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News Story

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Off on their own

Entrepreneurial spirit inspires lawyers to open their own practice after years with other firms

By Douglas J. Levy

Managing Your Practice

Practicing law is difficult enough without having to manage software and server problems, office rent expenses, billing disputes and making administrative decisions on behalf of the firm.

But that's just a swatch of what a lawyer who starts a new practice after years of working for established firms has to do. With the be-your-own-boss experience also comes fear of failure in a bleak economic climate, restless nights, putting in weekend hours, and having to reprioritize life outside the office.

Two newly established metro Detroit-area practices are facing those challenges head-on, learning that there's no such thing as a "typical" workday.

The one-man show

It was at his last stint at a large Detroit-based law firm where David D. Sprague realized he was limited in practice and wanted to expand into family law and estate planning — something the firm he was working for didn't handle.

Even if it did, "A lot of the clientele I thought I could bring in, I couldn't charge the rates that [the firm] wanted," he said. "So, I thought that if I could hang my own shingle and charge less, I could actually build that clientele."

So Sprague decided to take the plunge and open his own practice, with a focus on estate planning and corporate, family and real estate law. And when he got back in touch with those potential clients, they were willing to go with him.

Yet, even though he's comfortable with the rates he's set up, "The hardest thing I always found was billing," he said, "and now, it's even more important, because if you don't do it, you don't get paid. ... So you take a retainer up front that's enough, because a lot of times you want to take the work on, as a solo practitioner, to build business. But sometimes, you have to be wary. Once you get into a project, and you don't get paid, are

you going to be required to finish that job?"

By the same token, Sprague was careful to be sure he and his wife, who also is an attorney, would live within their means while his practice was starting up. That meant opening a small business line of credit for his practice, "so when I have a bad month and the billing's not coming in, I can borrow against that line of credit and pay it back in the next month."

Larry Bodine, a Glen Ellyn, Ill.-based marketing and business development advisor for law firms across the country, said that the whole first year of operations for a new business should be planned out, with cost of rent, phones, utilities, taxes and other related costs known so that the needed cash flow is known.

As his practice grows, Bodine said that Sprague would benefit by adding a "virtual law firm," with someone working part-time from his or her house and using a home computer for accounting, tax work, follow-up e-mails and administrative duties.

"These people are willing to work for drastically reduced wages," Bodine said. "They're grateful for the work. I employ a couple of people the same way; one has health problems, the other has young children, and I give them a variety of work to do, ranging from legal research to updating my Web sites."

In a sense, Sprague already does have a virtual law firm. He doesn't have a permanent office yet, so he's working from his home, in addition to at his father-in-law's CPA office in Clinton Township and the office of Livonia attorney Thomas M. Hartnett, from whom Sprague is getting hands-on family law experience.

For his mailing address, he uses a UPS Store.

All of this makes for a different kind of living.

"If you're leaving from a larger firm, you're no longer having the resources that you had," Sprague said. "At a larger firm, I had everything at my disposal. ... And if you have too much debt, it really makes it hard for people to break away from a law firm."

'Divide-and-conquer' duo

For Kenneth F. Neuman and Leif K. Anderson, however, the process of opening up a practice had a different twist.

The two were partners at Southfield-based Nathan, Neuman, Nathan & Zousmer, P.C., a seven-lawyer boutique firm that primarily handled business litigation and bankruptcy matters. But Neuman recognized the practice was running into conflicts.

The small and mid-sized businesses he and Anderson handled, such as residential developers and automotive suppliers, would have insolvency matters with their lenders as a result of the Michigan economy. And there would be times when the firm's other lawyers — Robert B. Nathan, Kenneth A. Nathan and Michael I. Zousmer — would be managing the lenders' side.

So in fall 2007, Neuman proposed splitting the firm into two separate practices come the beginning of the new year — Neuman Anderson, P.C., which would specialize exclusively in complex commercial litigation for small and mid-sized businesses, and Nathan Zousmer, P.C., for bankruptcy and debtor matters.

The decision "wasn't easy," Neuman said. "These are good guys, good, honorable people, and I didn't want to do anything to hurt them financially, professionally or otherwise. But it just seemed to be the right decision to make."

Fortunately, the other partners agreed.

"As a lawyer," said Neuman, who's also a CPA, "I've been involved in law firm breakups, and they can be really ugly, but this was the farthest thing from that."

It was so amicable, in fact, that to save money, both firms agreed to share the same office suite.

However, that meant separating everything within it. A second set of phone lines needed to be installed (the shared conference room has two actual phones in it, one for each firm), along with different Internet servers and fax machines.

The fact that Neuman committed several months earlier to a Jan. 8 trip to Israel as part of a mission tour with Project FIBA (Fellowship of Israel and Black America) meant he and Anderson had to race against the clock to get things up and running by the first of the year.

Once they were open for business, the partners, who had worked together for 15 years, had new responsibilities, and were ready to take them on.

"We've really taken a divide-and-conquer aspect to the business. Ken is a CPA, so he's handling more of the CPA-type things involved with the business, and I'm going to handle the billing," said Anderson, who added that the partners' wives also are helping with their husbands' respective administrative duties.

Yet, it hasn't been a smooth ride.

As Anderson put it, "As simple a thing as getting your billing software up and running has been a major chore. Just setting up your database with all your clients and getting your bills to look the way you want and be able to get them out" takes more time than he could have imagined.

"It really, really gives me a tremendous amount of respect for the entrepreneurs out there who have been doing this all their lives," he added, "and it gives you a new appreciation when you're getting home at 9 o'clock at night because you sat there dealing with billing issues, computer issues and the likes, in addition to getting your law business done."

Neuman, however, said he had bouts of tossing and turning over the bigger picture.

"For me," he said, "fear is a really good motivator. And I don't know if it's a false sense of insecurity that I put myself under, but every day I'm afraid the phone's not going to ring. And every day, I'm thinking, 'OK, who should I be in front of? Who's the next person I should be taking to lunch, dinner or coffee to remind them we're out there?'"

"I was worried about how I was going to [maintain cash-flow for] a new business in a frightening economic time in Detroit," he added. "When your name's at the top of the food chain, all of sudden, you're it, and there's this nervous feeling of, 'Gosh, what if the music stops tomorrow, and the phone stops running? Then what do I do?'"

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