

# Reduce Law Firm Write Downs and Write-Offs With Legal Billing Software



In some situations, your law firm may need to adjust a clients invoice. It could be due to lack of communication of your billing process, dissatisfaction with service or simply trying to bargain your rate. No matter the reason, rate reductions add up over time and can hurt you bottomline. Having the proper legal billing software can help reduce law firm write-downs and boost your revenue.

The case of [\*Manigault v. Daly & Sorenson, LLC\*](#), is a notable example of expectations gone awry. Manigault felt her law firm used 15-minute increments to charge her unfairly when the *“specified work took far less time to accomplish.”*

Did her law firm take advantage of her in this situation? We’ll never know. The Wyoming Supreme Court disagreed with her assertions, stating that her law firm was not unreasonable.

## **The secret cause of write-downs and write-offs**

The hidden driver of law firm write-downs and write-offs typically isn't due to a misunderstanding. It's also not usually the result of overwhelming mistakes on the firm's part. It's an expectations mismatch.

[Pam Woldow](#), attorney and legal consultant, confirmed this in several posts. Here are a few of the scenarios that create write-downs and write-offs.

1. **Create realistic expectations.** It's important to have an idea of the services you can provide and scope the work accordingly. This starts with an accurate process to measure performance. Inaccurate measures of performance and cost estimates can lead to miscommunication resulting in a client being dissatisfied and requesting a write-down.
2. **No concrete budget set.** No budget was set during initial negotiations. The firm simply billed clients as usual, doing as much work as they can justify. When clients receive their bill they're upset. The large amount listed was nowhere close to their expectations and could ask for a discount.
3. **Scope creep or changes to the scope.** Scope creep occurs in one of two ways - clients request changes but assume their requests are part of the existing budget/price. Or, the firm makes changes to the agreed-upon scope (justified or unjustified). It's important to communicate all changes and the impact they could make on the scope of work.
4. **Inefficient time tracking.** Refer to timekeepers who **(a.)** spend far too much time on legal work and **(b.)** use traditional form of timekeeping such as an Excel sheet or pen and paper. Utilizing an automated, "set it and forget it" style [time tracking software](#) can reduce inaccuracies and allow you to measure your performance.

The issue in each of these very common scenarios is miscommunication on expectations.

## Reduce law firm write-downs with proper communication

First, we need to clarify our terms. We need to understand the difference between a write-down and a write-off? It's an important distinction that helps us better understand the benefits of legal billing software.

- A *write-down* reduces the value of an asset (invoices in this case) for tax and accounting purposes, but the asset still retains some value.

- A *write-off* negates all present and future value of an asset. It reduces its value to zero.

A write-off is typically a *one-time event*, entered immediately when an asset has lost all usefulness or value, but write-downs can be *entered incrementally over time*.

When it comes to billing, your clients have fuzzy, implicit and unrealistic expectations. [A study by Jukka Ojasalo](#) outlined the differences between these client expectations.

- **Fuzzy expectation.** Your clients expect your invoice to be within an approximate range, though they couldn't tell you what that specific number is.
- **Implicit expectations.** Your client believes it's "obvious" or "self-evident" that your bill would fall within a specific dollar amount or range (only it's not obvious).
- **Unrealistic expectations.** These are expectations you're either unable or unwilling to meet; for example, your client expects you to produce \$500,000 of legal work for \$25,000.

To truly reduce law firm write-downs and write-offs, these expectations **must** be flushed out during the negotiation process.

## How legal billing software can help boost revenue

1. **Automated workflows.** Good legal billing software enables you to create automated workflows. These workflows are a series of steps and procedures your team follows at the beginning, middle and end of a project. Does a particular client want you to pick up the phone and talk to them when an invoice is over budget? Are clients contacted when they request something that's considered to be scope creep?
2. **Pre-bills.** A draft version of your [invoice](#) gives you the time to go over billing guidelines and client expectations ahead of time. A pre-bill gives you time to run things past partners in charge of a specific matter or project before it reaches the client.
3. **Project management.** Good project management enables you to [create and assign tasks](#) for specific projects or matters. That's important if you need to flush out client expectations during the beginning stages of a project

or simply hold clients accountable to the standard they've set.

4. **Automated time tracking.** Using automated time tracking tools, you can convert completed tasks and to-dos into time entries and invoices. That's beneficial for several reasons. First, you have a visual reminder that you're working on the tasks and action items your clients have specifically requested. Second, you're able to gain explicit approvals on each of the pertinent tasks in your client's project or matter.
5. **Detailed reporting.** [Reporting](#) can help determine which practice areas have the most write-downs or write-offs, manage budget and identify where problems could arise. Your software should help you identify the important trends and details shaping your firm's financials.

Good legal billing software enables you to send invoices and receive payment.

**Great legal billing software** provides you with a framework and the full suite of tools your firm needs to boost revenue, reduce write-downs and eliminate write-offs. Platforms like, [Bill4Time](#), offer an all-in-one solution from built-in payments processing through [Bill4Time Payments](#) to invoicing, automated time-tracking and more to manage your firm.

## Write-downs and write-offs aren't mandatory

Sometimes they're necessary, but they should be the exception rather than the rule.

Managing your client expectations is easier when you have the right set of tools. With good communication, the right legal billing software and a full suite of supporting tools, your firm will have the tools to reduce unnecessary revenue loss.

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