



2021 Edition

10 Step Guide to Starting an Online Law Firm





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Advances in legal technology have made it easier and less expensive than ever before to start your own law firm. Cloud technology provides a whole new way of thinking about what a law firm can do and look like with less overhead and less staff.

Lower IT costs, the adoption of flexible working arrangements, and the normalcy of completely virtual law offices are encouraging entrepreneurial lawyers to venture out on their own. Right now, there is a unique opportunity for those who want to realise the dream of being their own boss and running a successful law practice.

At the end of the guide, you'll find a checklist that recaps the steps involved in setting up your own law firm. You can easily refer to the checklist when you want to review your progress or determine your next step.

Ready? Let's get you started.

If you are thinking about starting your own law firm, you first need to ensure you meet the legal requirements set forth in your province.

Make sure you have met the requirements for licensure that are set by your local law society.

- ▶ Requirements for professional liability insurance, CPD hours and firm regulations will vary by province, so you should check with the law society to see what applies to you.

Some other areas of compliance to acquaint yourself with include:

- ▶ Your professional obligations as a lawyer.
- ▶ Your province's laws concerning the receipt, holding and disbursement of trust money.

The law society of each province publishes [professional responsibility](#) rules regarding maintaining client trust accounts. Contact your province's law society for more information.



Get started by visiting your law society

[Federation of Law Societies of Canada](#)



You've met the legal requirements to start your own law firm. The next step is to decide what kind of legal services your firm will provide. The kind of law you practice will inform your marketing strategy and your brand.

Your choice of practice area should be heavily influenced by your prior legal experience. It is also important to consider what you enjoy, and what you are good at or can feasibly become good at by seeking the guidance of more experienced lawyers. After all, people who enjoy their work tend to find more happiness in their careers. Being capable in your chosen area is also essential to providing excellent client service, as well as establishing a good reputation and a steady revenue.

Many lawyers try to run a general practice, taking on whatever comes through the door. This may be risky, and it can be stressful for a fledgling law firm. It will put greater strain on you and your already limited resources, especially if you are a sole practitioner. Try to narrow your services so you can focus and build your expertise.

STEP 2 Choose your area of law

A great place to start is with a SWOT analysis. Think about the areas of practice in which you are interested, and consider strengths, weaknesses, opportunities and threats for each area.

Strengths might include your own experience in the area, while weaknesses might be a lack of experience.

Opportunities might include external factors, such as a strong real estate market or high demand for a particular kind of lawyer in the geographical area in which you practice.

A threat could be a high saturation of other law firms in your area providing the same services.

Strengths

eg. your own experience in the area.

Weaknesses

eg. lack of experience or resources.

Opportunities

eg. high demand for a particular type of lawyer in a geographical area.

Threats

eg. high saturation of other law firms in a geographical area.

If you choose to specialise, keep in mind that as you build your client base, you can always expand your services based on the demand of your existing clients. Doing this later on will give you the time to build your firm, resources and expertise.

Some common areas of practice you may like to consider:

- ▶ Real Estate
- ▶ Family and divorce law
- ▶ Wills and Estates
- ▶ Criminal law
- ▶ Immigration law
- ▶ Personal injury
- ▶ Business law
- ▶ Litigation

STEP 3

Choose the type and structure of your firm

What do you want for your firm? Now is the time to decide on your goal.

- ▶ Do you intend to practice with other lawyers, or are you looking to be a sole practitioner?
- ▶ Do you want to practice in an urban or rural area?
- ▶ Do you want to focus on providing affordable service?
- ▶ Do you want to grow into a national firm, with several offices across Canada?

These are just suggestions to get you started. Part of your goal could include how much money you want your firm to be making by certain milestones. Knowing the objective for your firm will help you plan your business and marketing strategy more effectively. It is also a good motivator, especially when you make it as measurable as possible.



In the space below, write down where you want your firm to be in:

6 months

1 year

3 years

5 years

STEP 3 Choose the type and structure of your firm

These can be rough ideas that are refined as you add detail to your business plan. Once you know what your minimum monthly expenses will be, how much cashflow you need to survive and how much you could make performing different kinds of work, you can set a figure that you want to reach by a certain point in time.

Once you have some ideas on your goals, it's time to think about the practice structure of your firm. This is an important step that requires thorough consideration. You may benefit from seeking professional advice on how to structure your practice. Each practice structure has its own legal requirements, and there are long-term taxation and financial consequences if you pick the wrong one and change your mind later.

The most common practice structures are:



Sole Practitioner



General Partnership



Limited Liability Partnership



Professional Corporation

Consult with your province's law society for applicable professional responsibility requirements and rules governing each structure, and consider the advantages and disadvantages of each.



Let's talk about your cost model. Is it fixed fee, time-based billing or both? Your area of practice will generally dictate your cost model.

Time-based billing

Time-based billing means you sell your time as an hourly rate billed in incremental units. Using this method of billing means you must ensure you capture all time for all work performed. Clients will want clearly itemised invoices of what you've done and how much you are charging for it, so your time recording needs to be accurate.

If you utilise time-based billing, you can set targets for yourself by deciding on the number of billable units you intend to bill for each day. Practice management software like LEAP lets you measure and analyze your performance against the money budgeted for a matter. This can greatly improve your efficiency and increase your profits.

Flat fee billing

There are some types of legal work that are very process driven. For example, a simple conveyancing matter will require you to repeatedly perform the same process. Work of this nature is often charged on a flat fee basis. Charging for simple work on a flat fee basis allows you to compete with other firms in your area.

If you use this billing method, don't underestimate the financial and time-saving value of software that automates aspects of repetitive work. You should always aim to make as much money as you would if you were billing on a time basis. The best way to ensure you are charging enough for your work is to record your time while working on flat fee matters and perform regular comparisons between how much time you spent on a flat fee matter versus how much you billed.

Contingency fee billing

A client pays a contingent fee to a lawyer only if the lawyer handles a case successfully. Lawyers and clients use this arrangement only in cases where money is being claimed—most often in cases involving personal injury or workers' compensation.

In a contingent fee arrangement, the lawyer agrees to accept a fixed percentage (often one-third) of a monetary recovery, which is the amount finally paid to the client. If you win the case, your fee comes out of the money awarded to your client. If you lose, neither you nor the client will get any money, and your client

will not be required to pay you for the work you performed on the case. On the other hand, win or lose, you probably will have to pay court filing fees, costs related to deposing witnesses, and other charges.

If you choose to bill on a contingency basis, you need to make sure that your practice management software is able to keep very good records of all the recoverable costs you have spent litigating the case. You will only be able to get reimbursed for costs spent on a case if you have accurate financial records.

Combination billing

Many firms use a combination of flat fee, time-based billing and even contingency if they practice in multiple areas. Regardless of the billing method chosen, a good rule is to ensure that your time recording is accurate and covers all your work. The LEAP mobile app lets you record any work that would traditionally be lost, such as making phone calls or sending emails while outside the office.

Billing practice

To avoid future difficulties, you should immediately implement a billing cycle. Bill your clients regularly using clearly itemised invoices presented in plain English. Avoid waiting until the very end of a matter to send an invoice. Smaller amounts sent monthly will be received more positively than a large lump sum at the end of a matter.

How do you implement a billing cycle?

When determining the timing of your billing cycle, remember that the more regularly you bill, the better. Upon engaging a client, notify them how and when they will be billed in their retainer agreement. Inform them how long they have to pay an invoice and give them clear instructions on how to pay it and who they can contact in case of late payment. This makes it clear to your clients that there is a billing system in place, and they will understand that unpaid accounts will be collected promptly (and professionally).

The key here is to tighten your cash flow. As a new law firm, this is critical to your survival. You need to keep the money flowing regularly, and there is no sense in letting work you've completed remain unpaid. LEAP lets you send electronic invoices at any stage of the matter, so you don't have to wait until the end of a matter to get paid.

Too often fledgling firms fail to establish a process for payments, assuming invoices will simply be paid at the conclusion of a matter. Make sure you are setting your firm up for success by establishing a payment process that allows your clients to easily pay their bill.



Just ten years ago, the immediate and obvious answer to this question would have been that you need a brick-and-mortar office. However, technology and COVID-19 have changed everything. The internet and cloud technology mean you can practice anywhere, at any time, and keep initial costs to a minimum.

When starting a law firm, focus on necessities. One of the most important things to remember is to keep overhead costs low until cash flow is steady.

You do not need to rent an office to legitimise your firm. Legal entrepreneurs are redefining what a law firm can look like and clients will appreciate that you are keeping costs low for both you and them. You can always provide clients the option of consulting with you at meeting rooms in convenient locations, all by appointment.

The advance of technology means that all you really need to start a law firm is your law license, professional liability insurance and comprehensive practice management software like LEAP.

If you are just starting your legal practice, we recommend that you don't go it alone. Instead, consider joining a solicitor's chambers or utilizing one of the many flexible working spaces now available. Many of these spaces will even offer private offices for hire on a flexible basis. This is a great option if you are just starting out, as you can avoid being locked into a long-term arrangement while you find your feet with your own practice.

If you are looking for a traditional lease, be sure to consider your needs in both the short- and long-term, factoring in considerations such as termination and renewal of the lease.

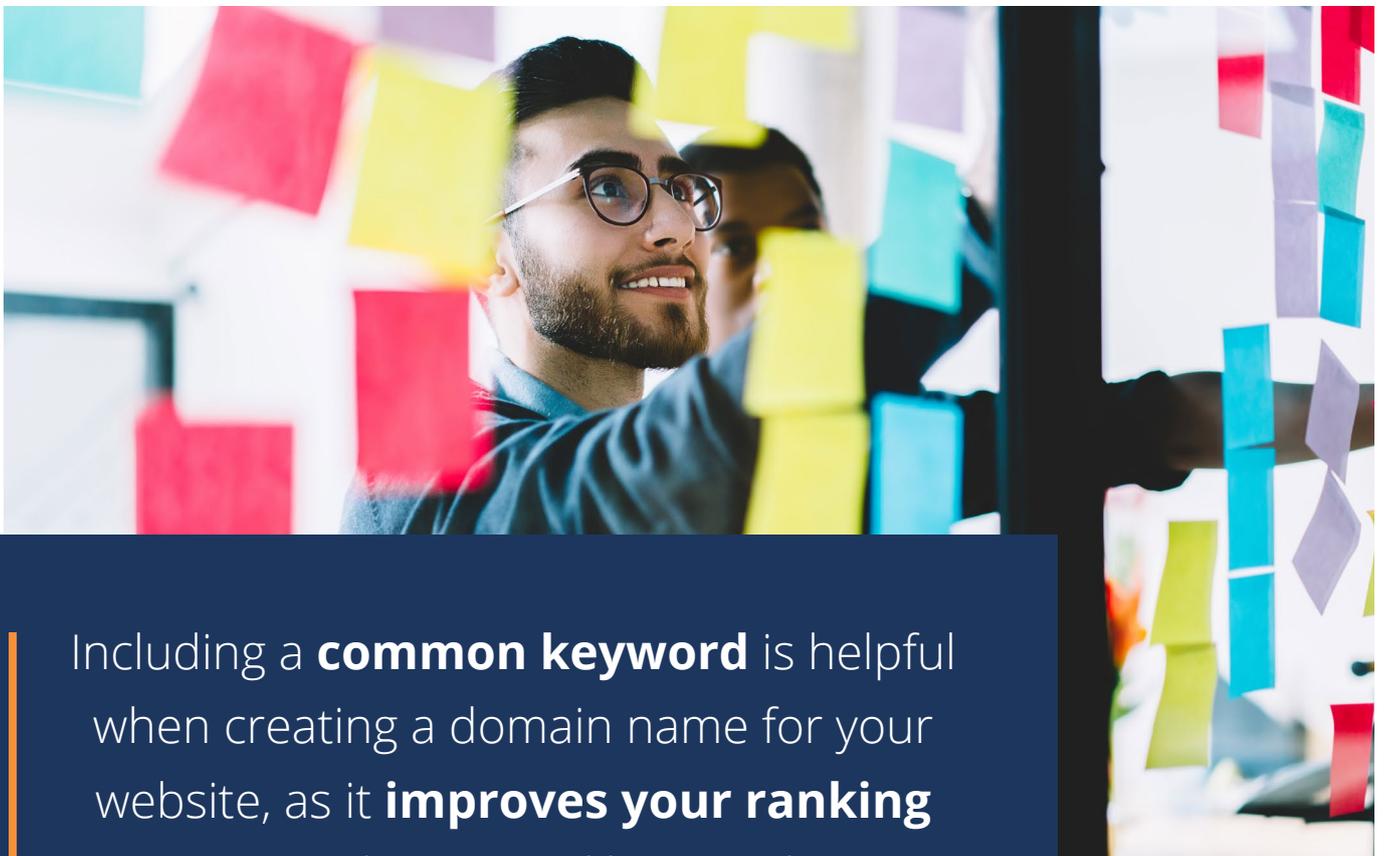
It is common in the legal profession to use your own name as the name of your practice.

For a sole practitioner, the advantage is instant name recognition. The disadvantage is at the start, when you do not yet have a reputation. You must do the hard work to build up a brand around your own name before you can really reap the benefits.

When choosing a name for your firm, you need to think about how clients will find you online.

You can make it easier by including keywords in your name, for example “lawyer” or “solicitor.” If you are dedicated to an area of law, you might include something related to that, such as “family lawyer” or “personal injury lawyer.” Including a common keyword is helpful when creating a domain name for your website, as it improves your ranking in search engines like Google.

You can also opt for a firm name that doesn’t use your own name. The same guidelines apply: if you can include a keyword somewhere (like “legal” or “law”), do it. Not only does it help in internet searches, but it also informs potential clients from the outset who you are and what you do.



Including a **common keyword** is helpful when creating a domain name for your website, as it **improves your ranking** in search engines like Google.

STEP 6 Choose your name

If you are starting a firm with more than one principal, you also have the option of using multiple names. If you use this method, keep in mind that if there are more than three or four partners, the firm name might become unwieldy. The effect is worsened if new partners join who insist on having their name included, or if current partners leave and you are forced to change the name of the firm. Doing this will confuse clients, dilute the strength of your firm's brand, and force you to buy new stationery, business cards and a domain name.

When deciding on whether to use all partners' names, keep in mind that few of your clients will faithfully recite all four, five or however many partner names make up your firm's moniker. Instead, your firm name will inevitably be shortened, so it's best to avoid using a long name to begin with.



This doesn't mean you can't use names, but try to keep it short and easy to say. Bear in mind the potential costs of rebranding, should you need to add or subtract a name.

In the same way that a sole practitioner should think about including keywords in their name, you should too. "Lawyers" or "legal" is usually enough to help improve your ranking in search engines.

You may need to register your firm name as a business name if you are not trading under your own name or the names of all the partners. For detailed information about registration requirements, visit the website for your province's Registry Services.

Your audience and online presence

When you start your own law firm, you are no longer just a lawyer, but a business owner too. This means you'll also need to consider your marketing approach and how to best attract clients.

Before you can devise an effective marketing plan, you need to know who your clients are.

Decide on the audience you are pitching to, and brainstorm what their needs and circumstances are. The following questions may help:

- ▶ What is their age bracket?
- ▶ What stage of life are they in? What life events are taking place? Marriage? Having children? Buying property?
- ▶ What is their financial situation?
- ▶ What are their legal concerns? What do they want?



These concerns are the kind of thing you need to be conscious of when crafting your marketing plan because they will shape your pitch. The more the pitch resonates with the needs and concerns of your target demographic, the more successful it will be.

Once you understand your target audience—the “who”—you can start thinking about the “how.” As a legal entrepreneur, you must learn how to market your firm or risk failure. More clients than ever turn to the internet when making a purchasing decision. This goes for legal services, too.

Giving your firm a good online presence through proper search engine optimization (SEO) can give you a solid advantage over your competitors. A FindLaw consumer survey found that 62% of legal searches are non-branded, which means that most people are not searching for specific firms when they need legal assistance. They are using generic keywords such as, “Divorce Lawyer,” or, “I want to make a will in Ontario.” If your website is SEO optimised, you will appear higher on the list of results.

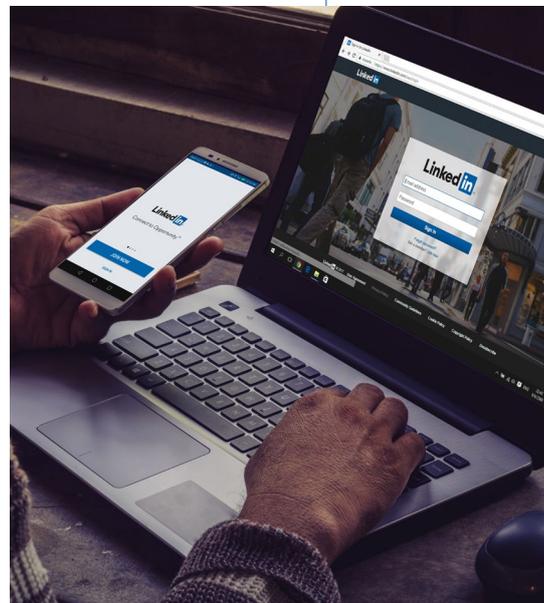
You may also want to consider the following ways to connect with prospective clients online:



- ▶ Create a Facebook page for your firm where you can post regular updates or provide engaging articles that link back to your website.



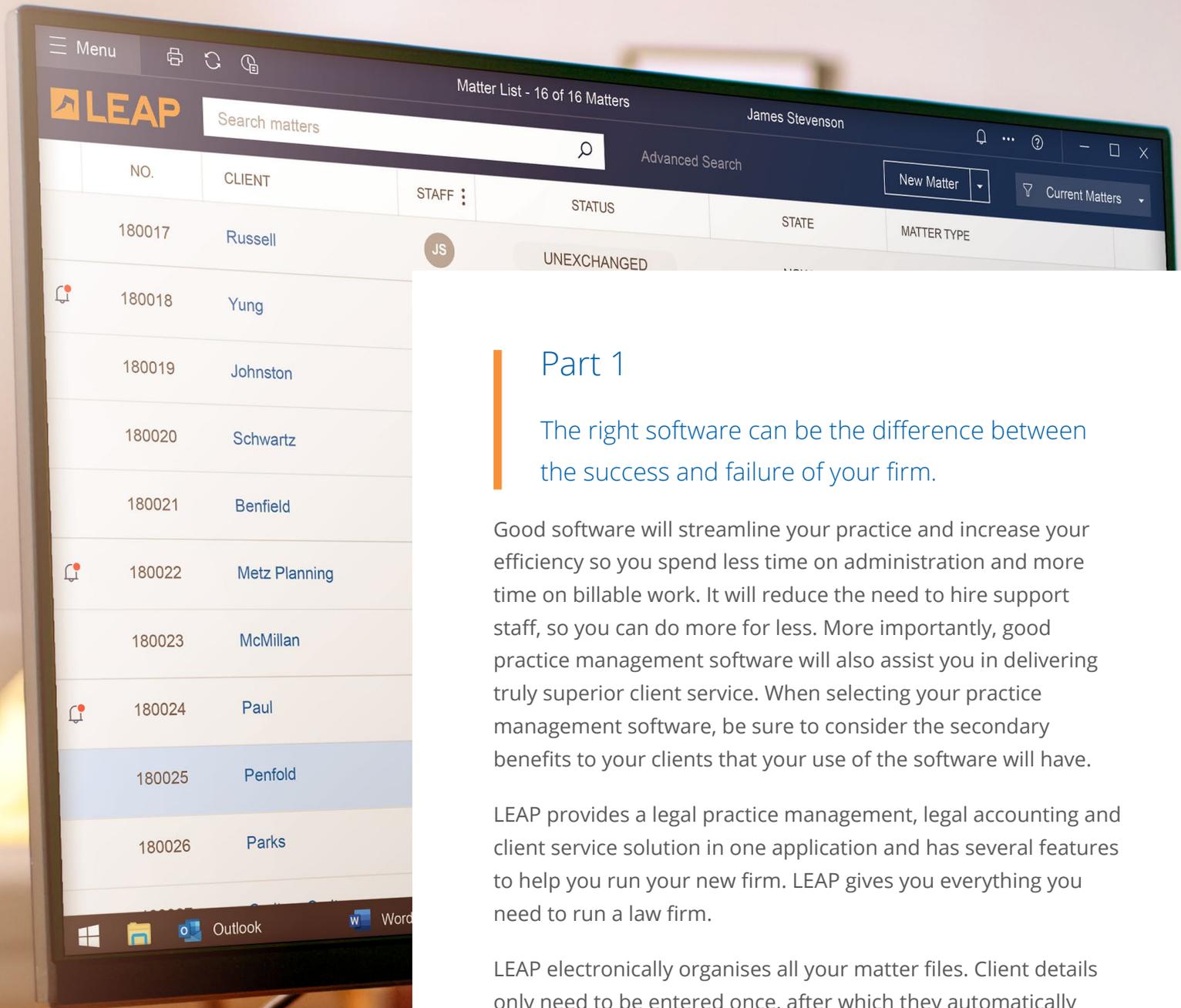
- ▶ Utilise video marketing to produce short, engaging videos to share on YouTube, LinkedIn or Facebook covering common legal questions. Adding this content to your website can increase the time a visitor spends on your website, which then improves your website ranking in search engine results.



In-person networking also remains invaluable. Many firms find that much of their work comes from people in their local area. However, one major challenge for new practices is that they are often competing against long-established businesses with strong community ties. For this reason, it's important to reach out to people in the community in which you work.

Here are some ways you can do this:

- ▶ Talk to local business leaders.
- ▶ If you work in conveyancing, talk to real estate agents.
- ▶ Attend community business events and meet other local business people.
- ▶ Connect with local business owners on LinkedIn
- ▶ Meet the principals of other law practices. If they don't practice in the same area of law as you, set up a referral system.



Part 1

The right software can be the difference between the success and failure of your firm.

Good software will streamline your practice and increase your efficiency so you spend less time on administration and more time on billable work. It will reduce the need to hire support staff, so you can do more for less. More importantly, good practice management software will also assist you in delivering truly superior client service. When selecting your practice management software, be sure to consider the secondary benefits to your clients that your use of the software will have.

LEAP provides a legal practice management, legal accounting and client service solution in one application and has several features to help you run your new firm. LEAP gives you everything you need to run a law firm.

LEAP electronically organises all your matter files. Client details only need to be entered once, after which they automatically populate in forms and documents, saving you time spent on repetitive data entry. Since matter files are stored electronically, you don't have to worry about finding storage space for boxes of folders.

Using LEAP, you can access thousands of up-to-date legal forms. Not only does this save you time on searching through websites, but it also means you can start practicing at a higher volume from day one.

STEP 8 Choose the right software to manage your practice

As your firm grows, you will create your own forms, and these will become your firm's bread and butter. You can import these forms into LEAP, after which you can select and automatically populate them with relevant client details.

A good software system should help you record time as accurately and efficiently as possible. It is extremely important that you record all your billable work as soon as it is completed, so that you can create accurate invoices for your clients. LEAP allows you to record billable time directly from a matter. It also enables you to record time for unopened matters, so you don't lose billable work completed in the initial stages of a matter. Additionally, if you're working on the go out of the office, time can also be recorded via the LEAP mobile app.



The LEAP Timesheet displays important financial information about a matter, such as how much debt it has incurred. Importantly, it also has a performance indicator section, which provides insight into the use of your time on a daily, weekly and monthly basis. Monitoring your performance is important, especially for a new law firm. You don't want to be losing money as a result of inefficiency. With LEAP's Timesheet, you can see how much time you are spending against how much money is budgeted for the matter.



LEAP's time recording features are also available on the mobile app, including voice recognition to dictate your time entries. Time entries made on the app automatically synchronise to your desktop Timesheet, so you can work away from your desk without worrying about losing billable work.



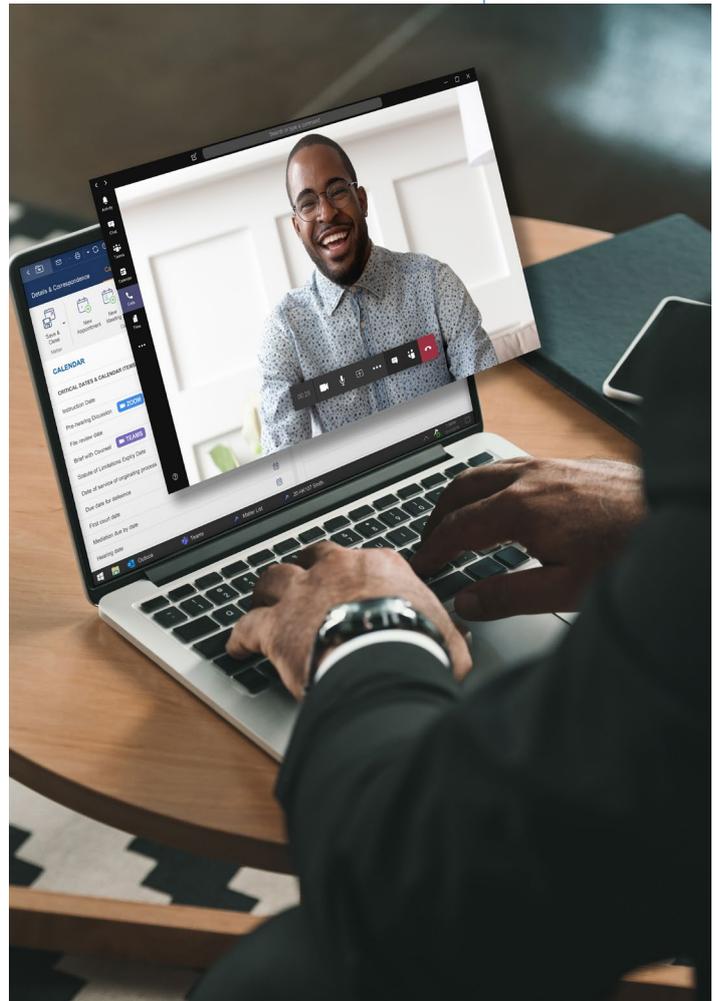
Trust accounting, as you know, is an important part of being a lawyer. If your firm intends to deal with trust money or open a trust account, you should ensure that your software can also record trust transactions accurately. LEAP includes a dedicated trust accounting function that allows you to easily record transactions, reconcile accounts, issue statements and report on all aspects of trust and controlled money.

Choosing the right legal practice management software will enable you to get up and running, making money from day one. You won't have to scramble to organise matters, look for court and legal forms, or halt work completely to create invoices by trying to remember the work you've done and how long it took you. Instead, you can focus on your clients, billable work and the actual practice of law.

Part 2: Cloud technology and client communication

Cloud software like LEAP offers you the ability to run your law firm from anywhere—your office space, in court, at home, even on a plane. It's important to find a software provider that gives you the ability to work anywhere and at any time. This will help you cut down on the overhead costs of renting a brick-and-mortar office and increase your mobility.

Mobility also enables you to choose how you balance your work and personal life. You no longer need to be in the office to make money. You can perform critical work wherever you go. Many lawyers choose to set up their own law firms because they want greater control over their practice and their time. They want to be able to choose when and how they work so that they can spend more time with their families and on their own personal endeavours. Cloud technology like LEAP can help you achieve this.



LEAP provides you with the following advantages:

- ▶ Lower infrastructure costs
- ▶ No need for servers
- ▶ No need for costly data storage devices
- ▶ Data syncs between all your devices where LEAP is installed—desktop, laptop, iPad and mobile

STEP 8 Choose the right software to manage your practice

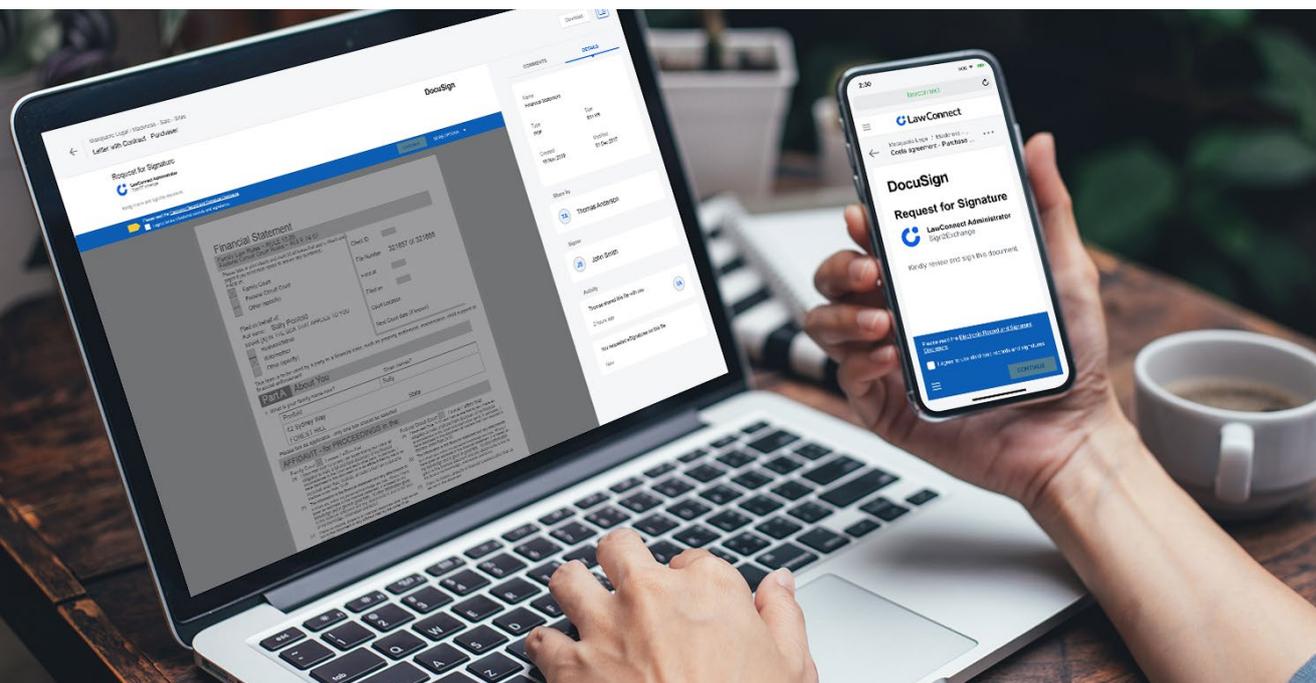
Cloud technology is not just great because it increases your mobility. It also transforms the way lawyers communicate with clients and can help ease the associated challenges.

LawConnect is a cloud document management system that enables you to share and collaborate on documents with your clients and any other party to a matter. It is a secure, safe and organised alternative to sending important confidential documents by email. LawConnect can be accessed directly from LEAP and requires no additional fees.

With LawConnect, you can see if a client has viewed a document, reducing the need to follow-up with potentially un-billed phone calls. Similarly, documents are automatically and chronologically organised under relevant matters in an easy-to-use and elegant interface. LawConnect seamlessly integrates with LEAP, enabling you to share a document with a client from a matter.

Software like LawConnect not only improves the service you provide to clients, but is also a great way to protect yourself from client disputes by functioning as an audit trail. Use it to share retainer documents and engagement instructions with each client you sign on to reduce the number of disputes about engagement terms.

Learn more about LawConnect at lawconnect.com



Now that you have created most of your business plan, you can start thinking about how you will fund your law firm.

Funding is one of the last steps, because to get a true picture of how much money you need to start your firm, you must be able to roughly calculate your minimum monthly expenses. Additionally, if you are intending to source funding from a bank, you'll increase your chance of success by presenting with a complete, well thought out business plan.

In the space below, calculate your expected minimum monthly expenses.

Here is a list of suggestions to get you started:

- ▶ Rent, if you are working out of a brick-and-mortar office, or if you are working from home, consider the cost of maintaining your office space. That could be rent or mortgage repayments.
- ▶ Utilities, including phone and internet.
- ▶ Legal practice management software.
- ▶ Professional liability insurance.
- ▶ If you will be employing others, include all associated costs such as salary, superannuation and Workers' Compensation insurance.

Alongside your monthly expenses, write a second list that includes one-off or occasional payments necessary to run your practice:

- ▶ A computer or laptop.
- ▶ A cell phone.
- ▶ A copier/scanner/printer.
- ▶ Brand collateral, including business cards and stationery.
- ▶ Basic office furniture (a comfortable chair, a desk, a filing cabinet, etc.).
- ▶ File storage services
- ▶ Professional dues, such as your law society membership and CPD credits.
- ▶ Administrative costs, such as those involved in registering your business and trading name, if applicable.

Don't forget to include your own living expenses. You have discretion here to decide just how much you need to survive. Remember, it will take time before your firm will emerge as a viable separate financial entity, so the financial state of the firm will impact you personally.

Once you know how much money you need to start your firm, you can set about securing funding.

If you intend to finance your firm using your own money, then you should have enough money to last you at least six months, but ideally it would be enough for one year to provide a reasonable buffer zone.

You may be able to seek financial support from family or friends. Otherwise, your option for financing will most likely be a combination of equity (money you or your partners provide) and funding from a bank, in the form of a loan. Speak to your chosen bank or a trusted accountant about obtaining finance.

Finally, while great legal software such as LEAP can help remove the need for an in-house bookkeeper, you may need help on an as-needed basis. Consider building a relationship now with a bookkeeper you can consult in future.



Congratulations! You've almost reached the end of your business plan. You're well on your way to creating your own successful law firm. The checklist below, while not exhaustive, can help you plan and review at a glance.

Checklist:

- I have a law license and am a member of my local law society
- I have professional liability insurance
- I have met any other requirements set by my province's law society
- I am familiar with the rules of professional responsibility for lawyers
- I have chosen my firm's area/s of law
- I have chosen my firm's name
- I have chosen my law firm's practice structure
- I have drafted a partnership agreement (cross out if not applicable)
- I have registered my business with the CRA (Canada Revenue Agency)
- I have calculated my initial start-up costs
- I have calculated my minimum monthly expenses
- I have calculated my personal cash flow
- I have set up trust accounts
- I have opened bank accounts
- I have chosen my billing structure
- I have implemented a billing cycle
- I have an easy-to-use payment system for my clients
- I have chosen where I will practice
- I have sourced funding for my firm
- I have legal practice management software
- I have a website and an email address
- I have arranged employee agreements, salaries, superannuation and Workers' Compensation insurance (cross out if not applicable)
- I have a referrals system
- I have basic office supplies and basic office furniture
- I have business collateral, such as business cards and stationery

Final Word

While technology has made it easier than ever to run your own law firm and intelligent marketing can drive potential clients to you, starting your own law firm will have its challenges. However, it also has its rewards.

Whatever your idea of success, having your own law firm gives you the control. While good planning will take you far, what will take you further is belief in your own capacity to succeed.

Hopefully, this guide has given you the confidence to take the first steps to becoming a law firm owner. We wish you all the best!

