

# EMPOWERMENT THROUGH LAW FIRM COMPENSATION

MAXIMIZING LAW FIRM SUCCESS

Aaron Rothert

# AARON ROTHERT

## ATTORNEY & PRACTICE ADVISOR

- Attorney, a former instructor for the Internal Revenue Service, and has worked with the State Attorney's Office in Florida
- Works with law firm owners and associates to achieve their goals in the areas of time management, client development, staffing, cash flow and profitability
- Conducts DISC Behavioral Profile discussions with attorneys and team members
- Published in the *Family Law Journal* and writes regularly on time management and marketing for attorneys





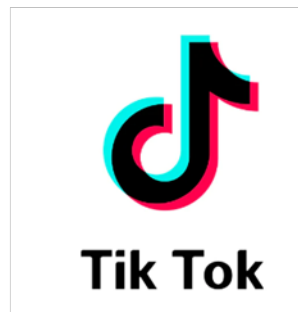
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*Great Practice. Great Life.*

## ABOUT US

We help lawyers grow great practices and cultivate great lives

# HELP US GROW: CONNECT AND SHARE

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# MORE THAN JUST BEING GREAT AT THE LAW





How do we develop bonuses and incentives that drive engagement, performance, and results consistent with your firm's vision?

# WHEN DONE RIGHT, YOUR PLAN SHOULD....



Be viewed as “fair” to the attorney or team member



Be motivating to your team to excel and contribute to the firm’s success



Be simple to understand and objectively measurable



Be a tool to help you attract and retain top talent

# FROM YOUR EMPLOYEE'S PERSPECTIVE

## Your Compensation Plan:

- Indicates their importance to the firm
- Defines the employee's status in the community
- Delineates their status among their peers
- Allows them to lead the lifestyle they want



# FOUR MAIN APPROACHES TO BONUS COMP

1

Base, Bonus & Raise:  
The generous model

2

Base & Bonus Only:  
The merit model

3

Base & Firm Profit Sharing:  
The teamwork model

4

Base & Fee Sharing:  
The eat-what-you-kill model

# POSSIBLE WAYS TO COMPENSATE, REWARD, OR BONUS EMPLOYEES

- Salary
- Health Insurance
- Holidays
- Vacation
- Flex Days
- Gifts/Cash/Awards
- Bonuses
- Sabbaticals
- Annual COLA
- Sick Days
- 401K
- Free Days

# POSSIBLE WAYS TO COMPENSATE, REWARD, BONUS EMPLOYEES



Base Compensation



Bonuses & Incentives

What Results, Performance Or  
Behavior Do You Expect In Return  
For Base Compensation?

# 1<sup>ST</sup> BUCKET: THE BASE COMPENSATION PACKAGE

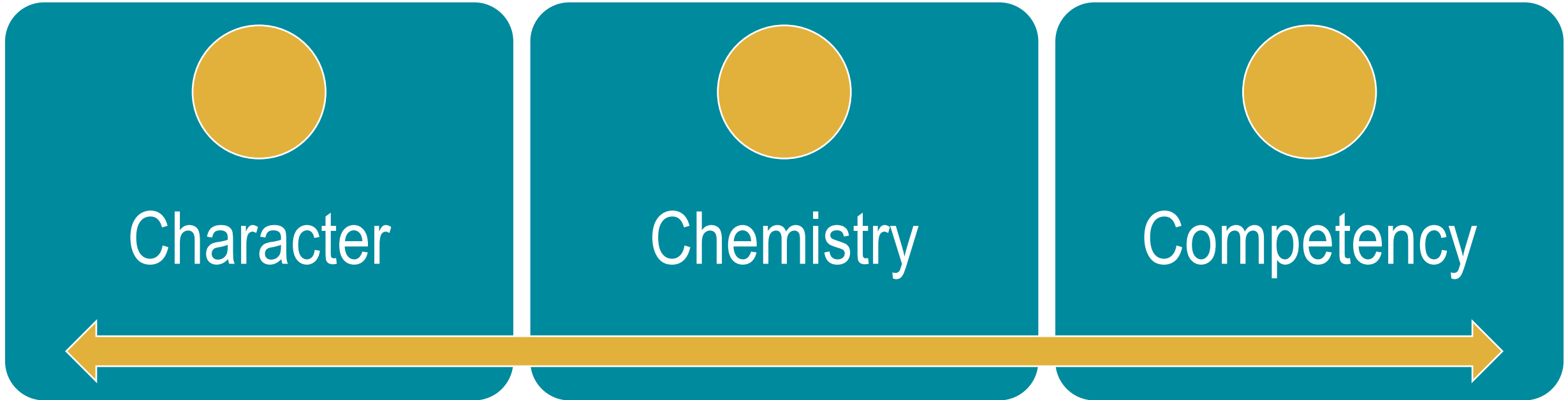


Base Compensation

1. Attract good talent
2. Retain good talent
3. Reinforce good firm citizenship
4. Forward the profitability equation



# THE THREE C'S OF HIRING



Allow me to introduce you The Fourth Musketeer....**Commitment**

The purpose of a good compensation system should not be to get the right behaviors from the wrong people, but to get the right people on the bus in the first place and keep them there!

*– Jim Collins, Good to Great*

# PROFITABILITY & THE RULE OF 3

Whatever approach you take, the **Rule of 3** still applies so your income producers are profitable.

This means the producer must generate at least 3x their salary in revenues. Here's the breakdown:

**One third = Compensation Package**

**One third = Overhead**

**One third = Profit**

*\*Those paid based on flat fees or combined efforts are harder to calculate*

# 2<sup>ND</sup> BUCKET: BONUSES AND INCENTIVES

1. Hitting or excelling at production, revenue or profit targets (individual, team, or firmwide)
2. Influence cultural values
3. Teamwork
4. Referrals into the firm
5. Projects completed



Bonuses & Incentives



# Gamification and Scorekeeping



# PERFORMANCE BONUS APPROACHES

Reward Individual Efforts:  
Incentivizes production but may  
discourage teamwork

Reward Group  
Efforts: Encourages  
teamwork but  
discourages  
individual effort and  
penalizes some

Reward Individual  
*and* Group Efforts:  
Two separate  
systems—one for  
individual effort  
and one for group

# BASE, BONUSES & INCENTIVES

## Examples for three pricing models

- Hourly
- Flat fee
- Contingency

# HOURLY BILLING MODEL

Team	Position	Billing Expectation	Billable Rate	Revenue Expectation
Joan	Assoc.	1440	\$375	\$540,000
William	Assoc.	1440	\$375	\$540,000
Elaine	Assoc.	1440	\$350	\$504,000
Robert	Assoc.	1440	\$350	\$504,000
Pete	Assoc.	1440	\$350	\$504,000
Tina	Paralegal	1000	\$145	\$145,000
Linda	Paralegal	1000	\$125	\$125,000
Rachel	Legal Assist	900	\$95	\$85,500

Total: \$2,947,500

Alternatively:

1. Joan's base is \$150K with benefits, everything over \$450K is "super profit".
2. \$1,000 per month for hitting billable target...120
3. 25% of every dollar over \$450,000...meaning if she hits \$540K, she gets a \$22.5K bonus.
4. She earns \$150K + \$12K + \$22.5K equaling \$184.5K.

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Tina	Paralegal	1000	\$145	\$145,000
Linda	Paralegal	1000	\$125	\$125,000
Rachel	Legal Assist	900	\$95	\$85,500
Total:				\$2,947,500

1. Joan's base is \$150K with benefits
2. She gets \$1,000 per month for hitting billable target...120
3. If the firm hits \$2,505,375 everyone gets the week between x-mass and new years off - paid
4. If they hit \$2,947,500...the team gets another weeks pay
5. Notice, shareholders production is not in the equation
6. Don't underestimate the power of establishing expectations

Planned Target\* \$2,505,375



# FLAT FEE MODEL

## Considerations & Assumptions

The average fee for this firm is \$4,000 per case

1. Marketing	30% of fee credits (\$1,200)
2. Signing up the case	20% of fee credits (\$ 800)
3. Designing the plan	30% of fee credits (\$1,200)
4. Drafting the plan	10% of fee credits (\$ 400)
5. Delivering the plan	10% of fee credits (\$ 400)
Total:	<hr/> 100% \$4,000

Note: You can adjust fee credit allotment to weight your priorities.



# FLAT FEE MODEL

Team	Position	Draw/Salary	Minimum Revenue “credits” Needed
Rob	Assoc.	\$100,000	\$300,000
Kelly	Paralegal	<u>\$60,000</u>	<u>\$180,000</u>
		Total: \$160,000	\$480,000

## Throughput:

The average flat fee case is \$4,000. The team will need to collect on 120 matter for the year; 30 files per qtr; 10 files per month. Ultimately, the expectation is set for hitting \$480K in revenue credit.

1. Rob and Kelly work as a team, but this comp model works for the firm in general. Players are rewarded individually and as a team.
2. If Rob hits his \$300K in “revenue credit” he will get a \$2,500 bonus for every \$10,000 revenue credits exceeding his personal target.
3. Kelly gets a monthly bonuses of \$200, if revenue credits are on target with team projections, (\$480K). She gets a super bonus of \$500 if they hit the quarterly number.

# CONTINGENCY MODEL

Team	Position	Draw/Salary	Minimum Revenue Needed
Rob	Assoc.	\$150,000	\$450,000
Janet	Case Mgr.	\$ 75,000	\$225,000
Kelly	Paralegal	\$ 50,000	\$150,000
Total: \$275,000			\$825,000

## Throughput:

Average file fee is \$10,000, Pod will need to collect on 82 files for the year; 20 files per quarter; 7 files per month.

1. This is a Pod, so they work as a team. They are rewarded individually and as a team.
2. Rob gets 10% of revenues over \$825,000.
3. Janet & Kelly both get monthly bonuses of \$500 each, if revenue is on target with projections. They get a super bonus of \$1,500 each if they hit the annual number.
4. If they know average fee, could have associated bonuses to number of files closed (revenue in the door).

# Beware Of Unintended Consequences





# ARE YOU READY TO CREATE YOUR ACTION PLAN?

- Check the chat box
- [Schedule your free consultation](#)
- Discuss your compensation plan
- Discuss alternative compensation models
- Discuss how to integrate the 3 C's into your firm

# UPCOMING WORKSHOPS AND PROGRAMS



## GROW YOUR LAW PRACTICE WITH AI WORKSHOP

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May 30, 2024  
Zoom



## THE PATH TO A GREAT PRACTICE & GREAT LIFE WORKSHOP

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June 12, 2024  
Zoom



## SALES WITHOUT SELLING: THE ATTICUS SALES TRAINING ACADEMY

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# Final Thoughts and Questions

Thank You!



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