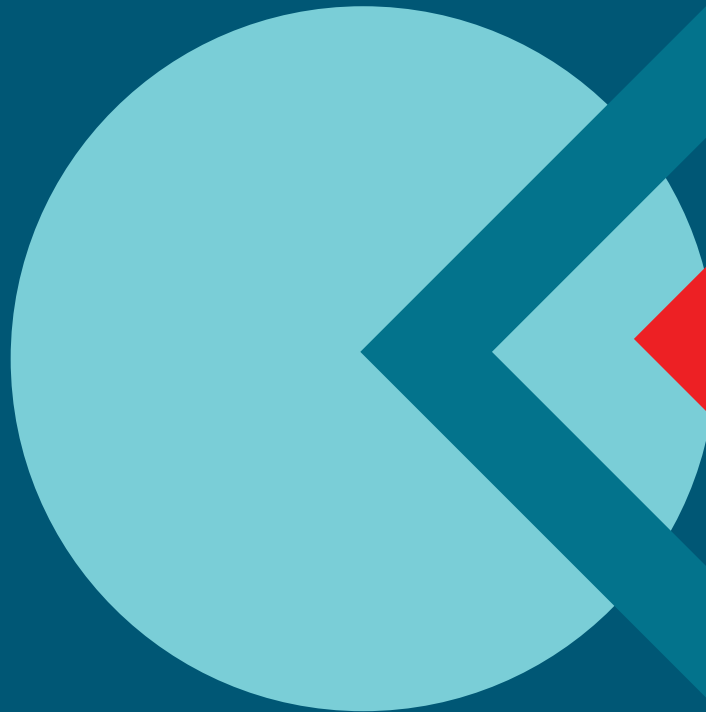


by Nicole Black, Esq.

Law Firm Finances





→ Introduction

Running a successful law firm in 2024 is no small feat. Lawyers face many obstacles that can slow law firm growth, including an increasingly competitive landscape, continued financial headwinds, and rapid technology advancement. To confidently scale a successful law firm and drive outstanding client outcomes, it's vital to make well-informed, strategic business decisions grounded in reliable, robust data points.

That's where our Benchmark Reports come in. In this annual, three-part Benchmark Report series, we collect anonymized, aggregated data from law practice management and payment processing systems. We then provide benchmarking data, insights, and analysis that will help law firm decision-makers manage finances more effectively, enhance profitability across different practice areas, and deliver exceptional client service—empowering you to be even greater at what you do.

In Part 1 of this report, we **analyze financial metrics** with a focus on expenses, payment methods, and retainer amounts. Next, we **break down expenses by practice area**, comparing the average monthly costs and the top expenses firms face. Then, we **compare how firms of different sizes pay for these expenses** through cash, checks, credit cards, or other means. In addition, we take a closer look at **retainer amounts within specific practice areas**.

TOPICS COVERED

- 1. How our customers use technology to expand their firm's reach by making decisions that increase their client base and support long-term growth**
- 2. How law practice management and payment processing software increase efficiency and profitability for our customers**
- 3. How our customers use our software to streamline their firm's workflows and maximize productivity**

Law Firm Expenses

From the data we collected, one thing is clear: Law firms record many expenses. However, as you review the data, you'll notice that the amount expended in 2023 differs significantly by practice area. This variation across practice areas is in large part due to the procedural and back-office complexity required for different types of cases.

Average Expenses Per Case Per Practice Area in 2023

PRACTICE AREA	TOTAL NUMBER OF EXPENSES	AVG. EXPENSES PER CASE
Family Law	312,550	3.7
Personal Injury	181,064	4.1
Trust and Estate (includes Probate)	164,817	2.8
Matrimonial	140,169	3.3
Real Estate	99,768	2.8
Criminal Law	61,241	2.8
Immigration	43,870	2
Employment	33,624	4
Bankruptcy	28,713	2.7

As you can see, Family Law cases incur the highest number of expenses, totaling 312,550. Trust and Estate and Personal Injury matters also register a higher number of expenses, at 164,817 and 181,064 in 2023, respectively. In comparison, Employment and Bankruptcy law matters have far fewer expenses in 2023, at 33,624 and 28,713.



Expense Activity Categories by Practice Area

Next, let's take a look at the top three expense categories across several key practice areas. Note that the top expense categories for each area of focus are often quite different; this is largely dictated by the specific workflow requirements and procedural necessities for each type of case.

For example, it's not surprising that recording fees are a top expense for Trust and Estate and Real Estate law attorneys since both practice areas involve the creation of documents that are often filed with the county clerk's office or the court. Likewise, credit reports are often pulled in Bankruptcy practices, so fees for those reports rank highly for that practice area.

Top Three Expense Categories by Practice Area

<p>Family Law</p> <ol style="list-style-type: none"> 1. Filing fees 2. Postage fees 3. Copy fees 	<p>Personal Injury</p> <ol style="list-style-type: none"> 1. Medical records 2. Postage fees 3. Unspecified fees 	<p>Trust & Estate</p> <ol style="list-style-type: none"> 1. Filing fees 2. Postage fees 3. Recording fees
<p>Matrimonial Law</p> <ol style="list-style-type: none"> 1. Filing fees 2. Postage fees 3. Copy fees 	<p>Real Estate</p> <ol style="list-style-type: none"> 1. Postage fees 2. Filing fees 3. Recording fees 	<p>Criminal Law</p> <ol style="list-style-type: none"> 1. Postage fees 2. Copy fees 3. Mileage
<p>Immigration Law</p> <ol style="list-style-type: none"> 1. Postage fees 2. Filing fees 3. Copy fees 	<p>Employment</p> <ol style="list-style-type: none"> 1. Postage fees 2. Copy fees 3. Filing fees 	<p>Bankruptcy</p> <ol style="list-style-type: none"> 1. Court fees 2. Postage fees 3. Credit reports

One notable type of expense shown above is the “unspecified” category under Personal Injury. This categorization reflects what happens when expenses are not appropriately accounted for. Oftentimes that occurs when expenses either fall through the cracks or are the result of unauthorized internal spending.

If this sounds familiar and your firm’s employees often fail to categorize spending, you may want to seek out financial management products that allow you to monitor expense transactions in real time, like Smart Spend, the first spend management solution for the legal industry. This tool, available in [MyCase](#), [CASEpeer](#), and [LawPay](#), allows you to maintain tight control over and gain detailed visibility into your firm’s expenses and spending. As a result, risky, unreliable manual data entry is eliminated and replaced with real-time monitoring and controls that significantly reduce the risk of internal financial misconduct.

The bottom line: No matter the practice area, law firm expenses are numerous and accumulate quickly. Accounting for expenses can be challenging and time-consuming if the proper processes aren’t in place. That’s why robust expense management tools and capabilities are so important and help to set the stage for law firm growth and financial success—allowing your team to reach new heights of greatness.



Expense Payment Methods by Firm Size in 2023

Next, let's explore data regarding the methods law firms utilize to pay expenses—whether through cash, check, debit (ACH), or credit card. This information is valuable because it provides insights into a firm's financial management strategies, including its operational efficiency.

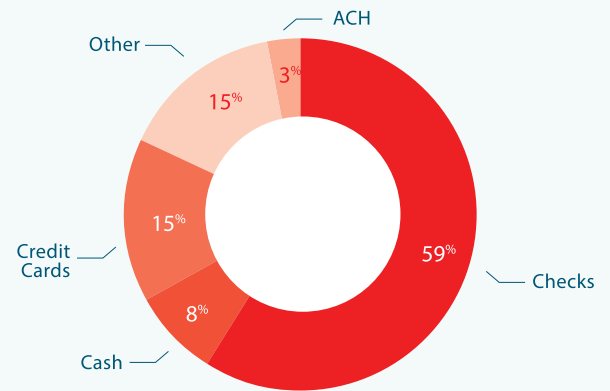
For example, firms with a higher level of sophistication in their financial planning often rely on digital payments, which offer a more modern, streamlined approach to handling transactions. These user-friendly payment options also help firms create more positive client experiences and can demonstrate a commitment to greatness at every client touchpoint.

As you'll see, expense payment methods vary across different-sized firms, with solo and small firms often relying on more traditional payment methods like cash and checks, which reduces visibility into expenditures.

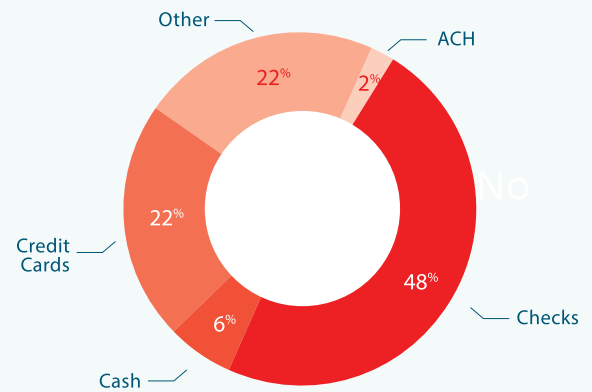
The data reflects an increased reliance on electronic expense payment methods as firm size goes up. The significant role of 'Other' payment methods, especially in larger firms, suggests a more complex expense management strategy that could include digital payments, wire transfers, or other non-traditional payment mechanisms, likely due to a client base consisting of large numbers of business clients. These types of highly trackable, electronic payment methods provide firms with greater insight into expense management transactions, thus reducing risk and increasing accountability.

For smaller firms that serve individual legal consumers, a tool like [Smart Spend](#) could serve the same function and provide improved visibility into, and trackability of, law firm expense spending.

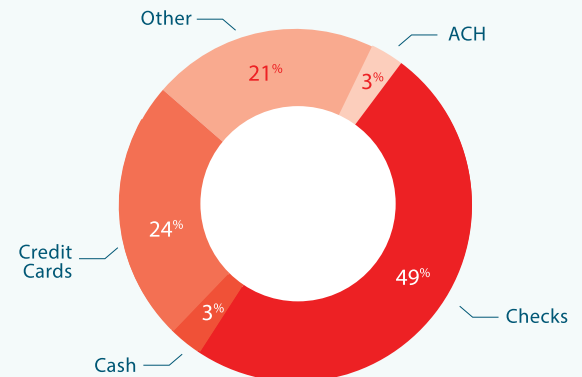
Solo attorneys



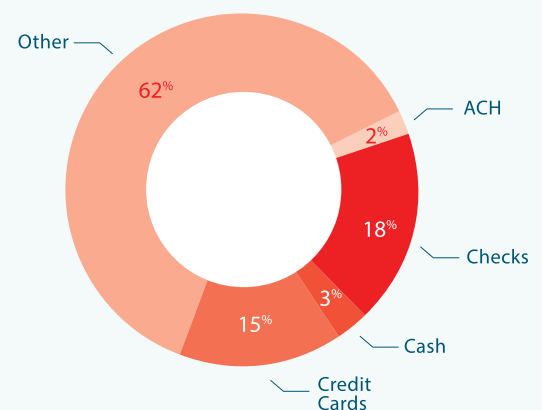
Firms with 2-8 attorneys and employees



Firms with 9-20 attorneys and employees



Firms with 21+ attorneys and employees





Law Firm Retainers

For new and established practitioners alike, industry average retainer amounts are an important data point. Comparing your firm's average retainer requests with those of other firms provides valuable benchmarks that can be factored into your overall pricing analysis.

Using that data, you can determine fair yet competitive retainer fees and overall billing rates that will empower prospective clients to engage your firm's services while also ensuring that you secure the minimum legal fee needed to render the case financially viable.

Below you'll find the average retainer amount requested by legal practice management (LPM) customers in 2023 by practice area. This data offers valuable benchmarks for lawyers across different areas of specialization and can assist in evaluating—and possibly revising—your firm's pricing strategies.

Average Retainer Amount by Practice Area in 2023

PRACTICE AREA	AMOUNT REQUESTED
Bankruptcy	\$4,015
Family Law	\$3,163
Real Estate	\$2,860
Employment	\$2,835
Criminal Law	\$2,816
Matrimonial	\$2,710
Trust and Estate (includes Probate)	\$2,172
Immigration	\$1,973

Payment Methods for Retainers

Finally, let's take a look at the payment methods used by law firm clients to pay retainers. As you'll see from the data, electronic payment methods were favored in 2023. Given the challenging economic environment of the past year, the clear preference for credit card payments for retainers highlights two key trends:

1. Legal clients seek convenience and flexible ways to pay for legal services.
2. Law firms are responding in kind by adopting modern payment methods that meet client demands while streamlining and maximizing the collection of legal fees.

The data shows that cash payments account for a mere 1% of the total volume, with checks factoring in at 3%. These low percentages are indicative of the changing needs of legal consumers, who increasingly prefer more modern payment methods like credit cards, which represent a staggering 83% of all retainer payments.

ACH ranked next, at 12%. These numbers highlight a clear shift in the payment methods legal consumers seek when retaining the services of a law firm.

This data also emphasizes the importance of offering clients convenient, flexible, and efficient payment processing capabilities that accommodate their preferences and optimize your law firm's cash flow management.

Retainer Payment Methods in 2023

PAYMENT METHOD	PAYMENT VOLUME
Credit Card (Online + Offline)	\$366,932,417
ACH	\$52,400,593
Check	\$11,649,647
Cash	\$4,764,566
Other	\$4,645,623



→ Conclusion

The financial data and analysis provided in this first part of our 2024 Benchmark Report series highlight several key takeaways:

1. The importance of offering competitive retainer rates and payment methods.
2. Law firms are better able to effectively track expenses, and increase visibility into expense management by utilizing financial solutions tailored to the legal industry, such as Smart Spend. These approaches enable lawyers to run their firms with peace of mind while delivering exceptional client outcomes.
3. Incorporating digital payments into all stages of law firm finances ensures business growth and spend management accountability.

With the insights and law firm benchmarks from this report, you have the data you need to make informed decisions that contribute to the success and financial viability of your practice, allowing you to scale your firm with confidence.

To put this data into action, try our suite of top-rated legal practice management solutions and the leading legal payment solution—MyCase, CASEpeer, Docketwise, and LawPay. With this integrated family of software, you can drive outstanding outcomes for your clients, increase profitability, and ensure long-term financial success for your practice.



Learn more about how
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