You mean \$15,000 divided by \$300 an hour means we only bill 50 hours a month between the two of you? What the fuck are the two of you doing the rest of the time?" Do you understand why I'm trying to drive you to ask these questions?

Yadi: Yeah, totally.

RJon: All right. Next thing that I want you to start to recognize is they don't know what they're doing. Either they really grossed \$189,000 last year and they're telling you the truth and they're completely lost and have no idea how to run a law firm, which is probably true; in which case, should you listen to anything they say about the business of running a law firm?

Yadi: Not at this point.

RJon: Right, or they're lying to you about how much they grossed last year and they don't know that it's a really, really, really stupid thing to not give your legal administrator all the information he or she needs to be successful, at which point, you shouldn't be listening to them either.

Yadi: Right, especially if they want me to figure out ways to improve that I would need to know exact numbers to see what I'm working with.

RJon: I don't know. Which one is giving them the benefit of the doubt? Which one is kinder to say? They're honest and don't know shit about the business of running a law firm or is it kinder to say they know about the business of a law firm, but they're so stupid and self-destructive as to think that they should give you incorrect information?

Yadi: I think that --

RJon: You know what? I'll leave it up to you. You can decide which of these two you want. Either way, the conclusion is the same, which is you shouldn't be listening too much of what they have to say about the business of running a law firm. You have to learn about the business of running a law firm on your own.

Yadi: Yeah. That's kind of what it felt like.

RJon: I'm sorry?

Yadi: That's kind of what it felt like for the last couple of months, just thrown in and figure this stuff out.

RJon: I'm going to say one more thing that I hope you don't take offense to.

Yadi: Go ahead.

RJon: I think you are reasonable and mature enough to hear what I'm saying, and I don't mean mature from an age standpoint. I talk to people who are 50 years old who lack the emotional maturity to hear what I'm about to say.

Yadi: No, it's okay. I'm not very much of a snowflake, as one of my teachers likes to call it, so go ahead.

RJon: Here's my number one indictment against them that makes me think they don't know what they're doing. Are you ready?

Yadi: Yup.

RJon: They hired you to be the administrator for their firm.

Yadi: Yeah. I myself questioned that too, kind of, not the fact because I don't think I can do it, but the same thing you're thinking.

RJon: Exactly. It's like, "Wait a second. You two don't know that I don't know what I'm doing? How do you two not know that I don't know what

I'm doing?" Now, the good news is you can learn, so let me tell you a few things you need to do to learn. Number one, you need to join the Association of Legal Administrators, ala.net.org.

Yadi: Yeah. Like I said, I've been to some of their Chicago Chapters because that's where we are, so I definitely know --

RJon: What city are you in?

Yadi: Chicago.

RJon: Chicago, okay. Join the Association of Legal Administrators. If they won't pay for it, make an investment in yourself. It will be a huge benefit for you if you plan to make a career in legal administration. ALA, by the way, is based in Chicago. That's their headquarters, so there should be some really good chapters there.

Yadi: Yeah, there are. There are a lot actually.

RJon: Good. Number two, pick up a book by Jay Foonberg, F-O-O-N-B-E-R-G. I'm looking around my library, but I just moved to a different library in my house, so I don't see it. I must have left it downstairs, Jay Foonberg, F-O-O--N-B-E-R-G. The American Bar Association publishes his book. It's a classic on the business of running a small law firm.

Yadi: Okay.

RJon: Three, get a book called "How to Read a Financial Report" published by Wiley Publishers written by John Tracy and Tage Tracy, so Tracy and Tracy, "How to Read a Financial Report" by Tracy and Tracy. Scott, will you put this link to this on the membership site?

Scott: Yes.

RJon: Okay.

Yadi: I got it.

RJon: Just start devouring all of the resources that are available to you on the membership site about the business of running a law firm, okay?

Yadi: Um-hmm.

RJon: You've got to go to school on the business of running a law firm. Now, to your original question of policies and procedures, there are two policies that you need to create and enforce. One will be harder to enforce than the other. The first is you've got to create a policy and make sure that it's in writing, that it's signed by every client when they sign their engagement agreement. I guess question number one is does every new client sign a written engagement agreement? Yes or no?

Yadi: Yes.

RJon: Good. Read the engagement agreement and make sure there's an evergreen clause in the engagement agreement that says you're required to keep a balance of X number of dollars in your trust account at all times and when we get down to that number, we will send you an invoice to replenish your trust account. If you don't replenish the trust account and we run out of money, you give us permission to withdraw from your case. That has to be in the engagement agreement.

Yadi: Okay.

RJon: That's the easy part. This is the hard part. The hard part is when the client runs out of money in the trust account. Let's say they're required to keep a \$2,000 cushion in the trust account and they get down to \$2,000 less than the trust account, or \$3,000. That gives them 10 hours of cushion in the trust account at \$300 an hour. You get to \$3,000 and you issue an invoice to the client saying, "You need to replenish your trust account. We're now beginning to eat into your cushion." When it gets to \$1,500, you pick up the phone and you call the client and you say, "Listen. We need a replenishment now. Give me your credit card. I'll take a credit card over the phone or bring a check today. We need to replenish the trust account because when we get down to zero, we're only five hours away. We're going to have to stop working on your case." We're still on the easy part. Are you ready for the hard part?

Yadi: Go for it.

RJon: The hard part comes when you get down to zero and you go into the lawyer's office and you take the file away from them and you say, "You're not allowed to work on this file anymore because we're not going to work for free." The lawyer will then raise all kinds of holy hell with you about, "Who the hell do you think you are? You don't understand. There's extending/waiting circumstances," blah, blah, blah and you basically take out a picture of the lawyer's kid and you say, "Listen. Do you want to borrow money from his college fund? Because that's what you're paying for now. The client isn't paying us. The client is not going to pay us. You're now working for free and you're borrowing money from your kid's college fund to pay for this client's case."

Yadi: Right.

RJon: That's the policy. The policy is unless the lawyer can make a case that there is going to be an emergency or some horrible thing that happens to the client, we have to stop work if we're not getting paid.

Yadi: Yeah.

RJon: Now, two lawyers who together only grossed \$189,000 doing family law in Chicago, excuse me, how do you only do \$189,000 in Chicago doing family law?

Yadi: Agree.

RJon: Two lawyers who are only doing \$189,000 between the two of them in Chicago doing family law and hire someone to run their business who doesn't know anything about how to run the business of a law firm, but you're studying and you're learning and you're growing and you're going to become a superstar pretty soon, it makes me think that they're running their law firm mostly based on ego and they're getting paid with a lot of compliments, and you can get all this stuff from lawyers who get paid with compliments instead of money.

Yadi: Yeah.

RJon: You can't pay the bills with compliments, but a lot of lawyers will take compliments in lieu of cash and that does a disservice to all the rest of their clients who depend on them not to be broke and starving. How did you end up joining this program?

Yadi: The How to MANAGE a Small Law Firm?

RJon: Yeah.

Yadi: Through him actually.

RJon: What do you mean through him? Don't say his name. I don't want to know.

Yadi: No. He's actually a member himself.

RJon: Wait. He's a member of How to MANAGE a Small Law Firm?

Yadi: Um-hmm, just recently.

RJon: He comes to the Live Quarterly Meetings, he has a CEO, or he just joined us?

Yadi: He just joined, so this is actually the first one that he wasn't able --

Scott: RJon, he's a member of the All-Digital Membership.

RJon: He doesn't have a CEO or a COO or a CFO?

Scott: No. He's just a member of the All-Digital Membership.

RJon: Got it. Okay. Listen. I'm just going to give you some friendly career advice to give you some confidence, okay?

Yadi: Please do.

RJon: There is a lot of demand for people to help administer law firms. It's a very in-demand career. A good legal administrator is earning \$90,000 to \$150,000 a year, an experienced legal adminis-

trator, \$90,000 to \$150,000 a year. In the big law firms like if you see a big law firm with multiple offices and hundreds of lawyers, legal administrators there are earning \$200,000 to \$250,000 a year. They usually have an MBA or a finance degree or something like that, or a business degree, but in small law firms -- what did you say your undergraduate was?

Yadi: Criminal justice.

RJon: That's not really going to be relevant or helpful, but you can educate yourself. You can become a member of the Association of Legal Administrators. You can become a Certified Legal Manager. CLM is the designation. You can become a Certified Legal Manager and you can walk into a lot of law firms, a lot, a lot, a lot of law firms, and they'll hire you for \$75,000 to \$90,000 starting and you'll be earning \$100,000 to \$120,000 with performance-based compensation before you're 26 years old.

Yadi: That would be ideal. That'd be great.

RJon: Well, it'd be great to do that with the firm you're already at. The point that I'm trying to make here is you should not fear doing the right thing for this firm.

Yadi: Yeah, I agree.

RJon: Getting fired by this firm for doing the right thing is a good thing to put on your resume when you go for the interview with the next firm. "What happened at the last firm? I see you left there in less than a year" or a year and a half, whatever the number is, and the answer is, "I got fired when I tried to enforce a policy to protect them from drowning in accounts receivables." That's music to the ears of a person who knows how to run a law firm. Don't fear that.

Yadi: Okay.

RJon: Okay. Did I answer your question?

Yadi: Yeah.

RJon: She's like, "Yeah, and you gave me a whole bunch of other things I didn't ask for too." All right, Scott. Thanks.

Scott: All right. Yadi, thank you for your question.

RJon: Are we done?

Scott: Yeah, we're done. Yadi, thank you for your question. RJon, thank you for your time. Thank you for investing in everybody in the membership of All-Digital on How to MANAGE a Small Law Firm.

As RJon mentioned, and I will say it again, next month on our coaching call, we're going to have a raffle for you to join RJon and myself and hundreds of other successful lawyers so that you can see what they're doing in their law firm at our Live Quarterly Meeting. Normally, this is only for what we call our C-suite members, which is a higher level membership in our program and we're going to make it available only by way of a raffle. We're going to give you a couple of free tickets to be able to attend that, so be sure you mark your calendar for our next coaching call coming up on November. I'm going to pull the date here. I just want to make sure I've got it correct, but it should be November 15th. Yes, November 15th at 1:00 Eastern Time. Of course, I'll send you all the reminders. I'll put the reminder about the raffle in the emails so that we can get as many people, but you must be present on that coaching call on November 15th at 1:00 Eastern Time in order to be able to win, so that is your entry ticket to be able to win the two free tickets to join us at the Live Quarterly Meeting coming up in January.

RJon, that's very generous of you because I know normally that's only available to our higher level members, so I want to thank you for that. Thank you for your time today. Thank you to everyone who asked questions. Thank you for allowing us to partner with you and to come alongside you and to help you grow your law firm. If there's anything that we can do, don't hesitate to email me or post in our forum inside the membership site. By the way, we're constantly updating that. Some of you may have seen the most recent

email I sent out last week where I updated our tools and what's working now with some additional policies and procedures templates that you can use and implement in your law firm, so if you've got a need and there's something that I can do to help you, I'll be glad to do that and I'll be glad to add it to that library that we're constantly building and upgrading, so thank you for our call today. Thank you, Carrie. Again, thank you, RJon, and we'll talk to you next time.

RJon: Thanks, everyone! Thanks, Scott!

Scott: Thank you.

HOW TO MANAGE A SMALL LAW FIRM

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