



ALL DIGITAL MEMBERSHIP

Mastering Your Mindset in the New Year



December 2018 Coaching Call

Scott: Hello everyone, I want to welcome you to this month's How To MANAGE a Small Law Firm all-digital membership coaching call. My name is Scott Whitaker. If this is your very first call with us, you're in for a treat. And if you've been with us for a while, then you know how these calls go. We're going to have a great time together in just a moment. I'm giving RJon just a little bit of time here to log in. I've just got a message here that he may be a minute or two late, maybe a couple minutes late, so we'll give him an opportunity to dial in.

So if you haven't already done so, go ahead and take out a pad of paper and a pen. Get ready to take some great notes. And I just got word that Ale, RJon's wife, who is the chief operating officer, she makes everything happen at How To MANAGE a Small Law Firm. She's going to be dialing in as well. So you're going to have an opportunity to hear from her and we'll get started in just a moment.

RJon: Scott, this is RJon. How are you?

Scott: Hey, RJon, I'm doing good. I got a message here saying that Ale is going to join us for the call as well.

RJon: Are you going to join us for the call?

Ale: Just for a couple minutes.

RJon: Okay. So are we ready to get started?

Scott: We are ready to get started. Everybody is on the line and we're ready to go. We are going to be talking about goal setting. And I want to give you the chair with some people because last month's call, you gave a challenge out to people to take a hundred \$1 bills and flush them down the toilet, and go to that experience. And so I wanted you to talk a little bit more also on mindset and giving the right mindset as we go into the new year and look at the new year with some new goals and a new mindset.

RJon: Yeah. So first of all, we need to clarify the \$100 challenge for those members who are

brand new who are wondering why in the world would I have someone to flush \$100 down the toilet. You have to put some context around that, man, come on. The issue is that owners of law firms are flushing tens of thousands of dollars a year down the toilet every year. I mean, literally, you guys are wasting tens of thousands of dollars a year in opportunity costs, your overspending, your marketing thousands and thousands and thousands of dollars a year by just throwing more money at SEO, these different things that are supposed to bring you more business. Meanwhile, there's a giant hole in the bottom of the bucket that's wasting money.

I'll give one or two or three examples just to illustrate the point. And maybe you want to take notes, everyone and say, "Wow, I should plug these holes in my bucket." Number one, if you got a 50 percent conversion rate, so a hundred prospective new clients come to see you, and you convert half of them into paying clients. Better to figure out how to increase your conversion rate from 50 percent to even just 60 percent before you go and start spending more money on marketing, right? Because it costs you -- let's just say it costs \$100 to get a prospective client to sit in your office and have a meeting. And that's \$100 per sales call times 100 sales calls, that's \$10,000.

You spend \$10,000 to get a hundred prospective new clients and you convert half of them, 50, into new clients. And let's say the average new client is \$5,000. So you spend \$10,000 to get 50 clients at \$5,000 a client. That's \$250,000 in revenue. Well, if you could just pick up an extra 10 percent, go from 50 percent to 60 percent, that's an extra \$50,000 in revenue, but no. Instead, what everyone does is they say, instead of spending \$10,000 on marketing, I'll spend \$20,000 on marketing to double the amount of leads that come in the door, which puts twice as much pressure on the sales team, which actually tends to reduce sales conversion rate, 'cause now, everyone's overworked 'cause they're meeting with so many more people.

That's just one example where law firms are just throwing money at problems that don't require

financial solutions, they require pen and paper, thinking creative, do the work solutions. I'll give another example. Another example is you're sitting on top of probably 20, 50, \$100,000 of new business that you literally don't have to spend any money or very, very, very little money to get. Just last week, we ran our sales laboratory. And what we did was we had 20 -- or actually turned into 19. It's supposed to be 20, but 19 of our members came to a three-day sales laboratory. And we literally set up a boiler room, like a boiler room sales operation just like you imagine in the movies.

And for three days, all we did was they were working their lists, they were calling their former clients to let them know they still give a shit about them and what's going on and what are your plans, how was your year ending up and what are your plans for the next year. And they were calling everyone who came in for an appointment in the last 6 and 12 months who did not hire their firm and checking in with them to see what's going on. And they were calling their referral sources who they had not heard from for a while. Scott, you want to take a guess at how much these 19 firms sold in three days?

Scott: I'm going to take a guess it was somewhere probably over -- I'm just going to throw it out there, over half a million dollars equally.

RJon: No, they collected \$248,000 in new business, actually credit cards processed in those three days, cash money, \$248,000 and change there. They also scheduled -- you ready for this? They scheduled 123 appointments, in addition for 123 appointments to come in to meet with them to talk about engaging their services. This is either fresh new appointments or people who had already seen them who didn't hire someone else yet, have not solved their problem, now they're coming back in to basically have another appointment and they'll close them. And we ran the numbers on that, and that was about \$1.1 million in prospective new business that they have now scheduled for appointments coming in through the end of December and through the month of January, and 117 referrals that they will now be able to give out to accountants and

lawyers that don't practice the same law that they do and insurance agents and realtors and roof repair guys and all of that kind of stuff; all in three days of just concentrated --

Scott: RJon, just to put all that math together, that's a little over a million dollars when you do credit cards processed, appointments scheduled, referrals that are out there, new business is going to coming in. That's well over a million dollars that they just did in those three days.

RJon: Yeah. \$248,000 in credit cards processed, about a million one in appointments booked. And even if you cut that in half, 50 percent conversion rate, that's still almost \$600,000, so \$600,000, \$700,000, \$850,000 and then 117 referrals, and you figure that every referral you give out probably brings one client in per year, that's 117 new pieces of business that you'll get in return for those referrals you give out. And we just told the room and it was an average of \$5,000 per new client. That's another \$500,000. So it's well over \$1 million of business that was created in three days at a cost of basically nothing.

But no, no, no, Scott, we can't do that. What we have to do is we have to hire someone to build us a new website. What we have to do is we have to go give someone \$20,000 to shoot new videos for us. What we have to do is we have to give someone \$10,000 to do more SEO for us. What we have to do is a whole bunch of bullshit instead of just picking up the money that's sitting right at your feet.

Yeah. So the reason for the flush \$100 down the toilet challenge is because it's excruciating, people will sweat, they will shake, they will get nauseous, they will get physically nauseous just going to a toilet and literally taking 100 \$1 bills and just one by one flushing them down the toilet. They'll never do that, but on the other hand, they'll leave hundreds of thousands of dollars on the table and then follow it up with tens of thousands of dollars of unplanned, un-measured, un-strategized, just spray and pray marketing dollars that they'll spend. They'll do that all day long, but they won't even flush

\$100 down the toilet. And the purpose of the challenge was to just show everyone, to give you the experience of how wasteful you are truly being in your business by leaving these holes in the bucket unattended to. That was the reason for the \$100 challenge.

And to the extent that anyone is listening to this and you're nodding your head and you're saying, "Yes, intellectually, I understand this. Logically, I understand this. I'm an intelligent person, I can comprehend this concept, and therefore, I'm not going to actually do the exercise." Do yourself a huge favor and actually do this exercise, and give yourself the emotional experience of understanding just how wasteful you might be being in your business.

And I'll give everyone a challenge here, Scott. You ready for this?

Scott: Go for it.

RJon: If you will demonstrate to me, you got a video of yourself flushing the \$100 down the toilet, so I know you really did, you do that and then schedule a private meeting or a private call with me and tell me it was a total waste of time, it was a total waste of money and that there isn't at least \$10,000 of business you could be picking up for next to nothing in your business, you show me that there isn't at least \$10,000 slipping through the bottom of the bucket in your firm, and I'll double your \$100 back. I'll give you your \$100, you flush it, I'll give you another hundred on top of that. Congratulations, you will be the first person I've ever spoken to ever in 20 years who didn't have at least \$10,000, \$20,000, \$30,000 of opportunities that you're just wasting in your business. You show me you flushed \$100 down the toilet like I'm asking you to do, and that there isn't at least \$10,000 of opportunity for you to fixing your business, and I'll give you the hundred back and I'll give you another hundred on top of that and that will be cash. It's not going to be a credit. This is cash money I'll just send you. I'll send you a check, or if I see you, I'll just hand you cash. That offer is open to anyone who's listening to this who wants to take me up on the challenge. By the

way, you're not going to prove it to me. There's always opportunities to make money.

Scott, the second point we talked about was that this is all about planning for next year, right?

Scott: Yes.

RJon: So I have to explain that right now, I'm actually in my car driving back from a meeting with our accountant, and in about a minute or two, I'm going to have to jump off the call because there's a point in my street where I lose reception before I get to my house. And I'm just going to jump off the call and call right back for about two minutes, so I'm going to ask you to just be prepared to keep everyone entertained for five minutes while I make the switch.

And the point I'm making is, I was at my accountant doing my year end tax planning, and here's the point, everyone, I'm already beginning to plan my tax strategies for 2019. The time to plan your tax strategy for 2019 is not April 2020. It's not even January 1st, 2020. It's not December of -- you need to be planning your tax strategies for next year now. By the way, if your accountant is not calling you, if your accountant has not called you in the last quarter of this year to say, "We need to plan next year's tax strategy starting now," then your accountant is, in my opinion, not really doing the job they should be doing for you.

I don't sell accounting services. I'm not telling you to hire me instead of your accountant. I'm just telling you, if your accountant is not calling you in the last quarter of every year to say, "We need to plan next year's tax strategy and we need to start now," then your accountant is not doing the job that they need to be doing to support the growth of a high-performing, highly profitable law firm.

Scott, we run a tax strategy workshop, minimum qualifications to get into the tax strategy workshop is \$150,000 of net income from your firm. That's W2, K1 and any other owner benefits that you run through the firm. We run this tax strategy workshop and we offer a triple your money back guarantee. The last time we ran the

workshop, the minimum that we saved anyone was \$28,000 a year in taxes, all by just planning ahead. Planning ahead makes a huge difference in the performance of your business.

You've been to my office, Scott, you've been to my house. You know what's in the wall of my office. I'm not even going to give you a hint. What's in the wall of my office?

Scott: Well, I also know, like Ale is with you, so I got to say Ale's artwork, which is an amazing artwork. But I mean, if I'm thinking through some of the walls here, it's a wall of books.

RJon: No, the other wall. The glass in front of my desk is covered with what?

Scott: You got me stumped on this one.

RJon: It's my calendar.

Scott: Your calendar. Okay.

RJon: I'll send everyone a picture. The wall of my office, I've got 2019 planned out already. I already know what I'm going to be doing in 2019 to make my business more profitable. So you can take everything that you think you might be doing and you can divide it into four categories. And these are the four categories I would recommend everyone divide everything up into.

First category is things you're going to do to get fresh new income coming in to your business. That's your get money category, all the stuff you're going to do to get money coming in. That is mostly going to be the marketing activities, the sales activities, streamlining and systematizing, your client intake processes, going after accounts receivables that are owed to you, but getting fresh new money into the business.

The second category is keep money. That's activities that you do so you don't have to give refunds. That is mostly fulfilling the commitments that the firm has already made to clients. If you don't fulfill the commitments that the firm has already made to your clients, then you got to give money

back to those clients. You got to do the work and fulfill their commitments or else you have to give refunds. So the second category is keep money. Most of that is going to be in terms of production, work production.

The third category is what I call keep your sanity; sanity so you don't lose your mind. Things that you do that help you keep your sanity. Most of this is going to be policies that you create, procedures that you create, systems that you create, things you do to train your staff so they don't drive you crazy with a million questions, organizing things. And this comes from a very disorganized person. If I don't take care to organize things, I lose my mind. I'm not naturally an organized person. It takes a concerted effort for me to keep things organized.

So staff training, creating processes, policies, systems, procedures, keeping things organized, delegating things. These are all things that keep you sane. And then the last category is things you want to do. These are your rewards to yourself. These are the things you earn the privilege of doing because you took responsibility for managing the business of your firm. What to do could be pet projects.

I have an idea for a workshop that I want to do next year that will be free. I'm not charging anything for it, totally completely free. It's something I want to do as a gift for our members and maybe a few other people, but I have to earn the right to do that workshop. Another thing that I want to do is I want to spend the month of June 2019 having a workcation, a working vacation in the Bahamas. That's something I want to do. Those are those examples. So the four categories are, things you do to get money, things you do to get money, things you do to keep money, things you do to keep your sanity and things you do because you want to do them, you got to earn the right to do them.

And so what you do is you basically make a list of everything that's on your mind. Literally, before you go to sleep tonight, you do a brain dump and you just list out every single thing that's on your

mind, everything you could possibly think of that you could do, should do, would do, want to do, someone told you you ought to do it, everything. Just do a total brain dump. I would recommend you do this longhand, not on a computer. I think there's something really valuable about the connection between the hand and the pen and the paper that connects up with your subconscious. Human beings have evolved to work with pens for thousands of years, not with computers. I think it works better when you do this by hand. Just humor me and do it by hand.

And you make a list page after page after page of all -- just do a huge brain dump before you go to sleep. First of all, I promise you, you have never gotten a better night's sleep than the night after you do this brain dump. It just relieves you of so much stuff you're carrying around that you'll feel so much better.

And then the next day, you divide your list into this is something that is of the nature of getting money or this is something of the nature of keeping money, or this is something of the nature of keeping sanity, or this is something I want to do. And now, you make four different lists. And this list, you can type up. And you got your get money list and your keep sanity list and your want to do list. And by the way, there's going to be things where you can't decide, is it mostly get money, is it mostly keep sanity, it doesn't matter, you got to pick one or the other. Nothing can be on two lists. Everything is going to be on one list or the other list, and if you can't decide whether it should be a one list or the other list, flip a coin. It doesn't really matter. The important thing is it gets one list or the other list. Get money, keep money, keep sanity, want to do. All right.

Next, you rank the things on your list. And you rank each list differently. Your get money list, when your revenues are less than about a million dollars a year, you rank your get money list based on what you can make happen the fastest. So yes, you've got something that you could do to get \$100,000 in the door, but it's going to take you nine months to do it, but you've got this other thing you could to get \$5,000 in the door

and you could get it done today. The thing that you can get done the fastest, that goes to the top of the list. So you're ranking the get money list by in terms of what can bring the money in the quickest.

Once you get your revenues over a million to a million and a half dollars, then we use a different criteria. But I don't think that applies to anyone on this call, so I'm not going to waste your time with that. It's a whole different world. Your revenues are under a million dollars, you rank your get money stuff by what can I get done the fastest. Why? Because that \$5,000 you bring in today will be used to fund the thing you do to bring in \$10,000 it takes a month. And that \$10,000 will be used to fund the thing that brings in \$50,000, it's going to take three months. And that \$50,000 -- you see where I'm going with this, Scott?

Scott: Yeah, sure do.

RJon: Right. The second list is the keep money list, things that you have to do to keep money, to avoid having to give refunds and apologies and embarrassment, keep money list. That second list, the keep money list, you rank that list in terms of things that will go wrong the fastest. If I don't do this work, I'm going to have to give a refund today. If I don't do that work, I'm going to have to give a refund, but I won't have to give the refund until tomorrow. And this other work, if I don't do that work, I will have to give a refund, but I won't have to get that refund until next week. So we prioritize the stuff where the shit will hit the fan the soonest. And that's obvious why we rank it in that order; isn't it?

Scott: Yes.

RJon: All right. The third list of keep sanity, the keep sanity list, people think that you should focus on fixing the things that drive you the most crazy. No. Don't focus on the things that drive you the most crazy first. The thing that drive you the most crazy usually tend to be things that take a long time to fix. The goal here is fix -- take a few straws off the camel's back so the camel's back doesn't break, right? You got that one simple little thing.

It will take you like, 10 minutes to fix. It doesn't drive you completely insane, it just bothers you a little bit every day. But that little bit every day, little bit every day, little bit every day is draining you of your energy every day. You know what, if it only takes 10 minutes to fix, just freaking fix it.

The first time I ever did this exercise, something that was on my list of things to fix, something that was driving me crazy was there was a headlight. I was driving an old truck at the time, and one of the headlights had burned out. And every time I got in this truck, even during the day, it bothered me because I knew the headlight needed to be fixed. And at night, when I turned it on, it looked so bad, it was uncomfortable, it was dangerous, and it just annoyed me so much. And I drove around with that thing bothering me and annoying me for months. And when I finally did this exercise, that headlight, believe it or not, was at the top of my list of things to do. I stopped at the auto supply store, in the parking lot of the auto supply store. I fixed the headlight. I happened to know how to do that, and literally, in 20 minutes, I was done and it was crossed off my list. And this little thing that bothered me every single day suddenly stopped bothering me.

And I found I had a little bit of extra energy 'cause I wasn't being drained of this energy every single day. So the point is, the drive you crazy list, the sanity list, rank it by what you can fix the quickest, the easiest, what takes the least amount of effort, just get it done.

And then the final list, the want to do list, you rank that also in terms of what you actually can do the easiest, what you can do with the resources you have available to you today. Do not rank it in terms of, this is my dream to travel around the world and it will take me five years to organize that trip. And so I'm just going to spend five years doing nothing to reward myself in pursuit of this giant dream of traveling around the world that will take five years to organize. No. If there's something simple you want to do, put that on your list because you can do it quickly, you can do it with the resources you have available to you and rank it there.

So these are the four -- so the first thing you do, just to refresh everyone's recollection is, you do your brain dump tonight of everything you can possibly think of, then tomorrow morning, before the phone starts ringing, before you check your email, before you get anything done, you wake up bright and early and you rank it by get money, keep money, keep sanity, want to do, and then you rank those lists, the get money by what you can get, how you can get, even if it's a little bit of money but you can get it in quick. The keep money is ranked by, if I don't do this, I'm going to have to give a refund real soon rather than a refund next week, next month, next year. The keep sanity is what I can fix the quickest. You take one little straw, even if it's just one little straw off the camel's back, and then the want to do is what can I realistically do to reward myself that I really want to do to feel good, that feel like I'm making progress this week or this month. Don't stick in that five-year goal that will just sit there and haunt you.

Now, here's where the magic happens. For each of the top three things on each list, the top three get money, the top three keep money, the top three keep sanity, the top three want to do, in fact, just take one want to do. So it will be three, three, three and one for a total of 10 things. Three get money, three keep money, three keep sanity, one want to do. For each of them, you put it on its own page and you make a little project plan on what has to get done to make that happen. What has to get done to make this thing happen.

And you estimate how many hours it will take and you estimate where you're going to do the work and what tools or resources you might need to do the work. You put it altogether on a little project plan, does not need to be fancy, can be done with a pen or a pencil and a piece of paper. You don't need a fancy software or anything like that. I promise everyone, the first several years that Ale and I used to do this religiously, we did all of this by pen and paper. I even have a video showing us doing this by pen and paper. And if anyone is interested, get on the forum, post that you want to see the video of RJon and Ale doing this back in 2008 or 2009, and you'll see the video of us doing this.

And you put these project plans together and what you're going to realize -- and this is at once horrifying, but at the same time, it's liberating. You know, Scott, most people dramatically overestimate what they can accomplish in one year. And they constantly set themselves up for frustration and disappointment and failure because they overestimate what they can get done in one year, but paradoxically, they underestimate what they can get done in five years. Really interesting to realize -- they just keep setting themselves up for failure year after year after year. They set themselves up for failure and disappointment instead of setting more realistic goals for one year and then marching through year number one, year number two, year number three, year number four, year number five. And in five years, you can transform your whole life.

But instead of doing that, they look at these quick fixes that don't work year after year after year after year and they get nowhere. You know, seven years ago that we broke the seven-figure barrier. We did a million dollars in 2012. That was the first year we ever did a million dollars. This year, we've already done over 10 million dollars. We've grown our business 1000 percent and completely transformed our lives and the lives of 30 plus of our employees and hundreds and hundreds and hundreds of our members all by following -- I promise everyone we do this exercise every quarter.

In the beginning, we thought we could do it once a year. And it worked. And it worked really well doing it once a year. And then we said, you know, what happens if we try doing it twice a year? And it worked even better. Now, we do it every quarter. And our business is growing faster and faster and better and better and helping more and more people and we have less and less stress and we have more and more profits, and everything is better just by planning ahead. You know, lawyers listening to this, no one, I mean, no one would ever take a case to trial without a trial strategy and a trial plan and doing discovery and planning it all out. I mean, if you ever took a case to trial without planning everything out, that's just blatant malpractice in confidence. No lawyer would ever do that.

But lawyers will treat their life and their business with casual indifference. If you understand the benefits of planning a case before you take it to trial, then it should be very clear to you the benefits of planning your business before you try running it for a year. And now is the perfect time of year, during the holidays where you don't have a whole bunch of appointments and you don't have a whole bunch of distractions and you're taking a whole bunch of time off and give yourself the holiday gift of planning to have a better life and a better business next year. Scott?

Scott: Yes?

RJon: I'm going to ask you to make some comments for about two or three minutes while I transition from my car to my home.

Scott: Go for it. So RJon asked the question, what needs to happen to get this done. I like to keep three lists. And I'm going to share this with you guys in the sense of, you know, when you think about what you're doing in your office each day and your priorities for the day, I want you to think about it in terms of three lists. So one list is what do you need to start doing. So as you think about the priorities that RJon laid out for you in the different categories, to make some of those things happen, in order for you to get money, keep money, keep your sanity or the things you want to do, there's going to be certain things that you have to start doing. Like, you've not been doing it that's why you don't have it. That's why you're not getting the money that you're wanting. That's why you're not keeping the money.

So there's a list of what do I need to start doing in order to make this happen. Then there's the question of what do I need to stop doing. We're not looking to add to your to-do list. RJon and I are not looking to add to all of the number of tasks and things that you're doing. We're looking to help you think through them and do them either better or smarter. And sometimes, the way to do it better or smarter is to just stop doing it. And there are certain things that you may be doing in your law firm that got you to the point of where you now are. But you're at the point now

where you need to stop doing those things.

So you make a list of what is it that I need to stop doing? Then -- and this is the one I enjoy, as you think about all these things that need to get done so that you can keep more money, get more money, keep your sanity or the things that you want to do, make a list of the things that you can delegate to someone else. What are the things that you need to delegate to someone else?

Now, there's a number of ways that you can look at this delegation. One is, is that freeing your time, some of those things in just the way of freeing your time, delegating it to somebody else and actually paying somebody else to do it. It was a while back. It's been a number of years, but a while back, I decided that I was no longer going to mow my lawn. I'm just not going to do it. And we're talking about some years ago now. I haven't touched a lawnmower in over a decade.

But I got to this point where it's like, you know what, I could delegate this to somebody else, pay them to do it and then leverage that time to be able to do other things, whether it would be what I want to do, spending time with my family or keeping my sanity, just having some fun during that time. It really didn't fall under the keep more money category, although when I started delegating those things, I've realized, you know what, I'm able to leverage my time to go and do something else that would make more money. So make those lists of what do you need to start doing in order for you to reach these priorities. What is it that you need to stop doing, and then what is it that you need to delegate somebody else so that you can leverage your time, so that you can leverage your money, your finances for better purposes so that you can manage these priorities.

So having said that, I know RJon is back on the call, and hopefully that will take you another step further there. RJon, are you back with us?

RJon: I am.

Scott: All right.

RJon: And I heard everything you were talking about, you just wouldn't have been able to hear me if I was talking.

Scott: No, that's fine.

RJon: And I agree with everything you're saying. And I want to say something to everyone. We've got members of this all-digital program who have revenues of zero to \$250,000, \$250,000 to \$500,000, not so many \$500,000 to a million dollars, and I don't think we've got anyone with over a million dollars of revenue in the digital program. So I want to speak specifically to the people who are zero to \$250,000.

And this is like a little secret, although it's not a secret because I tell everyone who listen to me. Most of what you have to do to get your business from under \$250,000 in revenue to over \$250,000 a year in revenue is you have to stop doing things. There's a lot of stuff you're doing that you're working really, really hard on and you're spending a lot of time and energy on, and you got to stop doing it. And if we can just get you to stop doing half of what you're doing now, your business would grow and you'd have more profit in your pocket. And I understand that that is counter-intuitive. But it doesn't change the fact that it's completely true.

Most people think, I'll work harder. And I know it's a cliché to say don't work harder, work smarter. But it's really true. Most lawyers whose revenues are \$100,000, \$250,000 and certainly almost everyone whose revenues are under \$150,000, they're working on all the wrong things. And they're working really, really, really hard on all the wrong things. And if we could just get you to stop working on the wrong things, your business would make more money. Just magically if I stop working on the wrong things, it's like you got a boat or a canoe and you've got 10 people in the canoe and they're all rolling as hard as they can, except like eight of them are rowing in the direction that you want to go and two of them are rowing in the opposite direction. And if we could just get them to stop rowing in the opposite direction, no one else has to work any harder and

the boat will get to where we want to go faster and easier.

Anyway, I just wanted to really key in on what you said 'cause I agree with that statement. As you can tell, I'm pretty passionate about that point.

Scott: Yeah, absolutely.

RJon: Myself, the first thing that I did to grow this business is I hired a consultant and I rented this consultant's office for two days. And for two days, I filled an entire wall in his office with those giant flipchart Post-it note type things, those giant flipcharts that stick to the wall.

Scott: It's one of the greatest inventions ever.

RJon: Yeah. I filled his entire wall, like almost floor to floor, one wall in his office with all of the things that I was doing. And I mean, I fought him tooth and nail on the stuff that he started crossing off the list saying, "Stop doing this, stop doing that, stop doing this other thing, stop doing these other things," and I was like, I had a million reasons why I had rules and stories about why I couldn't possibly stop doing these things. But sure enough, he was right. And when I stopped doing those things, oh my God, my business just like magically got better. And that's kind of part of what makes it so hard to grow a business or to grow a law firm from 250 to 500 or from 500 to a million dollars because you're making these changes that are completely counterintuitive to most people.

And we can't really explain why it works or how it works to your family, and you yourself, you just intuitively kind of start to understand that it's working, but you can't really explain why. You can't defend it. And you can't defend it when your friends and your family question you on it or challenge you on it or criticize you on doing things that they don't understand 'cause you'd barely understand it either, you just know it's working. And going home and telling my wife that I suddenly was going to stop doing these things that's I had previously convinced her she had to be patient with me 'cause I was doing all

these different things, and then they'd go home and say, "Listen, I now understand, I need to stop doing these things."

I mean, those were some pretty intense conversations because I had convinced her that I have to do those things. And I had asked her to forgive me for not being able to do things with her or for her because I convinced her I had to do these other things. And now I'm coming back and saying, "No, no, no, I was all wrong. I stopped doing those things, and that will make the business grow." And she was saying, "Well, but I don't understand." And I say, "I can't explain it, I just know that this is correct." And sure enough, 10 years later, we now have a \$10 million business. And this is the part that's challenging; right? Because after you do all these counterintuitive things, after you do all these things that no one understands, after you do all these things that are different from the way everyone else is doing it and they criticize you and they told you how worried they are for you and they've challenged you on it and all of those things, then the results show up, and then everyone says what a genius you were and how brave you were and how smart you were and how courageous you were for doing the things that they just tried to talk you out of 10 years before.

If you know it's going to work, it doesn't require faith in yourself to do it. Faith means you're doing it and you can't quite explain it, you just know it's the right thing to do. Anyway, I'm getting a little bit off-track. The main point of the lesson today was, it's December 20th, it's the end of the year, you've got 11 days left in the year, and in those 11 days, you can do a lot to set yourself up to have a dramatically better 2019. One of the things you could do to set yourself up for a better 2019, Scott, have we got papers for all of the tickets that we were offering for the live quarterly meeting in January? Those have all been claimed?

Scott: Yeah. So last month, we gave away two free tickets. They both have been claimed.

RJon: Okay. Should we give away two more?

Scott: You know what, it's the holiday season. I feel generous. I know you're a generous guy, so I don't see any reason why we shouldn't.

RJon: I forgot the criteria we used for giving the tickets away the last time. What criteria did we use? Was it just first come, first serve or did we have some sort of criteria? I just don't remember.

Scott: So here's what I would like for you to do. Let's do it this way. Email me and you guys get emails from me today, yesterday reminding you of the call. You can reply to one of those emails or you can open up your email, scottwhitaker@howtomanage.com, email me. What I'll do is I'll do a draw just like we did last month, and I got to give you a deadline. I'm going to say you've got to do it before midnight tomorrow, December 21st. So for those of you who are live on the call, you can do it right now.

RJon: They obviously have an advantage.

Scott: Yeah, they do. I know we've got a number of people on the call with us, and we awarded those people last month by being on the call as well. So being on the call, or if you're listening by the way of the audio recording and it is before midnight on Friday, December 21st, email me, scottwhitaker@howtomanage.com.

RJon: Midnight Eastern Standard Time.

Scott: Midnight Eastern Standard Time Friday night, tomorrow night, December 21st, email me and what I'll do is I'll do a drawing and then we'll have two people who will win two free tickets. There will be a seat deposit because if we're going to make a commitment and we're going to put the registration in and reserve food for you and reserve a seat for you and all the materials that goes into this event --

RJon: Didn't say no to everyone else who wants your ticket.

Scott: Yes. There will be a seat deposit. It's \$100 seat deposit. It will be refunded back to you once you show up. So it will be refunded back to

you once you show up, and it will be a free registration. So email me again, my email address is scottwhitaker@howtomanage.com, or just go to one of the emails I sent you and reply back to that and I will gather all the entries and we'll do a drawing for it and we'll see who wins.

RJon, I've got to say this because tomorrow is Friday, December 21st. It's me and my wife's 22nd wedding anniversary.

RJon: Me and Ale are the 22nd, the next day.

Scott: Yeah. That's right. I remember talking about that. I'm celebrating my anniversary, RJon is celebrating his anniversary with Ale, and together, we will do a drawing for these tickets as we have our anniversary. I'm seeing some entries coming in right now to my email, so I know people are responding, RJon.

RJon: Okay. So this is not going to be a first come first serve, this is going to be a random drawing that you do on the 23rd.

Scott: Correct. And I will notify you, I'll give you a call. I'll notify you and we will make the arrangements for your deposit, confirm that you're able to attend, and we'll get you registered for that event.

RJon: All right. So let's go to Q and A and help get yourselves set up for a great year next year.

Scott: Yeah, so let me invite our operator, Shane. Shane, if you would, come on the line, give everyone instructions to how to get in the queue and we'll do our Q and A time.

Shane: Certainly at this time and throughout the call, if you have a question or comment, simply hit star and the number 1 on your touch-tone phone to enter the question queue. That is star and the number one on your touch-tone phone to enter the question queue. It will answer all the questions in the order they'll receive. I'll be right back with the first name.

Scott: All right, sounds good, Shane. All right, so again, if this is your first time with us, every

coaching call, we try to have a Q and A time where you can ask your questions directly to RJon. Everybody on the call will be able to hear your question and hear RJon's response. And so this is great opportunity to not only get your questions answered, but learn from the questions that other people are asking and get feedback and get insight directly from RJon. So RJon, I know Shane's correcting our queue here, and I'm going to check a couple of things and we'll be having our first question in just a moment.

Shane: And that question comes from James. Go ahead, James.

James: Thank you. Happy holidays Scott and RJon and Ale. My question is, bonuses for paralegals, what are your suggestions and thoughts for bonuses for paralegals?

RJon: Okay. I'm just going to beg your patience for a moment because I'm going to log in to the membership site and read 'cause I literally just wrote out a whole big answer to that question. Give me a second. This is for our C suite members so you guys don't see it, but I want to share this with you. Bonuses for paralegals. Bonuses for legal assistant. Okay. Here was the question that one of our members asked, "I can't decide how much --" this is going to be a little bit long, so settle in because there's a bit of a -- this is like teaching you how to fish answer, not just giving you the fish. Are you good with that?

James: Absolutely.

RJon: All right. So this lawyer wrote, her name is Debbie, "I can't decide how much of a bonus to give my legal assistant. When I hired her in January, she told me that she received periodic bonuses at her previous firm and got something in the range of a \$10,000 bonus. However, it was an established firm and there were more than one attorney. I am a solo. I told her I'll evaluate how the business did at the end of the year. She had a good year and she definitely helped. She still has areas to grow. Can any of you share with me what you pay legal staff in bonuses, either amounts or percentages of their salary. I help

seriously injured people get the money they deserve from insurance companies."

And this is what I wrote to Debbie. What I wrote. "Respectfully, Debbie, this is a bullshit question and you're setting yourself up at this point to have this person quit. That much is plain deceit. I wonder if you recognize the underlying cause? I'm guessing you don't have the best relationship with money. Not that you don't have as much of it or that you aren't earning it as easily as you would like, rather, I suspect you're not entirely comfortable with money. You knew what the paralegal was expecting as an income when you hired her. Did you engineer a job to create enough value so that you would be glad to pay her that much and more, or did you at least tell her straight up that you did not plan to pay her as much as you were making in the previous job, or did you lead her on and allow her to believe that you would evaluate her performance and that giving her a bonus at the end of the year would be an actual possibility?"

"She is not your partner, so she doesn't have equity and cannot control your decisions. She's not on a profit share, and so her income does not rise or fall with your own, presumably in recognition of her ability to affect profits. She is a straight up employee who has limited ability to affect the profit available at the end of the year, and so she must be bonused instead of profit shared. Nothing pisses people off more than having to see their boss make a bonehead decision and then being told that they're not going to get the income they hoped for or planned for or were led to expect because there aren't enough profits because of the bonehead decision they were powerless to put in."

"Her bonus should be tied to specific performance objectives that can be measured. Does she have a written job description, yes or no? Did she meet all the expectations outlined in the job description, yes or no? If not, then no bonus. Did she exceed all the expectations? If yes, then bonus. Did she know what the expectations were and have the ability to meet or exceed them? Then likely, she quits or not. Everyone, not just Debbie.

You can't, at least you definitely should not, be waiting until the end of the year to begin thinking about how to engineer a position to be profitable for your firm and the employees who do the job as you've engineered the jobs to be."

"Debbie, I fully appreciate that this is likely coming off as a great piece of advice for what you should have done, which I know you think is pretty useless right now, and that the horse is already out of the barn. And to the extent that this pisses you off and scares you enough to take your SKU homework seriously, sales keeping unit, SKU, sales keeping unit homework seriously, that's where you engineer how the work gets done in a systematic, organized way so you're working with systems and not just memory. And that's a good thing. And this is also how I would suggest you approach your paralegal. I should have done this. I apologize that you did not. Now that you've been in the job for a while, let's do it together and come up with a plan to measure and how you can make contributions to the profitability of this business and tie a bonus to that. In the meantime, here's whatever you feel like you can afford to pay her as a bonus and don't pretend it's much different than that."

"Oh, and by the way, you should be budgeting her full bonus into next year's budget and cash flow and setting that money aside each month in hopes of having caused to relieve those funds to her every quarter, not just at yearend when she earns it." And here's a whole big thing where she debates, she didn't like that I said her answer was a bullshit response, and then there's a big thing with me explaining what bullshit means, and then there's a big thing with her saying, "You're right, it was a bullshit response. Thanks for calling me out on that," which I won't read.

So my questions to you, James, are, do you have a written job description for your paralegal?

James: Yes, but it's not as detailed as it needs to be.

RJon: Okay. Could I, as an objective third party, I'm not you and I'm not her, could I look at her

job description and look at her performance and make an objective decision and say objectively, yes, she's materially met expectations, exceeded expectations or fallen short of expectations?

James: Yes and yes.

RJon: Okay. So did she meet expectations?

James: Yes.

RJon: Did she exceed expectations?

James: Yes.

RJon: Okay. How much profit do you expect her to produce for your firm?

James: I would say in the neighborhood -- I was just looking at these numbers before I got on the call, probably \$100,000 to \$125,000 this year.

RJon: Of profit?

James: Yes.

RJon: Okay. So by profit, we're talking about you're taking her salary -- got her salary?

James: Her salary is about 55,000.

RJon: So \$55,000 times 1.2. I would gross it up for employment taxes, so it's \$66,000.

James: Right.

RJon: Okay. And then figure another \$12,000, \$1,000 a month of other stuff you need to put in place to support her.

James: Right.

RJon: Office space, computers, software. So it costs you about \$78,000 to have her there.

James: Right.

RJon: Okay. So you're saying that she produced \$78,000 plus \$125,000, you're saying she is re-

sponsible for about \$200,000 of revenue?

James: Yes.

RJon: Okay. Did you and she discuss what her expectations were at the beginning of the year?

James: I may have, but I can't recall.

RJon: Okay. So while it's still uncomfortable for you, I want to teach you a lesson because I think it will sink in better if I teach you a lesson first before I relieve the pressure from you.

James: Go ahead.

RJon: And if I'm wrong, I apologize, but I sincerely think you'll learn more if I do it this way. Can I do it that way?

James: Please do.

RJon: All right. You start off at the beginning of the year and you say, "What are your financial goals for the year?" And she will not even begin to know how to answer this question because no one in her life has ever taken in a real sincere interest in helping her figure out her financial goals. But you press on and you probe and you stick your nose into her personal business and you find out what her real financial goals are, right? So her goal is to get a new car. She needs an extra \$100 a month for the new car payment over and above what she's currently paying. Her goal is to move from her one-bedroom apartment to a two-bedroom apartment. She needs an extra \$400 for that. Her goal is to take a better vacation. You get what I'm saying here?

James: I do.

RJon: Okay. So you help her come up with this is how much it costs to live the way I want to live. And let's just say, for argument's sake, that that number requires her to earn \$65,000 instead of \$55,000. You with me?

James: Yes.

RJon: All right. So then the next part of what you do, again, at the beginning of the year, is you say, "All right, so let's divide this up into four quarterly pieces." That's \$2500 per quarter, okay? "These are my plans for what I want to do with this business this year." And you basically share with her the relevant parts of your business plan, which of course presupposes you have a written business plan, which -- do you have a written business plan you could share with her?

James: Not at this time.

RJon: Okay. So you're just going to have to kind of wing it and do your best to kind of talk through with her what your basic business plan is. But for everyone else, you got a written business plan, this is part of what a written business plan is for, is you use the business plan to enroll your team. I've got 35 employees who get to see my business plan. That's how everyone knows what direction we're going in and why we're going there.

So you're saying to her, "These are my goals for the business. This is what I'm planning to do with the business in 2019. And we need to talk about what can you do to contribute to me achieving these goals. What is your personal business contribution plan going to be, Ms. or Mr. Paralegal," right?

James: Right.

RJon: And you help them think through where and how and what they can do to help you achieve your goals, right? So for example -- I'm just making up an example. "Well, one of the things I can do is make sure that you never get to court without having everything you need in front of you. Because I know that if you get to court without having everything you need in front of you, then it's distracting and then you have to go back to court again and we can't bill the client twice because I just forgot to put the things you need in front of you and blah, blah, blah, and so that's one of the things I can do to contribute to you achieving your goals. And another thing that I could do to help you achieve your goals is I could document a new policy or a new procedure or document, a new system every month offering new a new system

or a new procedure that I've documented how and why I do different parts of my job so that we can begin to start to have documented systems around here so we can grow the business so we can all make more money to help you achieve your goals, and if I help you achieve your goals, then I'll achieve my goals." You get the idea?

James: Absolutely.

RJon: So you say to her, "Look, so if you will help me do my goals, then every quarter, we're going to sit down at the beginning of the quarter and you're going to tell me what are one or two or three action items that you're going to focus on this quarter. And I'm going to sign off on and say, yes, I agree that if you execute it, you get these three things done, the two things or one thing or whatever done in a quarter, bam, you earned 100 percent of your \$2500 bonus. And at the end of the quarter, we're going to sit down again and we're going to review what you said you were going to do against what you actually got done and I'm either going to give you your \$2500 bonus or I'm going to reserve the right to give you less than your \$2500 bonus, but if I give you less than your \$2500 bonus, then I have to explain to you what you need to do to earn it full next time. In other words, I don't just give you your bonus, if I give you less than your full bonus, I have to give you a lesson, I have to give you coaching, I have to give you an explanation." You with me so far?

James: Absolutely.

RJon: And then of course, you don't necessarily say this, but what you know is you also sometimes will give her more than her bonus if she really just knocks it out of the park. So now what happens is, you sit down with her at the beginning of the quarter or at the end of the previous quarter and you say, "Okay, what is your action item? What are your plans for next quarter? What are the things you're going to do next quarter or the projects next quarter that you think are worth an extra \$2500 bonus for next quarter?" And she says, "Well, I plan to reorganize the supply closet because here's how it's going to help all of us achieve all our goals, and I plan to decorate the

office because this is how I think it will help us achieve our goals. And I plan to take a course to become more proficient with Microsoft Office --" I just made that up "-- because this is how I think we will achieve our goals."

And you say to her, "You know what, number one, I totally agree. The supply closet drives me crazy. And if you will organize that this quarter, I will definitely count that as being a third of your goal, a third of your bonus. The third thing you said, which is taking the course in Microsoft Office to become more proficient at Microsoft Office will save us time, you'll be more effective, you'll be more efficient, and I'll totally give you a third of your bonus if you'll achieve this certification with Microsoft or complete this course and take an hour to teach me the things you learned. But that second thing you said, redecorating the office, you know what, I don't really care about that. I'm not saying that's not worth doing, it's just not a priority for me, so pick something else instead of that." And she picks something else and you agree.

And now you've got something that she's working for this quarter to achieve, and then you sit down at the end of the quarter and you'd say, "All right, so last time we sat down," you pull out your notes 'cause you write this stuff down and you sign off on it and she signs off on it. So you pull out your notes that you signed off on that she signed off on and you say, "Last quarter, we agreed that you are going to be going after your \$2500 bonus and you are going to number one, organize the supply closet, and I think the supply closet is well-organized, you did that. Congratulations. Good for you. And you said, number two, you were going to get this certification in Microsoft Word, and you got this certification in Microsoft Word, so you earned the second third of your \$2500 bonus. And the third thing you said you were going to do is you were going to do X, Y, Z." It doesn't really matter what for this example.

"'cause you do X, Y, Z." And she'll say, "You know what, I did not do X, Y, Z and the reason I did not do X, Y, Z is because it turned out that it was not necessary. You asked me to do something else

instead. It burned down and it was not possible, or whatever.” And you give her the benefit of the doubt, you give her a pat and you say, “Congratulations, you get your whole \$2500 bonus, and now let’s talk about what you’re going to be doing next quarter.” And if you’ll do this every quarter, can you understand how much more profitable your paralegal would become for you?

James: Absolutely.

RJon: Does this sound like a lot of work?

James: No.

RJon: It is a lot of work. If it doesn’t sound like a lot of work, then I’m worried that I haven’t communicated it accurately. This is a lot of work. But it’s profitable work.

James: It doesn’t seem like a lot of work to me because we have conversations like this routinely, but not regularly enough and not within a structure.

RJon: Okay. Well, for everyone listening to this, I want you to understand, the thing is a lot of work. I’m not saying this isn’t a lot of work, but this is how you make a profit on staff. I mean, if you can pay someone \$78,000, if you could put \$78,000 into a stock and get your \$78,000 back plus \$125,000 more, most people on this call probably wouldn’t mind doing some study and some research and some analysis. Those people will be going to work pretty hard to get almost three times ROI. That’s a pretty good ROI you’re getting there. I’m just saying not so much for you, James because you get it, but I just worry sometimes ‘cause lawyers go, “But those seem like a lot of work.” Yeah, well, you know, grow up. It is a lot of work.

Now, as your business grows, this is where you start to build a management system, manage that structure into your business, like, I’ve got 35 something like that employees. I don’t sit down and do this with 35 employees. I do this with four of my key people. I do this with them and they do it with their people. So the point I’m making is, as your business grows, this doesn’t really

become exponentially more work. You’re just doing it with your key people, and they’re doing it with their people. So how many attorneys do you have working for you?

James: Unfortunately, it’s just me.

RJon: Okay. So the day will come, maybe if you want, and maybe you don’t want, but if you want the day to come where you’ve got let’s say, four lawyers working for you; one of those lawyers is going to be the senior attorney, the supervising attorney. So you will have this meeting with your supervising attorney, and then your supervising attorney would have this meeting with the three other attorneys who he or she is supervising. Does that make sense?

James: Yeah.

RJon: Okay. Meanwhile, we can’t get into the time machine and go back and have this conversation with the paralegal retroactively, so what you need to do, I think, is you basically say to her, “This is how I’d like to do things going forward.” And you got to get her to agree on what her number is for next year. Let’s just say she’s like \$10,000 and you’re saying to her, “All right, so \$10,000, let’s pretend like we have been doing this every quarter.” And as best as you can, kind of recreate the year, where and how did you make contributions in the first quarter? Where and how did you make contributions in the second quarter and the third quarter and this quarter. And of course, the first quarter, ancient history, no one remembers anything.

And pretty much where you’re probably going to wind up with this conversation, assuming that she’s enthusiastic and receptive to all of this, which is found from your comment that she will be, where you’re probably going to wind up with is whatever she says her goal is for a bonus for 2019, you pretty much split the difference and give half of it to her for this year. That probably where this winds up. And you say to her, “Look, I apologize that I didn’t do this. I wasn’t a better leader for you last year, this past year. I commit that I’ll be a better leader for you going forward.

Why don't we split the difference and say, I'll give you half of that for this year, but next year, let's work together to make sure you get the full bonus." And I think that most people are usually going to be pretty cool about that. Does that make sense?

James: It does.

RJon: Will you get on the forum and share with us how that goes?

James: I will if I can. I was going to post this question on the forum and I couldn't get in.

Scott: All right. I'll look into that. You should have access to it, James. So I'll look into it and I'll definitely follow-up with you to make sure.

James: Thank you.

RJon: All right. I have time for one more question and then I got to jump.

Scott: Okay. Thank you, James. Shane, we've got time for one more question.

Shane: Okay. This comes from Sherry. Go ahead.

Sherry: Hi. I've been in business for a year, and for the past year, I've literally been doing everything. And so part of my goal for the next year is to do what you guys were talking about and start delegating more. My big goal for next year is do one and a half times my revenue and one and a half times my caseload, but I need people to do that. So my first question is, how do you, when you're hiring somebody, because I've been having trouble finding somebody who is qualified, how do you set these positions up as a profit center so that you can grow your firm?

RJon: Can I ask you a question before we get to yours?

Sherry: Yes.

RJon: Why is your goal one and a half times your caseload? Wouldn't it be better if it's one and a

half times your income without one and a half times your caseload?

Sherry: Yes, absolutely. I agree with that.

RJon: Okay. Because you know, it's kind of like -- one of my coaches early on, when I started growing this business, he said, be careful not to focus on surviving because you tend to get where you're focused on. And if you're focused on just surviving, you have a funny way of just surviving. If you're focusing on one and a half times of your caseload -- so let me ask you, what will your gross revenue be this year that we're trying at one and a half times?

Sherry: It's 70,000.

RJon: So you want to go from 70,000 to 100,000.

Sherry: That way, yes.

RJon: No, you just said your goal is one and a half times it, and one and a half times seventy is a hundred.

Sherry: Right. Well, you know, I don't know what I'm capable of, and I'm still learning. So my goal was, at least do that and at least then more.

RJon: Sherry, what size shoe you are?

Sherry: Eight and a half.

RJon: Eight and a half. All right. How are you going to feel like if I give you an 8?

Sherry: Pretty uncomfortable.

RJon: Imagine the most amazing shoe in the world, but I give it to you as an 8. It's going to hurt, right?

Sherry: Right.

RJon: What if I give you the most amazing shoe in the world, like those shoes with red bottoms that so many women like so much, but I give it to you as a nine and a half, how's that going to feel?

Sherry: It's not going to work.

RJon: That's exactly what it's like when you have these loosey-goosey goals of what you really want.

Sherry: Okay.

RJon: Right? There's lots of practical reasons why it's problematic. But there's also some very real reasons that are not -- so you can't necessarily see on the spreadsheet. So imagine what it does to your mindset. Imagine what it does to your subconscious when the goal is loosey-goosey like that. What ends up happening is every time you fall short of a goal, every time you have a commitment to yourself, it doesn't really matter because you've got these loosey-goosey thing built into it. If you're going to have a goal and you fall short of your goal, let's fall short of that goal honestly. And if we're disappointed because we feel short of our goal, then let's be honestly disappointed that we feel short of our real goal, rather than making ourselves feel better that, well, you know, that wasn't really my goal, that was just a little bit nice.

Sherry: Right.

RJon: All right. Because your goal is to have \$100,000 gross revenue, then I'm going to take out my calculator and I'm going to start doing some math to figure out what you need to do to get to \$100,000 in gross revenue. But you tell me, "No, no, no, my goal is to have \$150,000 gross revenue," then I got to do different math, which means now we got to do different things.

Sherry: Right. Well, I was trying to be realistic in terms of what I just love right now because it's just me, myself and I with a virtual assistant. And you don't reach those kinds of goals without having a plan in place. And I guess that's where I'm kind of struggling is where is the money going to come from to hire somebody to make them a profit center. And I guess more than anything, I'm at a loss because I want to grow, but I don't want to grow just to grow, I want it to be because this is what I plan to do.

RJon: Okay. Sherry, let me stop for a second. Do

you know any lawyers who have a million dollar firm on their own?

Sherry: No.

RJon: Okay. Most of the lawyers that you know, most of the lawyers you go and you hang out with and network with, I suspect, are struggling financially. Am I right?

Sherry: Yeah, I would say that.

RJon: Right. How do you think that I knew that? And the reason I'm asking this question is I want you to learn something, and I want you to promise me, you're going to go back and listen to this recording and listen to what you just said. Because I think if you heard anyone else say what you just said, you'd be kind of surprised.

Sherry: Okay. I know where this is going.

RJon: So how do you think that I know that most of the lawyers you hang out with are struggling financially?

Sherry: Because that would have been a different statement if I were hanging out with the [inaudible 1:22:40] lawyers.

RJon: No. It's because the only people who will hang out with you and listen to you say what you just said without calling you onto your bullshit or simply walking away and not hanging out with you are people who believe what you just told me. They believe what you believe. And so when you say it, they all nod their heads and they say, "Yeah, that sounds about right," 'cause that's what they believe. And which reinforces your belief in everything you just said. So let's just take it apart piece by piece, okay?

Sherry: Okay.

RJon: We start off with we need real goals. A goal is a goal. You start off with a goal because it's what you honestly want, and then you back the goal up with a commitment to do whatever it takes to make it happen.

Sherry: Okay.

RJon: At least you know the goal for what you really want and you make a commitment to do whatever you have to do to make it happen, then you figure out how to do it. But what people do who are struggling law firms, they do it exactly the opposite. What most lawyers do who have struggling law firms, what they do is they say, "First, I need to know how to do it, then once I know how to do it, then I'll make a goal." Isn't that safe? Isn't that convenient? First, I'll know that I definitely know how to do it then I'll make a goal. I'll never fail. I'll never risk falling short 'cause I know how to do it first. And it's safe, comfortable, self-defeating bullshit goals, which is what you just said to me.

Sherry: Okay. Fair enough.

RJon: Do you follow?

Sherry: Yeah.

RJon: So the first question is, how much does it cost to live the way you want to be living next year? Not how you can do it, not what do you think you're capable of, not I don't know where I'm going to get the money, just how much it costs to live the way you really want to be living? How much does it cost to live in a house you want to be living in, to drive the car you want to be driving, to eat at the restaurant you want to be eating at, to take the vacations you want to be taking, to support the charities you want to support, to employ the domestic services you want to employ, to live the way you'd want to live, how much does it cost? I know you don't know that number, you haven't done this exercise yet. 'Cause that's the first thing, you got to know that number.

Sherry: Okay.

RJon: All right. And let's just say, for argument's sake, that you come up with a number of \$75,000. It's going to cost \$75,000 to live the way you want to live next year, not the way you want to live three years from now, but for next year, I want to have \$75,000 of personal income from my business. Okay?

Sherry: All right.

RJon: Then what you do is you say, what services am I going to deliver? What services will my firm sell? So what services does your firm give? Let's look on the menu.

Sherry: I give adult guardianship for incapacitated elders. I do minor guardianship to our developmentally disabled kids. I do estate planning for a couple of individuals who are end of the [inaudible 1:26:34] threshold, and I do probate administration, both formal and simple.

RJon: Beautiful. Beautiful, beautiful, beautiful. I'm so glad that you didn't so, "Oh, and I also do some criminal defense and I also do some bankruptcy and I also do the occasional immigration that wanders in the door every few years, and fuck that up 'cause I don't know what I'm doing 'cause I only do it every few years." I really like you've got that narrow focus. Good.

And then what you do is you figure out what does it cost to deliver each of those services. Are you billing by the hour? Are you doing flat fees? Are you doing continuous?

Sherry: It's a mix. So for example, my estate planning are flat fees. The probate, I take the statutory percentage. I have a corporate client that I represent on our contingency fee, and the guardianships are flat fees. And if it's a [inaudible 1:27:32], then I charge an hourly rate.

RJon: Great. You're way ahead of where most people are. They don't even have any idea where, how, why they're charging. Good. So let's take something to do a flat fee on. So what you got to do is you got to do what I referred to earlier with James, was the SKU homework, sales keeping unit. So imagine you go to a restaurant. Do you remember the last time to a restaurant?

Sherry: Yes.

RJon: It may be yesterday, the day before. Okay. What did you order?

Sherry: I ordered an entrée, Chinese food.

RJon: Chinese food. What was the entrée?

Sherry: Chicken chow mein.

RJon: Chicken chow mein. All right. Well, if the restaurant is well run, the owner of the restaurant knows what it costs to flip that plate of chicken chow mein in front of you, don't you imagine?

Sherry: Yes.

RJon: They know the protein costs a dollar and they know that the starch costs 50 cents, and they know that the vegetables costs 25 cents. And they know that the labor costs, to put it altogether, costs a dollar. And they know that the cost of cleaning the plate afterwards costs 10 cents, and so our cost of putting that plate in front of you, the plate cost, the cost of goods sold is \$3. And so we're going to sell it for \$9 because we know we always want to have a three times markup in a restaurant, for example. You follow?

Sherry: Right. Yup.

RJon: This is what you need to do with your legal services. You need to figure out your cost of goods sold. What does it cost to do an estate plan? What does it cost to do a guardianship? What does it cost to do a probate administration; these things you're doing on flat fee and contingency, what is it costing you to do that? Now, in a restaurant, it's mostly product. So it's tangible. But in a professional services firm, it's mostly time. So you got a sort of value to the time.

So if it's a \$100,000 a year attorney and you're going to translate that to what it costs per hour for that attorney to work. You understand the concept?

Sherry: Yup.

RJon: So I'll do the math for you. You take \$100,000 for the attorney times 1.20 because you got to gross up for taxes, costs \$120,000 a year for that attorney. That's what it costs the employer to

employ a \$100,000 attorney. And then you figure that you're going to get, let's say 1380 out of that attorney. So \$120,000 divided by 1380 costs me \$87 an hour. So for every hour that the attorney works, it costs the firm \$87. Divide \$87 by 60 minutes, and for every minute that the attorney works is \$1.45. Round it up to \$1.50 to make it easy, right? So if something takes 30 minutes, you go 30 minutes times \$1.50, it costs the firm \$45. Makes sense?

Sherry: Right.

RJon: So then what you do is you take each step in the build of the probate, or each step in the build of your state plan, and you say it takes \$100,000 attorney 30 minutes for this; it takes a \$50,000 paralegal two hours for that, and you figure out what your real costs are. You don't worry about paper and ink and all that stuff 'cause that doesn't matter in a law firm. It's the cost of labor that's really where our cost is coming from. You got it?

Sherry: Yes.

RJon: All right. And then you make sure you understand what your gross profits are. So let's just say you want to make sure that your gross profits are at least 50 per cent. So whatever it costs you to deliver, you want to make sure that you're charging at least twice that much so you're making 100 percent markup on your cost. Got it?

Sherry: Okay. Yup.

RJon: And I'm putting numbers out there to illustrate. I'm not trying to prescribe what your numbers should be.

Sherry: Sure.

RJon: So let's say you decide on a 50 percent cost of goods sold, which is a 50 percent gross profit, and let's say you figured that your fixed costs, your fixed percentage are going to be half of the gross profit, which means your firm has a profit of 25 percent. You follow what I'm saying here?

Sherry: Yes.

RJon: Okay. So if we come to a conclusion that the firm is going to have a 25 percent profit margin and you want to make \$75,000 a year, that tells us the firm has to grow how much? That's 75 times 4.

Sherry: Yeah. Right.

RJon: \$300,000.

Sherry: \$300,000, yeah.

RJon: Okay. Now, we have a real goal. Now we know what's real. You want to make \$75,000 a year to live the way you want to live. You've got a real compelling reason why you need \$75,000 'cause you want that house, you want that life, you want that vacation, you want to support a charity, you want to eat at that restaurant, and these are real tangible things that take real tangible money that adds up to \$75,000, which we do our work on our firm and we say 25 percent profit, means the firm needs to gross \$300,000. Now, if the firm has got to gross \$300,000, what's the average case? What is the value of your average case?

Let's just say for argument's sake -- do you happen to know? Or I'll just make up an example?

Sherry: Last year, it was \$1500.

RJon: Okay. Well, you got to fix that 'cause that's way too low. Let's just say \$300,000 divided by \$3,000 average case value, means you need a hundred cases, right?

Sherry: Right.

RJon: Okay. A hundred cases divided by 12 months is only eight case s a month.

Sherry: Okay. Yes.

RJon: Now, sales has to deliver eight cases a month with an average value of \$3,000 a case to produce \$300,000 a year of revenue to give you \$75,000 yearly income. Now we're getting

somewhere. Now we got a plan, right?

Sherry: Yes.

RJon: All right. So we don't have 100 percent conversion rate of prospective new clients into new clients, do you? Most of you know, I don't.

Sherry: No, it's about probably between 50 and 60 percent.

RJon: Okay. Let's go with 50 percent just to make it easy, right? So sales has to deliver eight cases a month at an average value of \$3,000 a case, and you convert 50 percent, that means marketing has to bring how many appointments then per month?

Sherry: 15?

RJon: 15. So now we have a goal for the marketing plan, don't we?

Sherry: Right.

RJon: Marketing got to bring in 15 cases a month. We need a marketing plan designed to bring in not 14 cases because that's like you wearing a size 7 shoe. Not 20 cases because that's like you wearing a size 9 shoe. We need 15 cases a month. Sales has to get half of those. The average value has to be \$3,000, and you got to be able to produce them at a 50 percent gross profit margin, and then you get your \$75,000 a year. Pretty simple, don't you think?

Sherry: Frankly, that is so helpful because I didn't really know how to arrive at these numbers, so thank you.

RJon: Did you enter the contest to come to the live quarterly meeting?

Sherry: I did.

RJon: Good. Because everyone you'll meet there, all 300 plus lawyers lives the way that I'm describing. This is how we live inside the bubble, lawyers who work with How To MANAGE a Small Law

Firm, we all know this stuff about our business-
es. And it's not rocket science. I mean, you don't
need to be good at math even. We'll do the math
for you. You just need to think this through, right?

Sherry: That's amazing. Thank you.

RJon: So now you know what you need to do with
marketing, you know what you need to do with
sales. I can tell you without even getting into the
details that you're way underpricing your services.
I would encourage you to be looking at more like
an average case value of 3,000. And that number
will go bigger also. But you can't do a really good
estate planning for someone for \$1500, I'm sorry.
I'm going to challenge you on that. You just
can't. There's just so much more you could do
for \$3,000 to give someone a much, much better
product that you could possibly do for only \$1500.
But you just can't fill a gallon with a pint. No
matter how hard you work, no matter how much
you care, you agree?

Sherry: Yes. And my estate plan prices were
based comparing to everybody else in town.

RJon: Everyone else in town sells their client short
and everyone else in town is willing to sell a car
and makes the brakes optional. You're not going
to do that, are you?

Sherry: No.

RJon: I'll give you an example. Here's what I
already know. Here's what I know based on what
you told me. You sell these estate plans for \$1500
and then you give them instructions on how to
fund the estate plan, on how to do the funding,
and you may or may not or you offer for an ad-
ditional \$500 or some other amount, I'll do the
funding for you. True?

Sherry: Okay. Yes.

RJon: Okay. Now, if you call those clients, how
much do you want to bet that 80 percent of them
did not follow your instructions and currently
have unfunded estate plans?

Sherry: Probably so.

RJon: How do you feel -- and I'm challenging you
on this, I'm challenging you on this and I under-
stand that I'm twisting the knife, but I want this
to really stick with you; all right? How do you feel
knowing that you took \$1500 from someone and
they got zero benefit from it, zero value, they have
no value whatsoever because their estate plan
isn't funded. And if it's not funded, it's worthless.
You took \$1500 from someone and what they got
was nothing. How do you feel about that?

Sherry: Yeah, not good.

RJon: That's what everyone else in town is doing.
That is who you're comparing yourself too. That
is the standard you're trying to keep yourself
at. And those of you that will go around saying
the same bullshit on the call that you started off
talking about, "Well, you know, I'm only in my first
year and I don't know where I'm going to get the
money and blah, blah, blah," all of those people
you're talking to, they're not helping.

Sherry: Okay. Thank you.

RJon: You get what I'm trying to say?

Sherry: Yes, absolutely. Thank you.

RJon: So here's what you do. Instead of charging
\$1500 for an estate plan that goes unfunded, it's
like selling someone a car and saying, "For an ad-
ditional \$500, I'll give you brakes." Without brakes,
it's not worth anything, it's dangerous, right?
You say to them, "Look, we don't make funding
optional because we know that 80 percent of our
clients don't fund these estate plans." And even if
you're funded, it's scary, it's time confusing, most
of the ones you try to fund don't do it the right
way. And so just as a matter of principle, we don't
set you up for failure. And that is why our fee is
\$2500 and not \$1500 like everyone else in town.

Sherry: Yes.

RJon: And now, think of five other things you
could do if you had an extra thousand or \$1500 to

work with in the budget, what else could you do for them? How much more time could you give them to really think things through, to educate them, to explain things to them. How much more research could you do? You see, people don't want a bargain. What people want is value.

Sherry: Yes. That is incredible. Thank you so much.

RJon: You're very welcome. I mean, I literally have apologized to some of our -- so How To MANAGE a Small Law Firm, our membership for a CEO, if you work with us and we function as the CEO of your law firm, our membership is \$2,150 a month and it is a great, great value because you will start making so much more money so quickly that the \$2150 a month becomes like the best investment you ever made. I used to charge much, much, much less. 10 years ago, I only charged \$500 for my monthly retainer. I literally had gone back to people who used to pay me \$500 and apologized to them and say, "I'm sorry, I only charged you \$500 a month. If I had charged you more, I could have done so much more for you." You understand what I'm saying here?

Sherry: Yes.

RJon: Don't be afraid of turning away the price shoppers, the bargain hunters. They're not the people you're ever going to build a successful business with. They don't value themselves, they don't value their future enough to make an ongoing investment with you. We need to work with people who value themselves and value their future enough to make an investment, because those are the ones who are going to come back again and again and again. Those are the ones who have friends who also value themselves and they give you better referrals. Those are the ones who go home and tell their friends and tell their family how proud they are because they got this great value, this great service and they made this huge improvement in their life. The ones who got the \$1500 cut rate estate plan, they're not going home and telling their friends and family that they're proud of anything.

Sherry: Yes.

RJon: Other than, I got a good deal on crap.

Sherry: Yes. That was kind of what I was, the tire kickers, but what I hear you saying is I need to up the level of the tire kickers. So thank you for offering that perspective, I appreciate it.

RJon: I'm saying you got to sell a better product. Understand your cost of goods sold clearly enough such that when someone comes in and says, "Can I buy this for \$1500?" You know your cost and you know that if you say yes, you're not taking that vacation at the end of the year 'cause using that connection between underpricing your services and you not getting that vacation. If I say you opt for this lowball price, then I don't get to pay my kid's college tuition next month or next semester. If I don't charge what I know I need to charge for these services, then I got to say no to the charity that's counting on these for the support that I made a commitment for. You've got to know your numbers and know your business so you don't even get tempted by that bullshit.

Sherry: Yes. Oh my gosh, that's a breakthrough moment. Thank you so much.

RJon: That's what we do. You're very welcome. I hope you are selected as one of the people who'll get a ticket to come to the live quarterly meeting. If you get selected, are you going to come?

Sherry: Yes, I will make that commitment now.

RJon: Would you bring a spouse or a significant other with you?

Sherry: I can't bring my spouse because he'll be working, but I would come.

RJon: You have like a best friend?

Sherry: Yeah.

RJon: Someone who can share the experience with you so when you go home, they can remind you about the things you learned and call you on

your bullshit?

Sherry: If she can't, I'll try to find somebody who will.

RJon: Okay. Well, I have nothing to do with how tickets are selected, and I do understand that Scott is open to bribes.

Scott: I do have an anniversary that's tomorrow, and I already have a gift, but I could use another gift for my wife. That would be good.

RJon: Flowers.

Sherry: I got my digital membership. Thank you.

RJon: All right.

Scott: All right, thank you, Sherry.

Sherry: Thank you.

RJon: I got to jump. You're welcome.

Scott: Yeah, I know. So hey, I want to thank RJon, I want to thank you all. I wish you a happy holidays, however you may be celebrating this season, and I want to thank you for being a member. I did just get word that the most recent bonus kit, if you've been keeping an eye out for it, it did drop in the mail. So give the holiday season a little bit of time to get that delivery out to you. We want to thank you for being a member. The recording of today's call will be in your membership site. Hopefully it should be there before end of day tomorrow, but if not, we'll get it there as quickly as possible. But thanks for being a member. We look forward to talking with you next time. Keep an eye on your email. We'll update you on the dates for that, and have a great holiday. Happy New Year!

RJon: Thank you, everyone. And Scott, thank you for hosting another great call.

Scott: My pleasure, man. My pleasure.

RJon: All right, bye everyone. Happy New Year.

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