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# The Pricing Toolkit

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# This Pricing Toolkit is designed to help lawyers learn how to profitably price based on value instead of time.

It is a collaboration between [The Chicago Bar Foundation](#) and [A Different Practice](#). The co-authors are Jessica Bednarz and Lauren Lester.

The Chicago Bar Foundation's mission is to bring the legal community together through advocacy, funding, and innovation to improve access to justice for people in need and to make the legal system more fair, equitable, and effective. The mission of A Different Practice is to take the mystery out of profitably providing valuable legal services while promoting wellbeing.

The billable hour is a barrier to accessing affordable legal services because it lacks transparency and predictability. The average legal consumer is on a budget and needs to understand what solution to their problem they can afford. The billable hour does not allow the consumer to make this determination. At the same time, more lawyers want to move away from the billable hour but understandably need guidance on how to do so. Helping lawyers learn how to price based on value instead of time is a core strategy for both the CBF and ADP to increase access to justice and promote a healthier, more sustainable practice of law.

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*The Pricing Toolkit* by Jessica Bednarz and Lauren Lester

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# Introduction

## Imagine there's a new way to practice law.

One where:

- You serve clients you love working with
- You control your time
- You work when and where you want to
- You don't work on weekends
- You take regular vacations
- Your clients enjoy working with you
- Your bills aren't challenged because clients appreciate the value you provide
- Your collection rate is 100%
- Time spent on administrative tasks is significantly reduced
- Income and profits increase
- Cashflow is predictable
- Wellbeing is an integral part of your practice
- Your law firm is thriving
- You are a happy lawyer

Doesn't this sound awesome?!

While this may seem like a dream, it doesn't have to be. Many lawyers are living this "dream" today, and you can too. How? By ditching the billable hour and cost-based pricing and selling what clients are actually buying: the value you provide in solving their legal problem. Making this shift will not only change your practice for the better, it will also change your life.

Too many lawyers struggle to run a profitable practice while still having time for vacations, rest, and daily activities that support wellbeing. At the same time, too many legal consumers forgo help because we as a profession have created a so-called 'market' that the vast majority of consumers can't access.

How do we begin to solve these problems? By providing legal services using value-based pricing.

While we believe shifting to value-based pricing is a critical step to improving the practice of law, we also recognize the importance of the other aspects of your practice such as marketing, finance, operations, and wellbeing. Value-based pricing on its own will not get you to the practice-changing finish line. What it will do, however, is largely move your practice forward and give you the momentum to make more changes that can.

Interested in learning more? This Pricing Toolkit is designed to help lawyers learn how to profitably price their services based on value instead of time. While this Toolkit is focused primarily on solo and small firm practices that serve consumer and small business markets, we are confident lawyers in any private practice setting will benefit. We hope you find it helpful and welcome feedback.



#### KEY TAKEAWAYS

- ✓ Your practice is in your control.
- ✓ There's a way to develop a profitable practice that supports wellbeing, but it requires a fundamental change to pricing.







## DEBUNKING MYTHS

Before we dive into the benefits of value-based pricing, let's debunk five common myths.

### **Myth #1: The billable hour is the way it has always been done.**

When you ask a lawyer how they determined their hourly rate, they usually say something like this: "Well, I'm a probate attorney. Sue is also a probate attorney. She has been practicing for five years and charges \$300 per hour. I've only been practicing for two years, so I discounted Sue's rate and charge \$200 per hour."

That's it.

No other context is given. There's no consideration of the unique value each lawyer provides. No examination of the business requirements of each lawyer's practice and how they are different from one another. There's no discussion about either firm's target client and what they want. There is no real basis to this what-does-the-lawyer-down-the-street-charge way of determining pricing.

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**"Prior to lawyers predominantly using the billable hour, the norm was fixed fee pricing."**

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Instead, it perpetuates the narrative that this is how it's always been done. It causes us to beat ourselves up, and we don't understand why. Watch the first four minutes of [this video](#) for a fantastic illustration of this idea.

Depending on who's telling the story, you'll hear different variations of when and why the billable hour became the norm. One thing is clear, though: it is not the way it has always been done. In fact, prior to lawyers predominantly using the billable hour, the norm was fixed fee pricing.

If you need another reason why "this is the way it's always been done" is a losing strategy, consider how holding firm to that belief fared for other companies. Kodak. Blockbuster. Blackberry. Yahoo. All dominant players in their industries until they refused to embrace change. Even entire industries like hotels and taxi cabs weren't immune. Despite having built models that appeared perfect and

unshakable, they too were disrupted. Instead of creating cultures of innovation that allowed them to adapt, these companies doubled down on what was familiar - or the way it had always been done. In the end, they paid a hefty price: most are now out of business.

If we don't make a significant change to the way we practice, the legal industry is headed for a similar ending.

### **Myth #2: Billing by the hour is the only way to be profitable.**

Buried in this myth are actually two separate misconceptions. The first is that billing by the hour is actually profitable. While a few firms may find profit in the billable hour, the 2016 and 2020 Clio Trends reports tell a different story for most solo and small firms. According to the reports, the average lawyer is only earning revenue for about two hours, or twenty-five percent, of an 8-hour workday. Even when charging a high hourly rate (which we know only corporate and affluent clients can afford), earning revenue on only two hours of work a day likely does not cover basic costs and is certainly not a foundation for a profitable practice. Simply put, the billable hour is a bad business model.

The second misconception is that no other profitable business model exists in the legal profession. Not only is this untrue, but we have real-life data to prove it. Lauren Lester, the co-author of this Toolkit, and many lawyers in the [CBF Justice Entrepreneurs Project](#) have earned six figures with their value-based pricing business models while meeting other personal goals. Likewise, criminal defense lawyers, real estate lawyers, and larger firms such as [Bartlit Beck](#) have done the same.

### **Myth #3: Using a fee arrangement that is not based on the billable hour is unethical.**

This myth is easy to debunk. Simply review ABA Model Rule 1.5, which has been adopted in some form in all 50 states. Model Rule 1.5 simply requires a lawyer's fee to be reasonable and includes factors for determining reasonableness. The Rule does not require lawyers to bill by the hour nor does it prohibit lawyers from using other fee agreements.

### **Myth #4: There are too many variables to offer a set fee.**

Take a minute to think about the last few times you traveled by plane. If your experiences were like our authors', most flights went according to plan. You left on time, arrived on time, and nothing unusual happened while in the air. You may

recall, however, some flights that didn't go as smoothly. Maybe there were maintenance issues, your luggage was lost, or a delay caused by weather.

A weather issue is what co-author Jessica Bednarz experienced most recently. She was flying from Chicago to Denver, which is typically a two-hour flight. As the plane approached Denver, the pilot informed the passengers that they could not land due to tornadic activity. After circling for forty-five minutes waiting for the weather to clear, the plane was diverted to Albuquerque, NM. In Albuquerque, the plane had to refuel and then wait another thirty minutes for the weather to clear in Denver. Eventually, the plane arrived in Denver four hours later than it was scheduled. Had the airline operated like a traditional law firm, Jessica would have received an invoice as she exited the plane for the extra time, fuel, and manpower needed during the flight.

Afterall, weather is an unpredictable variable, right?

Not exactly. While no one can predict what the weather will be, we know it exists and can change at any moment. Having completed millions of flights over several decades, airline companies know weather is a factor they must consider, so they use data to help them understand patterns and anticipate weather events. By using this data, airline companies help ensure their value-based ticket price covers their costs. Whether it's the weather or any of the other 60+ variables airline companies deal with on a daily basis, they still offer a fixed, upfront price for every flight.

If you consider Jessica's Chicago-Denver-Albuquerque-Denver flight from her perspective as a customer, she would have expected the airline company to factor weather into the price because they are the experts in air travel. If upon landing they handed her an invoice for the unexpected, additional cost, she would have been incredibly disgruntled - and certainly would not have paid it. (Sound familiar?)

The airline industry isn't alone. Companies in many different industries deal with all kinds of variables but still provide upfront, fixed prices. The legal industry should be no different. Is every case different and do many variables exist in our profession? Absolutely! But like how airline companies factor in weather, we can use our expertise to identify the vast majority of these "unknown" variables and account for them in our pricing. We'll cover how to do this later in the Toolkit.

**Myth #5: Set fees lead to a race to the bottom.**

Think about the last time you spent money on an important service. Chances are you did some research prior to purchasing. While price was likely a factor in your decision-making process, it probably wasn't the *only* factor. To start, you probably confirmed the service fell within an acceptable price range and then moved on to evaluating other factors important to you. The same is true for consumers evaluating legal services. While price will almost always be a factor, it will rarely be the only deciding one.

There may be a fear that providing transparent, upfront pricing simply allows your competition to undercut you, but that's part of being in business. If we work in a free market, there will always be competition – and that's a good thing. If you find another lawyer who offers a similar service for less than you do, it doesn't mean you're out of the game. You can become more efficient, add more value, or highlight what makes you different.

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“While price will almost always be a factor, it will rarely be the only deciding one.”

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At a certain point, every business needs to be profitable or else they won't be a business for long. While offering transparent, set fees creates competition, a floor will emerge where it just isn't profitable to price any lower.

Set fees won't lead a race to the bottom. Instead, they provide clients with the best possible service.

**OTHER PROBLEMS WITH THE BILLABLE HOUR**

In addition to debunking the myths, we must also highlight more serious problems with the billable hour.

**The billable hour lacks transparency and predictability.**

First, the billable hour creates a complete lack of transparency and predictability. Most legal consumers have a budget and need to know whether a legal solution will work with their financial resources. Most clients are not able to write a blank check, and those who can, don't usually want to. Without transparent and

predictable pricing, the consumer cannot determine whether the value they'll receive is worth the cost they'll pay. For many people, this uncertainty results in them not hiring a lawyer because they assume the cost is out of reach.

When we use a predictable and transparent pricing model, it not only benefits us as the lawyer, but the clients also reap the rewards. Truly knowing what their case will cost lets clients make an informed decision. They can budget for the services and are often willing to provide most, if not all, of the fee upfront.

### **The billable hour creates a conflict of interest and misaligns incentives for the lawyer and client.**

As lawyers, we're trained to identify and avoid conflicts of interest. Yet our traditional billing method has an inherent one: it puts our interests in conflict with our client's.

Clients aren't buying our time. They're buying a solution to their legal problem. Say you save a client \$1 million dollars with 15 minutes' worth of work. The client is thrilled! You solved their problem and saved them a lot of money. If you're billing by the hour, however, you aren't as happy. Despite the expertise and efficiency you used to solve the problem, the billable hour doesn't reward you. Instead, you lose money the better you get at lawyering - and that puts you at odds with your clients.

[Clients are buying solutions, not time.](#) To the extent that time is a factor in a client's goals, people tend to value reaching a solution quickly - not taking as much time as possible. Clients want quality work, but the billable hour treats all work the same regardless of quality. When we're compensated solely based on how much time we spend, the actual quality or impact of the work doesn't matter.

We should be measured on the value we bring, not the time we spend. Plus, when we're constantly worried about whether a client will actually pay for the work we're doing, we tend to become resentful, which likely affects the quality of our work.

### **The billable hour leaves no room for growth.**

The second, and even bigger, problem with the billable hour is that it leaves no room for growth. There are only 24 hours in a day. When you trade your time for money, you are working with a fixed pie. No matter what you do, you can only

ever bill 24 hours a day (and that's if you're a cyborg). When we sell our time, the only way to increase revenue is to increase our rate, and in doing so, we quickly price ourselves out of an already shrinking market. Not only does that lead to fighting for a limited pool of clients, but we also become part of the not-so-funny joke that many lawyers tell – "I can't even afford myself."

With value-based pricing, we sell value, which is infinite. There's no fixed pie. Instead, the sky's the limit when it comes to growth.

### **The billable hour has wreaked havoc on lawyer wellbeing.**

Lastly – and maybe most importantly – there is [a growing consensus](#) that the billable hour has wreaked havoc on lawyer wellbeing. Having to view one's life through the lens of billable and non-billable time has serious effects on our mental health and relationships.

Our worth should not be tied to how much we work. Working 90 hours a week does not make us better lawyers. It makes us exhausted. As Greg McKeown says, "Burnout is not a badge of honor." What does it matter how many hours we billed if we're utterly miserable? Ditching the billable hour allows us to create new standards of success that focus on personal values, client satisfaction, and lasting impact.

Simply put, we have yet to meet a lawyer who loves the billable hour. Instead, we've met many colleagues who left the profession all together because of it. If the billable hour isn't working and we're miserable using it, why not make a change?



### KEY TAKEAWAYS

- ✓ Don't let unsupported myths hold you back from value-based pricing!
- ✓ The billable hour lacks transparency and predictability, creates a conflict of interest, misaligns incentives, leaves no room for growth, and wreaks havoc on lawyer wellbeing.
- ✓ Value-based pricing is a win-win for clients and lawyers.



The background of the entire page is a dense, repeating pattern of white line-art icons on a light gray background. The icons represent various legal and financial concepts, including: scales of justice, gavel, courtroom, judge, lawyer, family (man, woman, child), dollar sign, shield with star, fingerprint, handshake, magnifying glass over a document, piggy bank, handcuffs, briefcase, and a building with a dome. The icons are scattered across the page, with a large, solid green rectangular area in the upper center containing the main title.

# Moving from Cost-Based Pricing to Value- Based Pricing: A Mindset Shift

## “Client-Centric” is all the rage in the legal industry these days.

Lawyers say they want to be like Amazon and “start with the customer and work backwards.” Very few of them, however, actually do so when it comes to pricing. Most lawyers bill by the hour and most legal companies build products that only support this antiquated approach.

Hourly rates have nothing to do with the client. Instead, they are entirely based on the firm’s costs or the lawyer’s perceived worth compared to other lawyers. Simply put, hourly rates are ego-centric not client-centric.

Value-based pricing takes a different approach. Instead of starting with the costs of the firm or what other lawyers are charging, value-based pricing starts with the client and what they value. Don’t worry; we’ll still take costs into consideration to ensure profitability, but it’s a check at the end, not the foundation of the price.

Here is a visual to illustrate the difference.

### COST-BASED PRICING



### VALUE-BASED PRICING



To get into this new mindset, we ask that you take your lawyer hat off for a minute. While we’re expertly trained to spot issues, question assumptions, and embrace precedent, when it comes to the business of law, we can’t take that

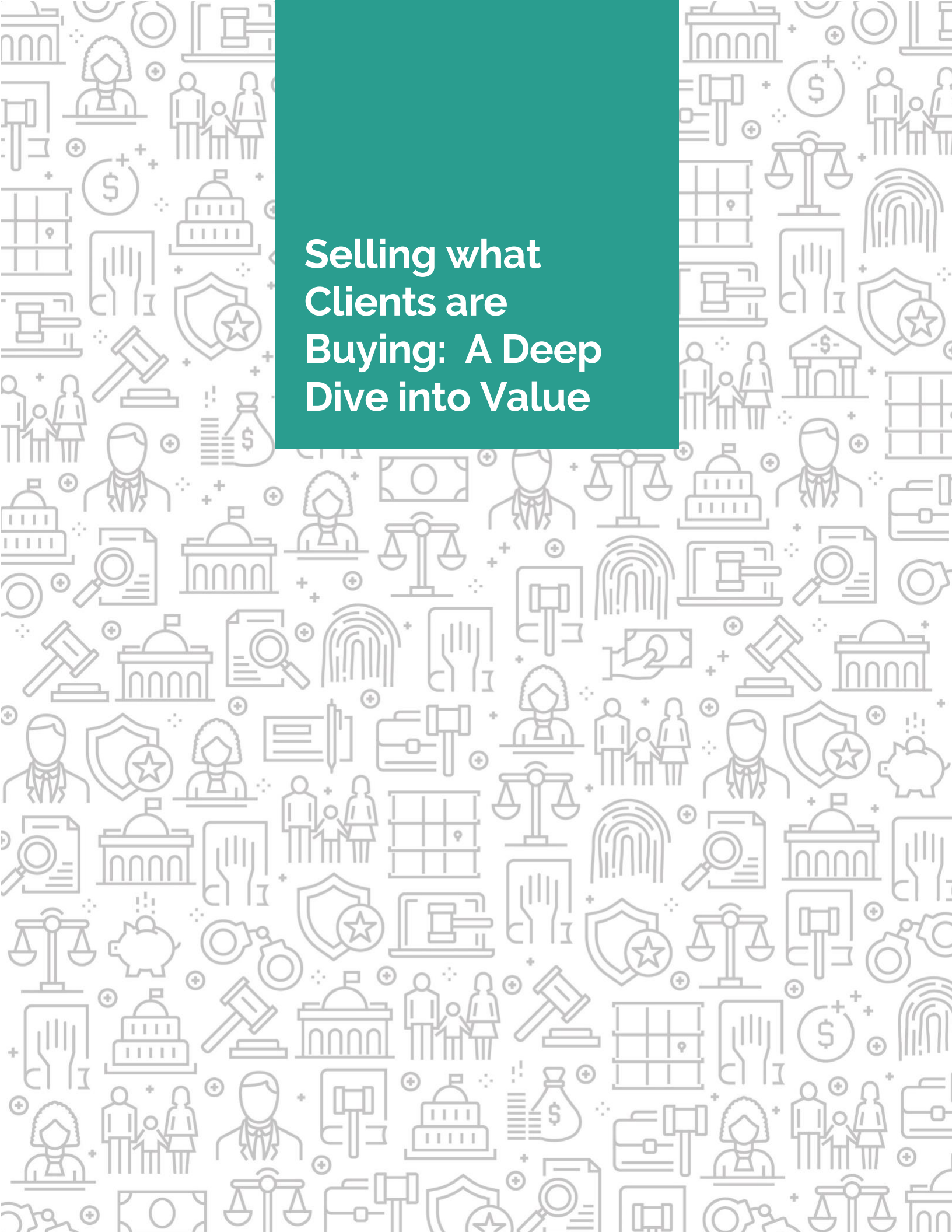
same approach. Instead, we must be willing to embrace change and consider the possibilities that come from it.

Once you make this mindset shift and determine pricing by starting with the client, you are on the road to a more profitable and fulfilling practice.



#### KEY TAKEAWAYS

- ✓ Value-based pricing starts with the client and assigns a price based on the value to them.
- ✓ The traditional approach of cost-based pricing starts with examining law firm costs and sets the price without consideration of the client.
- ✓ Value-based pricing is client-centric. Cost-based pricing is lawyer-centric.



**Selling what  
Clients are  
Buying: A Deep  
Dive into Value**

## The most client-centric and profitable path forward is to ditch the billable hour and replace it with value-based pricing.

Legal consumers are not interested in buying your time. Instead, they only ever buy the value you provide in solving their legal problem.

Clients evaluate legal services based on value and price. Unfortunately, according to [Bain & Company's Elements of Value Pyramid](#), most companies, including law firms, tend to focus only on price because it is easier to understand. Value is harder to define. Yet understanding what your clients value is critical to pricing your services, improving your offerings, and creating new ones.

What do we mean by “value”? And how can law firms deliver it? While value comes in many forms, it is ultimately defined by the client and what's important to them. Our job as lawyers is to understand what the client values and how we can deliver it.

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“While value comes in many forms, it's ultimately defined by the client and what's important to them.”

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When people seek out legal services, they are typically looking to do one or more of the following: solve a problem, manage a risk, make a deal, right a wrong, or find peace of mind on an issue that is important to them. They come to you with the goal of achieving one or more of those ends as effectively and efficiently as possible. The value of your services will vary based on the degree of the problem they are trying to solve from relatively routine to having life-changing impact. Think of the difference between a traffic ticket or routine corporate filing and a murder charge or the launch of a new business.

While value generally comes from solving the clients problem, there are many other things clients value too. Some of these are things they are conscious of and may articulate, while others may not be front of mind or something they directly



ask for. A good example is great customer service. Everyone values it and it is generally the number one reason clients will refer friends and colleagues to you, but few will come right out and ask for it.

With that in mind, let's take another look at [Bain & Company's Elements of Value Pyramid](#) to see some examples of value. No matter your practice area, you likely provide many different values found on the pyramid. When a client comes to you for help, they want a solution to their problem that provides the value they are looking for. For example, a parent may come to you to help solve their custody issue. The value they receive includes your providing information by explaining their rights, decreasing their anxiety, and providing access to defend their fundamental rights as a parent.

It's important to keep in mind that the values at the base of the pyramid are not less valuable than the ones above it. Instead, they are foundational. Most clients won't seek value towards the top of the pyramid until more foundational values are delivered. For example, if a client does not feel their anxiety is reduced (a 'functional' value) by getting an estate plan created, they aren't likely to find value in creating a legacy for their family (a "life-changing" value) through that same plan.

The same value will look different to different clients. For example, creating an operating agreement for a client's business is valuable to them because it reduces risk. Helping a different client complete their bankruptcy case is valuable to them because it also reduces risk. Depending on how important the value of reducing risk is to the particular client, they will pay a different price.

Clients also find value through the process of getting to the solution. This is where customer service comes in. In some instances, customer service is equally, if not more, important than the solution itself. Luckily, lawyers have control over it. While there are endless examples of how a law firm can provide good customer service, here are two common examples:

- **Providing Choices and Empowering the Client:** Giving clients choices can be the deciding factor in whether they retain your services or not. Research shows that when consumers are given more than one option, they are more likely to purchase services than when they are given only one choice. Although you may have more options available, it's best to offer the two or three choices that are best suited to solve the client's problem. That way, the client is empowered to choose without getting overwhelmed.

- **Providing Transparency and Price Certainty:** People who need legal services face a significant challenge finding transparent information about how much help will cost and whether the value of the service matches the price. It's hard to budget for the unknown, and that unknown often causes anxiety. To give clients the information they need to make that determination, your website should include pricing information, an explanation about your approach, and any other information that will help a potential client determine whether your services are a good fit for them.

Look again at [Bain & Company's Elements of Value Pyramid](#). You may notice that it's based on Maslow's hierarchy of needs and is broken down into four levels: functional, emotional, life-changing, and social impact. While each level focuses on a different type of need, many clients find value on more than one level. The more levels you can offer, the stronger the client relationship. Below are some examples of value that you may offer in your practice.

- **Functional:** Reducing risk, offering a firm predictable fee, offering a payment plan, saving time, making the client money, saving the client money, offering more than one option, being transparent about the process, providing better results, connecting the client to another professional for a holistic approach, providing a streamlined process
- **Emotion:** Peace of mind, feeling secure, protection from others, protecting privacy, reducing anxiety, prioritizing the client's emergency
- **Life-Changing:** Fulfilling the client's dream, getting better results, providing the client with the opportunity to activity shape their future
- **Social Impact:** Changing the course of history for the better (e.g., impact litigation or launching a groundbreaking business or product)

Keep in mind, this is not an exhaustive list. We encourage you to think creatively and identify the unique value your practice provides. Then create a value pyramid for your firm. [We have included a blank pyramid in the appendix to help you get started](#). Be specific. Why do clients come to you for help? What value does the client receive by working with you? What differentiates you from other lawyers in a similar practice area?

Once you have determined the value you offer, communicate it to potential clients during consultations and on all your marketing channels, including social media and your website. A word of caution: when talking about the solutions you offer, do not guarantee results or use language that implies a certain outcome is



likely. All messaging should be accurate and truthful, not misleading or deceptive.

Some of the value you provide will be universal to all clients (e.g., transparent pricing and offering options). In other instances, the specific value will depend on the particular client and the nature of their problem. Some clients will value having you by their side from start to finish, while others will only want help with the key parts of a case. It's important to identify the individual needs of each client so you can meet them.

Here's what the benefits of value-based pricing looks like for both the client and the lawyer:

| VALUE-BASED PRICING BENEFITS |                          |
|------------------------------|--------------------------|
| <b>FOR THE CLIENT</b>        | <b>FOR THE LAWYER</b>    |
| Transparent                  | Value yourself, not time |
| Predictable cost             | More control             |
| Affordable                   | Increase revenue         |
| Budget-friendly              | Upfront payments         |
| Empowering                   | Less admin time          |
| Provides choice              | Predictable cash flow    |
| Accessible help              | Less stress              |



### KEY TAKEAWAYS

- ✓ Clients do not buy your time. They only ever buy the value they receive.
- ✓ Value comes in many forms and should be thought of expansively to include both concepts specific to lawyering, like advocating, drafting, and negotiating, and concepts general to service industries, like providing options, predictable and transparent pricing, and good customer service.



## Pricing legal services requires some fundamental aspects of your practice be in place.

Because a variety of fantastic resources exist on these topics, we won't address them here. Instead, we'll assume you're ready to implement the system in this Toolkit if:

- You've identified your target client market(s);
- You've clearly defined the problem(s) you solve for clients; and
- You are familiar with the areas of law in which you have chosen to practice.

If you are a new lawyer or new to a practice area, we recommend pairing up with a more experienced mentor for parts of the pricing process. We will flag these parts for you.

We developed a 'Creating a Pricing Menu' worksheet to use as you work through this section. [You can find the Worksheet in the appendix.](#)

To help demonstrate how to implement our value-based pricing system, we'll use an example throughout the process of providing help with a child custody case. While our example is taken from the family law context, its use should not be construed to mean that value-based pricing only works in family law cases. Lawyers in every practice area can implement value-based pricing. We are simply using this example because it is easy to understand even if you are not familiar with family law.

Let's get started.

### STEP 1

## DETERMINE THE VALUE

Remember all our talk about value? About how the only thing clients ever buy is a solution to their problem? We spent that time diving into value for a reason: no matter what type of law you practice, price always starts with value.

## Create Your List of Service

The first step to figuring out pricing is to make a list of all the legal services you provide. What problems do you solve for clients?

While you may handle a comprehensive engagement for some clients, others may only need help with a single step. Consider whether providing unbundled or limited scope services can expand your offerings. If they do, list those unbundled services as well. (You can learn more about unbundled services, their benefits, and how to incorporate them into your practice on the [CBF Limited Scope Resources Page](#).)

If you're having trouble creating a comprehensive list of your services, start with the top three to five services you offer. You can always come back and expand upon your list as you get more comfortable with our value-based pricing framework.

Once you have your initial list of services, choose one to focus on as you go through the process. Write it in Section A of your [Worksheet](#).

### EXAMPLE

#### Services Provided By our Example Law Firm

- Help with custody trial
- Reviewing client's custody situation and making recommendations
- Drafting basic documents
- Completing standard steps of a custody case through mediation
- Reviewing parenting agreement
- Calculating child support
- Help with mediation

**Service we'll focus on as an example in this Toolkit:** Completing standard steps of a custody case through mediation

## Identify the Value you Strive to Provide for Each of Your Services

Next, determine the value you offer by providing the service you listed. Write it down in Section B of your [Worksheet](#).

### EXAMPLE

**The value we aim to deliver to our target market – everyday people who are looking to breakup amicably:**

- Provide information, answer all the client's questions, and explain their rights
- Provide peace of mind that the children's interests are being advocated for
- Reduce the risk by helping the client stay out of court
- Reduce the client's efforts by drafting and filing all necessary documents with the court
- Reduce stress by negotiating with the other party or opposing counsel on the client's behalf
- Provide quality representation if help is needed in court
- Reduce the client's overall stress and risk
- Provide peace of mind to the client that their parental rights are protected

Next, list the other value you or your firm provides that is not specifically tied to the service but is a result of working with your firm versus another. In other words, this is how you differentiate yourself from other lawyers. Write down those additional values in Section C of the [Worksheet](#).

**EXAMPLE****The additional value we offer our target clients that is not specifically tied to our child custody service is:**

- Consultations that are easy to schedule
- A well-developed FAQ section on our website
- Set fees – potential clients understand up front how much a service will cost
- Payment plans
- Flexible hours outside of 9 to 5
- A client portal where they can access their case file 24/7 and always understand the status of their case
- Price transparency and certainty

**Understand the Variables and Account for Them**

Now that you listed what value you provide through your service, we want to make sure to factor in the variables.

To start, identify all the variables for the service you offer. How are the variables different in different types of those cases? What are the “known unknown” variables and the “unknown unknown” variables?

What are the what, you say? It is important to understand the difference between these two concepts.

“Known unknown” variables are events or circumstances we know *could* potentially happen in a case. They go beyond the standard steps we expect in a basic case and are likely to occur in more complex matters. For example, a divorce case might need temporary orders. Civil litigation might require more in-



depth discovery. An immigration case may be thrown into limbo because the laws changed. The other party may file a motion for this, that, and the other. Like the airline companies, because you can anticipate that these variables could occur, you must account for them in your pricing.

There are three ways to do this:

1. Limit the scope and exclude the “known unknowns”
2. Include a risk premium to cover the “known unknowns”
3. Charge a flat fee for the initial phase to better understand the “known unknowns”

Let's dig into each approach more.

The first approach to account for the “known unknown” variables is to limit the scope of your representation to only the necessary, standard steps and exclude the “known unknown” variables. While you need to disclose and ensure the client understands what's included and what's not, it's also best practice to let the client know up front what the additional cost will be if any of the “known unknown” variables actually occur. For example, if you are working with a client looking to file for divorce and limiting the scope of your representation to only the standard steps of a divorce case, you would explain to the client that because work related to temporary orders (valued at, say, \$2,500) isn't necessary in every divorce case, it's not included in the engagement agreement. By doing it this way, the client isn't paying for something they don't need. If, however, the need for temporary orders arises, you can enter into a new agreement for the additional work for an added, set fee. Because you discussed the scope of work and potential additional costs with the client upfront, there is no surprise. The client still controls whether they expand your representation. This limited scope approach works best for clients who are budget conscious. It's also a good fit if there is a possibility of trial, but you don't have enough information at the beginning of the representation to know whether it may be required. If you limit the scope of your representation to exclude trial, once you have more information you can cover that “known unknown” in a new engagement agreement if the additional work is required.

The second approach to account for the “known unknown” variables involves taking the likelihood that a particular event will occur and spreading the cost across all cases that may require it. In other words, you include a ‘risk premium’ in the price. Using the example above, if you know that 15% of the divorce cases you handle require temporary orders, you would include a risk premium by taking the

price for pursuing temporary orders and multiplying it by the occurrence percentage. The math looks like this:

$$\mathbf{\$2500 \times 15\% = \$375 \text{ risk premium}}$$

To cover the additional work related to temporary orders, every new divorce case would include a \$375 risk premium in the price without regard to whether the particular case actually needs that work completed. If a case doesn't require temporary orders, the profit margin is used to offset the 15% of cases that do require the additional work. This approach works best for clients who are not budget conscious and value absolute price certainty.

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**“Known unknown” variables are events or circumstances we know could potentially happen in a case.**

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The third approach to account for the “known unknown” variables is to charge a flat fee for the first, small phase of a case, so that you can learn more and get a better sense of the particular needs of the client and matter. Once you have a clearer understanding of the potential variables, you would enter into a new engagement agreement for the next phase or remainder of the case. You may incorporate one of the first two approaches described above to account for any additional variables that may come up.

With this approach, the first, small phase can either end at a particular milestone (e.g., mediation or case management conference.) or it can end after a particular amount of time (e.g. after six months). Alternatively, you can create your own first, small phase outside the legal steps of the case itself in which you review the case in detail to determine not only the variables but also the strengths and weaknesses of the client's position.

While many of us can understand “known unknown” variables – we are lawyers, after all; issue spotting is what we do! – the more difficult variables to account for are the “unknown unknown” ones. These variables are more like “Acts of God”: things you really couldn't have anticipated would occur. Examples of “unknown

unknown" variables include learning that the other party in a divorce has a second family in another state, that the building at the center of your transaction burned down after a lightning strike, that your immigration client now has a pending criminal charge, or – we don't know – a global pandemic. Because the occurrence of "unknown unknown" variables is hopefully rare, you can't accurately account for them in your pricing. Rather, you'll deal with any additional work required as it comes up. If a truly "unknown unknown" variable occurs, clients are likely to be understanding and work with you to figure out a solution. It's when you ask the client for more money because you classified an event as an "unknown unknown" when you should have been able to anticipate and account for it (remember the tornadic activity that delayed Jessica's flight?) that clients get upset and the relationship begins to break down.

Now that we've covered how to account for the variables, write down the variables you need to account for in Section D1 of the [Worksheet](#).

**EXAMPLE****The variables we'll account for:**

- Level of disagreement and animosity between parties
- Whether there is an opposing counsel
- Communication time with client, other party, other lawyer, or third parties
- Emergency motions
- Requests for temporary orders
- Seeking a protection order
- Request for court-appointed investigator
- Contested hearing

In our example, the variables might look like this for different types of cases:

**Case #1: "Just Need it in Writing"**

Parents have been working together for some time and are just looking for their agreement to be memorialized. There is no opposing counsel. The parties are reasonable and communicative.

**Case #2: "Hope for the Best; Prepare for the Worst"**

The parents have not spoken in years. Client is unsure where the other parent is located and is unsure what parenting schedule they want. The client is uneasy about starting the process and needs more counseling to feel comfortable. It's unclear whether there will be an opposing counsel or if trial will be necessary.

**Case #3: "Opposite Side of the Field"**

The parents argue over every little thing. They have an existing schedule but neither of them believes it is working. It is unlikely they will reach an agreement. It is likely an expert will be needed to help sort through the allegations being made by both sides. The other party is represented by a firm that is known for increasing litigation. Trial is likely, but it's hard to know the scope of all the issues.

Then, write down what approach you'll take to account for those variables in Section D2 of the [Worksheet](#).

### EXAMPLE

In our example, we'll take the following approach to account for the variables in each scenario:

#### **Case #1: "Just Need it in Writing"**

Limit the scope and bundle all the standard tasks necessary to complete the uncontested case.

#### **Case #2: "Hope for the Best; Prepare for the Worst"**

Limit the scope to include the standard steps through mediation and include a risk premium that would cover the standard steps required for a contested hearing, if one is needed. Any other variable that might come out would be out-of-scope and require an additional engagement agreement.

#### **Case #3: "Opposite Side of the Field"**

Limit the scope to an initial, exploratory phase to learn more about the needs of the case. Once the initial phase is complete, we will have a better understanding of what additional work will be needed and can determine how to approach the variables.

## **Determine the Fee Arrangements You Will Offer**

Now that you've listed your services, identified the value you provide, and accounted for the variables, the next step is to choose the fee arrangement(s) you will use for your service. There are many options to choose from. Fee arrangements that have been particularly effective in the consumer and small business markets include, but are not limited to:

- fixed fee by task,
- fixed fee by phase,
- subscription, or
- a hybrid model.

[The Fee Arrangement Matrix](#) in the appendix contains more examples of fee arrangements that have worked for lawyers in various practice areas. Keep in mind, this is not an exhaustive list and not every fee arrangement will work for your firm, clients, or jurisdiction. As you will see in the Fee Arrangement Matrix, some fee arrangements are better suited for clients with a certain level of sophistication while some fee arrangements are better suited for jurisdictions where cases have a shorter duration. Once you have selected the appropriate fee arrangement(s) for your service, write it down in Section E of your [Worksheet](#).

**EXAMPLE**

In our example, the fee arrangements look like this for different custody cases:

**Case #1: “Just Need it in Writing”**

We'll use a fixed fee approach and bundle all the standard tasks necessary to complete the uncontested case.

**Case #2: “Hope for the Best; Prepare for the Worst”**

We will use a flat fee with a risk premium included..

**Case #3: “Opposite Side of the Field”**

We will use a flat fee arrangement for the initial phase.

**Do Some Market Research**

Now that you identified the value you provide through your services, accounted for the variables, and selected a fee arrangement, you'll want to conduct market research to help you understand the price your target market puts on what you are offering. What others in the market are charging is not necessarily commensurate with the value you provide or what you should charge, but it will help give you a sense of what consumers are paying or would pay for similar services.

Look around at what options are available to consumers. While there is likely little price transparency about legal services, there are still important things you can learn.

- Are there online legal products being offered in your practice area? Those can help you determine what consumers may be paying for self-help options, without the added value you would provide.
- Most obviously, there will be other lawyers who practice in the same area. Learn about their firms and how they price services. In some areas, such as consumer bankruptcy, set fees already are typical and there is a higher degree of transparency. For the majority of other areas where the billable hour is still dominant, you may be able to learn what others are charging by the hour or asking for in retainers. This can help you market the value you provide by providing transparent and predictable, set fees.
- Look at community resources. Is there something your target client could get for free or at a reduced cost that helps them solve their legal problem? Do local courts offer help to pro se litigants? If yes, you may not want to offer the same services for a fee. Why would someone pay you when they can get the same help for free? You can provide value to your clients in these situations, however, by connecting them with these resources when appropriate.

You also can learn a lot from talking to potential clients in your target market. To collect feedback from potential clients, explain the value you provide and what legal problem you solve. Even if someone isn't specifically looking for help right now, once they understand what you do, they may be able to tell you how much they'd pay for your service. (You may not be ready to buy a cup of coffee right now, but we'd venture to guess you'd be able to tell us how much you'd pay for one.) Keep in mind that your effort might not immediately bear fruit, but you want to get into the habit of asking. It's often not easy to talk about money. The more you become comfortable talking about it when you aren't trying to make a sale, the more confident you'll feel when you are.

Start your market research and see what you learn. While this will be an on-going process, write down your initial results in Section F of the [Worksheet](#).



**EXAMPLE**

Our fictitious family law firm is based in Denver, Colorado. We began our research by Googling “child custody Denver.” What we learned from the top results is that (1) none of the family law firms list their pricing on their website, (2) legal consumers can connect with an unbundled lawyer through a referral service, but the fee is unclear, and (3) the Colorado Judicial Branch offers free self-help information, forms, and resource centers for people with custody cases.

We spoke to friends, family, and colleagues in other practice areas about the value our firm offers and the custody problem we solve. We asked what they would pay to have a parenting plan created that spelled out the rules around co-parenting. Because we’re actively conducting consultations with potential clients, we also gathered feedback from actual potential clients in our target market about what price they would pay for particular services.

**STEP 2** **ASSIGN AN INITIAL PRICE**

Once you have determined the value, services, and fee arrangements you will offer and conducted some market research, it is time to assign an initial price. The emphasis here is on the word *initial*! Based on the value you provide by solving the client’s legal problem and what you learned from your market research, choose an initial price that reflects the value to the client. Write the initial price down in Section F of your [Worksheet](#).

If you’re a little nervous to put a number down on paper, don’t worry! That’s totally normal. Before you put anything out into the world, we’ll confirm the price the client will pay will cover your costs. We don’t want to calculate costs just yet, however. Remember, value-based pricing starts with the client and works backwards. As scary as it may be, it is imperative to put down the initial price that reflects the value of the problem you’re solving for the client.

**EXAMPLE**

Here's the initial price for our custody case, shown using the three different approaches to account for variables:

**Case #1 ("Just Need it in Writing") with Variable Approach 1 (Limit the Scope & Exclude Known Unknown Variables): \$3,500**

*(includes only the standard steps required for a custody case. Does not include trial or any other non-standard task like temporary orders, emergency hearings, or depositions)*

**Case #2 ("Hope for the Best; Prepare for the Worst") with Variable Approach 2 (Include a Risk Premium to Cover Common Variables): \$5,250**

*(\$3,500 + \$1750 risk premium for trial (calculated as \$5,000 price for trial x 35% occurrence); includes standard steps plus trial, if needed)*

**Case #3 ("Opposite Ends of the Field") with Variable Approach 3 (Set Price for First, Small Phase of Case): \$1,500**

*(includes only a review of the case to determine the best next steps and helping the client complete mandatory financial disclosures)*

**STEP 3****IDENTIFY YOUR TARGET MONTHLY REVENUE**

Now it is time to crunch some numbers!

**Calculate your Monthly Expenses**

To identify your Target Monthly Revenue, you first need to calculate your monthly expenses, or all the costs associated with running your firm excluding your salary. Depending on how you've set up your business, your expenses may include rent, insurance, software, marketing, and other professional services. Expenses you pay quarterly or yearly should also be included in your monthly calculation. Once you've added up your total monthly expenses, write this number down in Section G of your [Worksheet](#).

**EXAMPLE**

The monthly expenses for our firm are \$1,500.

**Determine Your Desired Monthly Salary**

Next, determine your desired monthly salary and other compensation. Consider both your personal living expenses and any additional disposable income you want each month.

Don't be afraid to write down a big number. Just keep in mind that if you are starting out, it may take a while to earn that amount. You'll get there!

When calculating your desired monthly salary, don't forget about income taxes! The number you've thought of for your desired salary is likely what you'd like to take home, making it your net income. To make sure you earn enough gross income to take home the net income you want, you'll need to add income to cover federal, state, and local taxes.

Because you need to include your gross income in your target revenue calculation, you'll have to do a little math (sorry!). To calculate your gross income, take your desired net income and divide it by 1 minus your tax percentage. For example:

$\$10,000 \text{ gross income} \div (1 - 0.30 \text{ tax percentage}) = \$14,286 \text{ net income}$

Once you've calculated your desired gross monthly salary, write this number down in Section G of your [Worksheet](#).

#### EXAMPLE

Our goal is to take home \$6,250 per month, putting us in the 22% income tax bracket. When we account for taxes, our desired gross monthly salary is \$8,013 per month.

### Determine your Monthly Profit Percentage

Profit is what's left in a business each month after expenses and salaries are paid. A healthy business doesn't live 'paycheck to paycheck', meaning every dollar in doesn't go out. Accounting for this additional revenue is necessary to have a healthy business.

Earning a profit is also one of the great benefits of being a business owner versus an employee. Throughout the year, a portion of the profits should be disbursed to you to use however you want: plan a fantastic vacation, buy a new home, or get that hot tub you've always wanted. It's entirely your choice! You took the risk of being a business owner, you deserve to reap the rewards.

If you're unsure how much profit to account for, we recommend starting somewhere between 5% and 10%. While you can choose any percentage you're comfortable with, somewhere in that range will give you a conservative goal you can achieve.

Once you've determined your monthly profit percentage, write that number down in Section G of your [Worksheet](#).

**EXAMPLE**

Our profit percentage is 5%, which equals \$476 per month. The calculation looks like this:

$$(\$1,500 \text{ in expenses} + \$8,013 \text{ in salary}) \times .05 = \$476 \text{ in profit}$$

**Calculate your Target Monthly Revenue**

Now that you've determined all the pieces, it's time to put it all together and calculate your target monthly revenue.

**Target Monthly Revenue**

=

**Monthly Expenses + Gross Monthly Salary + Monthly Profit**

Once you've calculated your target monthly revenue, write this number down in Section G of your [Worksheet](#).

**EXAMPLE**

The target monthly revenue for our fictitious firm is \$9,989.

$$(\$1,500 \text{ in expenses} + \$8,013 \text{ in gross salary} + \$476 \text{ in profit}) = \$9,989$$

**STEP 4****ASSIGN EFFORT AND ADJUST**

The final step in our value-based pricing process is to assign the effort necessary to complete each service and adjust the initial pricing as needed. The goal here is to confirm the initial price you determined a potential client would pay for your

service is a number that works for your business. Remember, this is a check, not an invitation to calculate pricing based on your cost.

If the price the client assigns to the value does not produce enough revenue for your business, something needs to change. You can increase the value provided, decrease costs, or continue to do market research to see whether the initial price was inaccurate. What you won't do is increase the price to cover your costs. Doing so means you have shifted away from being a client-centric, value-based law firm that starts with the client and works backwards. Instead, your practice would simply be another ego-centric, cost-based law firm. You didn't come this far and do all this work to take the same old unsustainable, antiquated approach. You and your business are better than that.

When thinking about the effort it takes to complete each service you offer, it's important to consider the different types of effort. We're all familiar with the work we put in to complete the tasks necessary for each service, but there's also the mental, emotional, and sometimes physical effort that's required. You may find that some services require more emotional effort than others. For example, a contested hearing may be more emotionally draining than drafting a motion for summary judgement, even though on paper, the two tasks require a similar amount of work. You may find there are some services that don't require a lot of work on paper but are mentally taxing. For example, drafting an email to an opposing counsel who scrutinizes every word you say may not look like a lot of work, but by the end of it, you've expended a ton of mental effort to get it done. When evaluating our initial price, we need to account for not only the actual work required but all the effort we put in to complete the service.

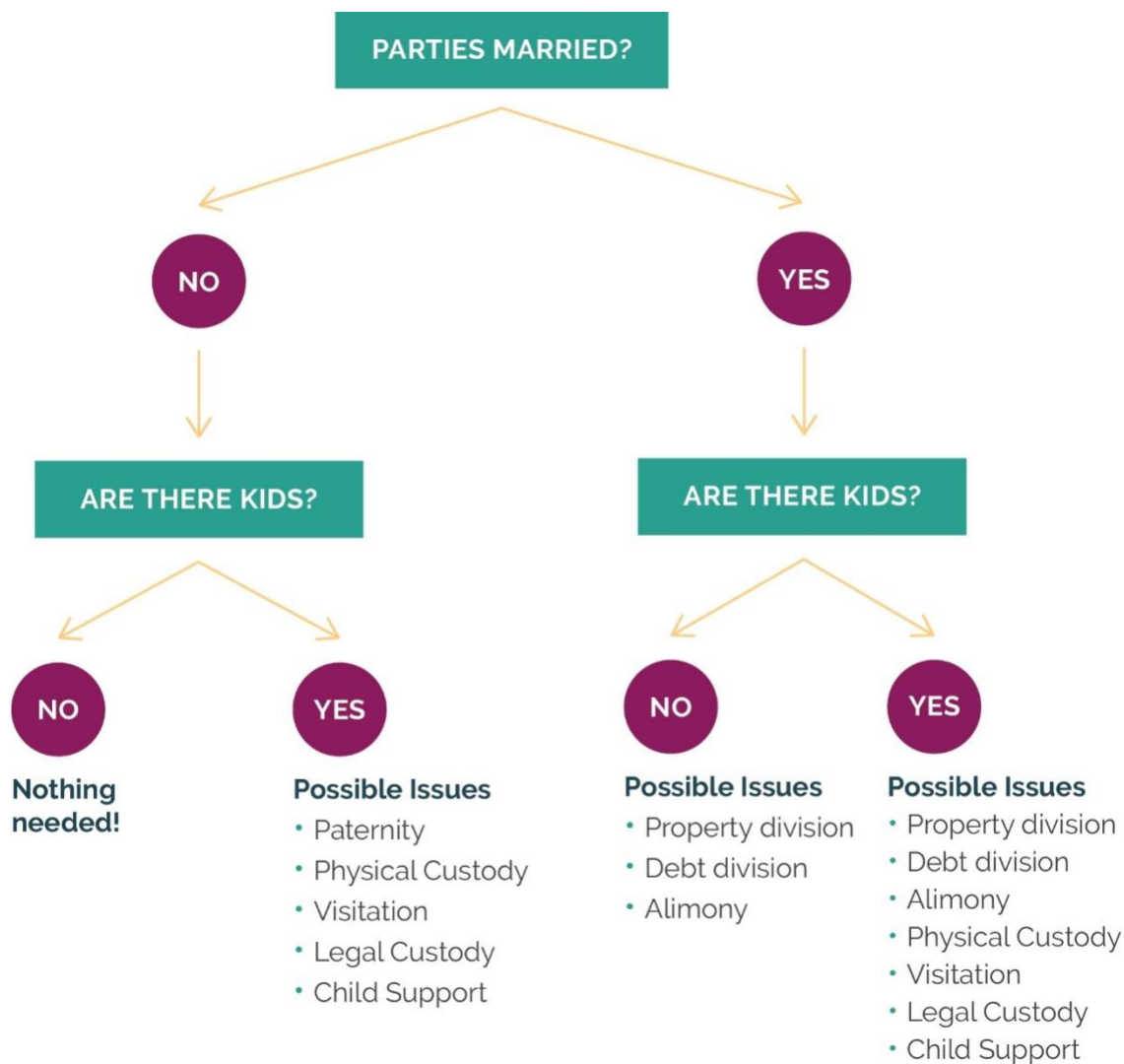
When we're figuring out the effort required to complete a service, it's helpful to visually detail all the steps by process mapping the anatomy of the case. A process map is a tool used to depict the flow of information, display tasks associated with a process, identify decisions that need to be made along the chain, and highlight the relationships between steps. If you are a newer attorney or new to a specific practice area, it's helpful to pair up with a more experienced mentor to help you create a comprehensive process map.

Process maps can also be used to identify inefficiencies. Once you map out the anatomy of a case, you may discover that you can use less effort at a certain step by incorporating a tech tool or that you can resolve the case quicker if you change the order of steps.

The importance of process mapping a case cannot be overstated.

Below is an example of a basic process map for a family law case. Additional process map examples can be found [in the Appendix](#).

**New Family Law Case Basic Process Map Example**



The importance of process mapping a case cannot be overstated. If you fail to properly account for all the work necessary to deliver a service, you will underprice it and feel resentful when you are not generating enough revenue. To be clear, that failure is on you. The good news is, it's an easy fix: simply flesh out the process map to account for all the necessary effort.

As you determine the effort required for each service, categorize it into a small, medium, or large bucket. Using these categories will give you a high-level sense of whether your services are disbursed equally or if you have too much of a concentration in one category.

If you have services that cannot be fully delivered in a month but instead require several months or even years to complete, consider how much effort those services require in an average month and categorize it that way.

Once you've determined the level of effort required for each service, write it down in Section H of your [Worksheet](#).



**EXAMPLE**

In our child custody example, our effort depends on the situation:

**Case #1: “Just Need it in Writing”**

Parents have been working together for some time and are just looking for their agreement to be memorialized. There is no opposing counsel. The parties are reasonable, and you are excited to help them formalize their existing agreement. You have tech tools in place that will streamline the process.

*Effort Bucket:* Small

*How we'll address variables:* Limit the Scope & Exclude Known Unknown Variables

**Case #2: “Hope for the Best; Prepare for the Worst”**

The parents have not spoken in years. Client is unsure where the other parent is located and is unsure what parenting schedule they want. The client is uneasy about starting the process and needs more counseling to feel comfortable. Whether there will be an opposing counsel is unknown. You anticipate spending more emotional and mental effort to counsel the client, but you anticipate being able to get them to see that an agreement is the best for their kids but a trial could be needed.

*Effort Bucket:* Medium

*How we'll address variables:* Include a Risk Premium

**Case #3: “Opposite Side of the Field”**

The parents argue over every little thing. They have an existing schedule but neither of them believes it is working. It is unlikely they will reach an agreement. An expert is needed to help sort through the allegations being made by both sides. The other party is represented by a firm that is known for increasing litigation. You know this case will be mentally and emotionally draining. There will be problems at every step that you'll need to figure out.

*Effort Bucket:* Large

*How we'll address variables:* Set Price for First Phase of Case

Now that you've assigned your level of effort, let's isolate each individual service and pretend it's the only work you'll do in a given month. How many new clients wanting that one particular service could you realistically take on in a month given the effort required and the number of days you want to work?

As we mentioned, we recognize there are some services that will take multiple months or years to complete. For those long-term services, you may determine that you can take on one new client every four months, which means you would take on 0.25 new clients per month.

Once you've determined how many new clients for the particular service you can handle each month, add this number to Section I of your [Worksheet](#).

#### EXAMPLE

Assuming we are working an average of 18 days a month, we can realistically handle the following number of cases per month if we only handled that particular type of case:

**Case #1:** 5

**Case #2:** 3

**Case #3:** 6

Next, given the number of new cases you can take on each month, let's determine the price you would need to charge to meet your target monthly revenue. To do this, take your target monthly revenue (Section G of your [Worksheet](#)) and divide it by the number of cases you've identified you could handle per month if that was the only type of case you took on (Section I of your [Worksheet](#)).

Once you've determined the price necessary to meet your target revenue, write this number in Section J of your [Worksheet](#).

**EXAMPLE**

The average revenue each case type needs to generate to meet our target revenue is:

**Case #1:** \$1,998 ( $\$9,989 \text{ target revenue} \div 5 \text{ cases}$ )

**Case #2:** \$3,330 ( $\$9,989 \text{ target revenue} \div 3 \text{ cases}$ )

**Case #3:** \$1,665 ( $\$9,989 \text{ target revenue} \div 6 \text{ case}$ )

Finally, compare the price you just calculated is necessary to meet your target revenue to the initial price you determined was what the client would pay for the value received for the particular service (Section F of your [Worksheet](#)).

One of three things will happen:

- 1. The two prices will be the same.** Congratulations! The value you are delivering to the client aligns with the revenue your business requires. You don't need to make any changes.
- 2. The initial price of what the client would pay is lower than the price required for your target revenue.** Because the revenue your business requires is not aligned with the value the client is receiving, you have three options.

The first option is to increase the value you are providing, ideally without expending additional effort. Think back to the value pyramid. What additional value can you provide that would make clients want to pay more for the service? As always, be sure you are clearly communicating that value in marketing materials and during consultations.

The second option is to decrease the business expense required to deliver the service. Can you use technology to work more efficiently? Will you naturally become more experienced as you complete more of these services? Where can you reduce overhead? All of these approaches will reduce the business expense required to deliver the service, which will lower your target revenue. Hopefully once your target revenue is lower, it will align with the price the client will pay.

The third option is to test the price required to meet your target revenue (Section J of your [Worksheet](#)) with potential clients and see if they are willing to pay it. It's possible that the initial price you determined is lower than what the market will bear. If you complete additional research and determine that's the case, you can raise your price without adding value or decreasing expenses because you learned that potential clients put a higher price on the value provided. If you learn, however, that potential clients are not willing to pay more than the initial price you determined, you will either need to add value or reduce expenses.

It's important to note that there will be some services that cannot be delivered profitably. For example, the lawyers in the JEP have found it difficult to profitably deliver eviction and other housing services because people with those legal problems are typically also experiencing financial hardship. An inefficient court system can also cause the cost of delivering a service to be greater than the value that can be delivered. If a simple divorce requires completing ten status conferences and twenty-five forms spread out over an 18-month period, you may not be able to align the target revenue needed with the value the client receives in formally breaking up.

If you added value and reduced expenses as much as you can but the price the client will pay is still not aligned with your target revenue, you'll need to make a decision. Either continue to sell the service knowing it will be for a loss if it leads to more business in the future or remove that service from your offerings until it works for both the client and your business.

- 3. Your initial price of what the client will pay is higher than the price required for your target revenue.** Congratulations! You are in the best situation! The value you are delivering to the client exceeds the revenue your business requires. Stick with your initial price and feel great each time you get a sale!

**EXAMPLE**

Here is how our initial pricing compares to our target monthly revenue:

**Case #1:** Our initial price of \$3,500 is higher than what our target revenue requires (\$1,998). Yay! We are in a great position and can keep our initial price as is.

**Case #2:** Our initial price of \$5,250 is higher than what our target revenue requires (\$3,330). We're in good shape, but if we find our calculated risk premium is not covering the additional effort required for trial, we'll need to make an adjustment.

**Case #3:** Our initial price of \$1,500 is lower than what our target revenue requires (\$1,670), however, we know there are usually two additional phases the client will need to finish their case. Those additional phases are initially priced at \$2,500 and \$4,500, and exceed what's necessary for our target revenue. If every new client completes all three phases, we'll be in good shape.

If clients don't purchase the additional phases, however, we may not earn enough to hit our target revenue. Because of that, we'll want to watch how often clients aren't purchasing the additional phases. Depending on how many clients drop off, we may feel comfortable increasing the number of new clients we can take each month because we know we'll lose some. Alternatively, we could add value to the service provided in the initial, small phase so that clients would pay a higher price or we could decrease our expenses to create the margin we need.

Once you establish a verified price for one service, repeat this process for each service you offer until you have a full menu of value-based pricing.



### KEY TAKEAWAYS

- ✓ It's important to work through all four steps of the framework. Skipping any step could result in pricing your services in a way that does not work for both the client and your business.
- ✓ A critical step in pricing services is to determine possible variables and account for them.
- ✓ There are three options to account for variables:
  1. limiting the scope of your representation to only the standard steps and exclude "known unknown" variables from the scope;
  2. spreading the cost of a variable event and the likelihood it will occur across all similar cases; and
  3. charging a flat fee for the first, small phase of a case so that you can dig in more and better identify the variables involved.



**Review, Assess,  
Adjust, Repeat**

## Pricing your services will be an active, ongoing process for as long as you own your firm.

In the first couple of years, you'll want to review your pricing monthly or quarterly depending on the volume of your practice. Once you feel more confident, you can move to a semi-annual or even annual review schedule.

During a review, you'll want to assess all the different components of pricing. To start, collect feedback from clients about how the value they received compared with the price they paid. An easy way to collect this information is to send a survey at the end of the case. The question can be a simple sliding scale with the options "it was a steal!", "it was right on point", or "it was too expensive". If you consistently receive feedback that the price was a steal for the value received, guess what? It's time to increase the price!

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While you may want to look at data on a case-by-case basis, remember, you're looking for an average.

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Next, you'll want to analyze whether the amount of effort required to deliver each service matches what you expected. Because one component of effort is time, you'll want to review the time you tracked. To be clear, we are not suggesting that you track time in six-minute increments. Instead, track time using an increment you feel comfortable with to be able to accurately analyze your data. Because you no longer trade your time for money, the purpose here is not to time track to generate revenue. Instead, the data will help you understand if your estimated effort (in Section I of your [Worksheet](#)) aligns with the effort you are actually expending. If you find what you expected and what is reality are not aligned, it's time to make an adjustment.

On a side note, time tracking is also helpful in cases where fee shifting is available or you need to provide more information about the work done. Being able to produce time records in those situations will help substantiate your work.



Lastly, audit your overhead. As we're working in our businesses, expenses get paid, and we don't think twice about it. When we take this blinders-on approach, things can get out of hand quickly. It's important to stay on top of your business expenses and routinely trim or remove any that are not critical or can't be justified.

While you may want to look at data on a case-by-case basis, remember, at the end of the day, you're looking for an average. Not every case will be perfect, and one bad one doesn't mean you should give up or make rash decisions to overcorrect. Some matters will have a big profit margin, and some won't. That's ok - it's the average that counts. And as you continue to review and tweak your pricing, you'll get closer and closer to a solid average and hopefully avoid the outliers all together

When you aren't chasing clients for money, defending your fee, living life in 6-minute increments, or feeling concerned that what you're charging isn't enough to sustain your business, you focus on providing the best client experience, which will grow your business without any extra work. When you're focused on providing value, you will not only love what you do, but your business will grow with you.



#### KEY TAKEAWAYS

- ✓ Pricing your services will be an active, ongoing process for as long as you own your firm.
- ✓ You can continue to improve pricing and increase profits by routinely collecting feedback from clients, analyzing whether the amount of effort matches what you expected, and auditing your overhead.



You can have the best pricing options in the world, but if you don't properly set expectations, bring in compatible clients, and properly memorialize your agreements, your business model won't bring in the revenue you want.

When this happens, most lawyers want to blame value-based pricing, saying it's the reason they undersold the case. Let's be clear: that's not the cause of the issue. The problem instead stems from failing to properly screen clients, set expectations, or draft a comprehensive engagement agreement.

In other words, if you don't price appropriately, it's on you.

Here are some tips on how to avoid this situation and instead ensure a harmonious client-lawyer relationship and a profitable business.

### ESTABLISHING GOOD CLIENT SCREENING

Not every legal consumer is a good fit for your firm. Let's say that again: not every legal consumer who calls your office is a good fit. Part of being in business is knowing when to say no.

The goal of the screening and intake process is to weed out clients who are not a good fit and to start providing value to the ones who are. How do you know which clients are a good fit? Here are a few questions to consider:

- **Is the potential client or case presenting any yellow flags?** When considering whether to take a case, we all know the red flags. But there are also yellow flags that you should look for too. For example, is the case within your area of expertise? Do you have adequate time to handle the case? Did the client have previous counsel and why aren't they working together any longer? Is the client looking for revenge or a resolution? While none of these items on their own are a deal breaker, you will want to consider them carefully as you evaluate a case. As you continue to gain expertise, you'll likely come up with additional yellow flags to look out for. Refer to your running list each time you have a consultation. There is a saying that "the bad client you didn't take is

the best money you never made." Trust your gut. Don't take on bad clients. They are never worth it.

- **Is the client tech savvy enough to fit your business model?** If your business model is predicated on clients having a certain level of tech savviness - for example, being able to scan and email documents - then you need to screen for this requirement during your intake process. If you fail to do so, you'll be expending extra effort helping your clients simply work with you. This unaccounted effort will ultimately undermine your pricing and negatively impact your bottom line. Consider asking clients whether they know how to do certain things or testing their skills by giving them a homework assignment before the initial consultation.
- **How much support will the client need?** Some clients are okay with hearing from you when there has been movement in their case. Others want to hear from you every day regardless of whether something has happened or not. Others fall somewhere in-between. What level of communication and handholding is your firm set up to handle? Are you adjusting your pricing if a client finds value in being able to have you on-call or provide frequent updates? Before you enter into an engagement, screen potential clients to ensure they are a good fit for the level of communication you're able to provide and refer out the ones who are not.

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The goal of the screening and intake process is to weed out clients who are not a good fit and to start providing value to the ones who are.

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Keep in mind, this is not an exhaustive list of things to screen for. It's important to spend some time thinking about the types of clients that would be a good fit for your practice and how to weed out the ones that aren't.

## SETTING EXPECTATIONS

One of the best ways to get clients that align with your business model is to set expectations before, during, and after the initial consultation.

### Before the initial consultation

Before you ever talk with a potential client, you can provide value. How? By including your pricing on your website. Yes, on your website! For the world to see. (Don't worry, you can update it as much as you need to and no one will likely notice.)

Providing pricing on your website will help legal consumers determine if the value you're providing aligns with their expectation of cost and their budget - all before they contact you. Research shows that many legal consumers have some funds for legal services but aren't sure whether they can afford a lawyer because pricing is traditionally so opaque and uncertain. Offering transparent pricing on your website solves this problem and exposes your practice to a largely untapped market.

When crafting marketing materials, including your website, be sure to use plain language that your target market recognizes and understands, keeping in mind that the average American typically reads at a 7<sup>th</sup> grade level.

If you are nervous about adding pricing information to your website, that's okay and totally normal! While we still want you to take the leap, we recommend starting small. Don't jump off the high dive just yet. Instead, add the price for one service or offer a pricing range. Once you get more comfortable and fine-tune your approach, continue to add more services until you have a complete pricing menu online.

### During the initial consultation

Another time to set expectations is during your initial consultation. After assessing the potential client's legal problem and what they value, offer two or three options for how you will solve their problem and provide value. Then, set expectations.

We cannot overstate the importance of setting expectations. While it may not be the most comfortable conversation now, it will be a whole lot worse if you don't have it. Conflict between lawyer and client occurs when expectations have not been discussed and each person has their own idea of how things should go. Don't put

yourself in that situation. You've worked too hard to build your practice in a way that provides maximum value and solves legal problems for clients. Why throw that all away because you felt uncomfortable setting expectations and boundaries?

To help you ease into the expectations conversation, start by sharing the high-level steps of the case and an associated timeline. If you can provide a visual representation, even better. To be clear, we're not asking you to commit to a specific timeline. We know that's often out of your control. What we are asking is that you are honest with the client about how long things might take. Just because the client wants their divorce done in a month doesn't mean that's going to happen. While you can empathize with them ("I wish we could get it done in a month! That would be amazing!"), you must set a more realistic expectation ("What's more realistic is that it will take about six months if we can reach an agreement or up to a year if we have to go to trial."). While the client may be disappointed to hear their case is going to take longer than they were hoping, they'll be a whole lot less upset now than a month later when their divorce isn't done and they're angry because you didn't tell them otherwise.

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## We cannot overstate the importance of setting expectations.

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One expectation that is critical to cover during the initial consultation is about communication. How often should the client expect to hear from you? How can the client communicate with you? What response time works for both of you? Does this client want or need more counseling out of your representation? Most of the time, you'll be able to identify clients who need a little more, but it's important to cover the basics with everyone. How you prefer to communicate and what this particular client needs should not only be discussed but also included in your engagement agreement.

### **After the initial consultation**

Immediately following or shortly after the initial consultation is a fantastic opportunity to continue to set expectations and add value. If you set the expectation that you will communicate after each step in the process, you better follow through and send a follow-up email. If you provide value by being a

source of information, consider sending a welcome packet that highlights the major milestones of the case, the value you'll deliver, and a summary of the expectations you discussed. Remember, you can't overcommunicate when serving your clients. Err on the side of sending information many times and in different formats.

Setting clear expectations from the jump will fundamentally change your practice and your relationship with your clients. Exercise that muscle early and often. Create an open line of communication. Establish and stick to your boundaries. You'll be amazed at how doing so changes your attorney-client relationship for the better.

## DRAFTING COMPREHENSIVE ENGAGEMENT AGREEMENTS

Now that you've done a great deal of work determining your pricing, it's important to properly memorialize it in a comprehensive engagement agreement.

Below are a few tips to help you get started. You'll also find [a sample engagement agreement checklist in the Appendix](#). Keep in mind that this section is not an exhaustive list of provisions. Because every practice and every state is different, we recommend you take time to consider the provisions your particular practice requires. We also recommend you consult your local Rules of Professional Conduct to see if there are any specific requirements you need to include.

### Memorialize the agreement in writing

It may go without saying, but just in case, you must memorialize your agreement in writing. No ifs, ands, or buts about it. While we know you discussed goals, expectations, and price upfront (because you're a Toolkit master now!), you still need to put that information in writing and have it signed by the client. The engagement agreement will be your first line of defense if the client has a question, misunderstands something, or if the facts of the case change. Because you've set and managed expectations within the engagement agreement itself, there will be no surprises. You and the client can address the speed bump and move on without issue.

### Scope of the engagement

One of the most important sections in your engagement agreement is the part that defines the scope of your representation. The scope should include the



specific work or tasks you will complete, any associated timelines, and when your representation will end. It's also important to include any tasks the client will be responsible for and what work is not included. Sometimes what's not included is even more important to identify to avoid confusion. If you plan to outsource any work, be sure to disclose that as well.

If you are providing limited scope representation, the [CBF Limited Scope Resources Toolkit](#) has sample checklists, an engagement agreement, and other important information pertaining to unbundling.

When defining the scope, be as specific as possible. The more information and detail you can provide the better. For example, if the scope includes completing one round of revisions to a contract as opposed to an unlimited number of revisions, the engagement agreement should include that detail either within the scope provision or in an addendum as outlined in [this article](#).

More [examples of detailed scope clauses can be found in the Appendix](#).

### **When a fee is earned**

Your engagement agreement should include a provision stating when exactly the fee is earned. Consult your local Rules of Professional Conduct to ensure you are in compliance with how your state handles earned fees.

If you live in a state where flat fees are earned upon receipt, be sure to clearly include that information. If you live in a state where flat fees are earned as work is completed, be sure to detail what those milestones are and what portion of the fee is considered earned for each. To see a sample flat fee agreement with milestones, click [here](#).

### **Assumptions upon which the agreement is based**

It is important to outline in an engagement agreement any assumptions upon which the agreement is based. For example, in a divorce case, you may offer the client a certain fee based upon the assumption that the two parties are in complete agreement when it comes to co-parenting their children. You'll want to include that assumption in your engagement agreement. That way, should things change or you realize there are some things related to the children the parties have not agreed upon yet, you already have the foundation set to have a conversation with your client that additional costs may be incurred.



Spelling out the assumptions you are relying on will protect you from doing more work than you were anticipating because an assumption turned out to be incorrect. Remember, defining assumptions and setting expectations is on *you*. If you don't take the time to do it upfront and memorialize those understandings, you only have yourself to blame.

### **A right to renegotiate clause**

While the goal is to factor as many potential variables as possible into your pricing and expressly state the assumptions you have relied upon in offering a particular price, things will inevitably come up. That's why we recommend including a right to renegotiate clause in your engagement agreement. This clause springs into action when an unforeseeable variable arises or the facts of the case change, requiring a change to the scope. Including this clause allows you to have a conversation with the client. Since you set the expectation from the beginning by including this clause in your engagement agreement, there shouldn't be much of a surprise. If after speaking with the client you agree on a new terms for your representation, be sure to memorialize them in a new engagement agreement that outlines any change in scope and the new price.

### **Boundaries and expectations**

When offering a transparent and predictable price, it is essential that clients be able to contact you without being nickel and dimed. It's important for them to have an open line of communication with their lawyer. It allows us as the lawyer to provide the best representation. This need for open communication needs to be balanced, however, against expectations and boundaries. While we want clients to call us with new information or a question, unless we've established that type of relationship in the beginning, we don't want to be on the phone 24/7.

As we covered, you'll want to proactively discuss communication expectations during the initial consultation. Once these expectations have been established, include them in your engagement agreement. Be as detailed as possible about the preferred method of communication, days and times you're available, response time, and an overall volume of communication. If the client is not comfortable with your communication guidelines, refer them to a another lawyer who would be a better fit.

## COLLECTING MONEY & HANDLING REFUNDS

One of the many benefits of value-based pricing is the effect it has on your collection rate. For many lawyers who practice value-based pricing, their collection rates are close to, if not, 100%. Yes – a 100%! No chasing clients down for money or writing off revenue after the fact.

Why the high collection rate? Because when clients know what the price is, they are more willing to provide payment upfront. Depending on the total cost, some clients may not have the full amount on Day 1, but they likely will agree to a payment plan that has you collecting the full fee before the associated work has been done.

Whatever payment terms you agree upon, they need to be clearly spelled out in your engagement agreement. Include details like payment dates, whether payment will be taken automatically, method of payment (e.g., check, card, or cash), and what happens if a payment is missed. Including these terms ensures you and the client are on the same page when it comes to money. As always, when setting up a payment method, be sure to consult your local Rules of Professional Conduct and ensure funds are deposited into the correct account (trust vs. operating) and credit card processing fees are handled appropriately.

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For many lawyers who practice value-based pricing, their collection rates are close to, if not, 100%.

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Depending on the client or type of case, you may even get creative with payment terms. Newer methods of paying for legal services, such as crowdfunding or litigation financing, may help your client pay for services. Again, if you're using a non-traditional method, be sure to spell out all the details and expectations in your engagement agreement. Leave nothing to assumption.

If a client falls behind on their payment schedule, address it immediately. Do not wait for months to go by before bringing it up. As soon as a payment is missed, schedule a time to talk with the client and see if you can resolve the issue. You may find the client forgot or just needed an extra couple of days to pay.

If the client is unable to pay, consider withdrawing from the case. Be advised that many judges may not let you withdraw if you are close to trial. This is why it's critical to get into the habit of routinely reviewing a client's payment status so that you are not in a situation where the client can't pay you and you can't withdraw.

We strongly recommend including reasons either the client or you can terminate the representation in the engagement agreement. Because either one of you may choose to terminate the representation prior to completion of the agreed-upon work, you need to include terms and expectations around that situation.

Without question, you must refund the client for any work that was not started or completely performed, even if you practice in a state where flat fees are earned upon receipt. If you began work but did not complete it, explain how you will calculate the portion of the fee related to the work that has been earned and what amount will be refunded. When you cover all the different scenarios, there shouldn't be a situation where you complete work that you are not paid for or that the client pays for work they did not receive.



### KEY TAKEAWAYS

- ✓ Establishing client screening, setting expectations, and drafting comprehensive engagement agreements are critical to generating profit.
- ✓ Not every potential client is a good fit for your firm. Trust your gut! Refer ones who are not a good fit to a firm that might be.
- ✓ Setting expectations from the beginning and summarizing them in a comprehensive engagement agreement avoids unexpected and uncomfortable conversations when a case changes direction and the scope of the representation needs to be modified.
- ✓ Value-based pricing leads to higher collection rates.
- ✓ Offering payment plans helps potential clients afford your services.
- ✓ Offering electronic payment options helps potential clients provide payment.
- ✓ If a client stops paying you, discuss it immediately and withdraw from the case if you cannot resolve the issue.



## Congratulations! You now have a law practice that maximizes value-based pricing.

You are on your way to having a successful, profitable, and fulfilling practice that supports your wellbeing. That dream you had in the beginning is becoming a reality. Welcome to the Happy and Successful Lawyers Club!

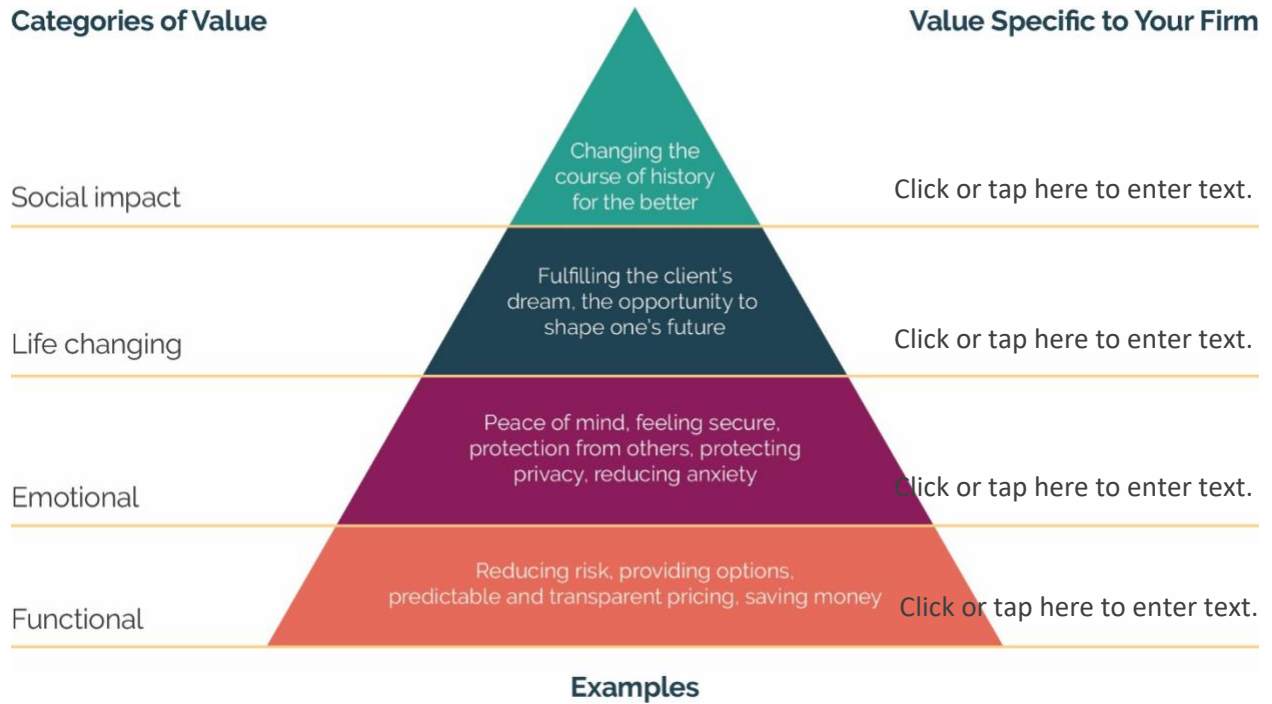
We look forward to continuing to serve as a resource and guide on your value-based pricing journey. Be sure to check out the templates and additional resources in the Appendix, and please do not hesitate to reach out with questions. We're here to help!

The background of the page is a dense, repeating pattern of white line-art icons on a light gray background. The icons represent various legal and judicial concepts, including: scales of justice, gavel, courtroom, judge, lawyer, fingerprint, shield with a star, magnifying glass over a document, handshake, money bag, piggy bank, handcuffs, and family groups. The icons are scattered across the entire page, with a large, solid teal rectangle overlaid in the upper center.

# Appendix: Templates & Additional Resources



## ELEMENTS OF VALUE PYRAMID



Remember, value can be delivered two different ways: (1) through the delivery of a solution to the client's legal problem, and (2) through the process of delivering the solution (think customer service).



## Example Creating a Pricing Menu Worksheet

### Step 1: Determine the Value

**A. Name of Service:** Custody case (standard steps through mediation)

**B. What value can you offer through the delivery of this service (think about your target clients' typical goals)?**

- Provide information, answer all of the client's questions, and explain their rights
- Provide peace of mind that the children's interests are being advocated for
- Reduce the risk by helping the client stay out of court
- Reduce the client's effort by drafting and filing all necessary documents with the court
- Reduce stress by negotiating with the other party or opposing counsel on the client's behalf
- Provide quality representation if help is needed in court
- Reduce the client's overall stress and risk
- Provide peace of mind to the client that their parental rights are protected

**C. What additional value can you offer through your firm that is not tied to this service (think customer service)?**

- Consultations that are easy to schedule
- A well-developed FAQ section on my website
- Set fees so potential clients can understand up front how much the service will cost
- Payment plans

- Flexible hours outside of 9 to 5
- A client portal where they can access their case file 24/7 and always understand the status of their case

**D1. What variables do you need to account for?**

- Level of disagreement and animosity between parties
- Whether there is an opposing counsel
- Communication time with client, other party, other lawyer, or third parties
- Emergency motions
- Requests for temporary orders
- Seeking a protection order
- Request for court-appointed investigator
- Contested hearing

**Example Scenarios**

**Case #1: “Just Need it in Writing”**

Parents have been working together for some time and are just looking for their agreement to be memorialized. There is no opposing counsel. The parties are reasonable and communicative.

**D2. What approach will you take to account for the variables?**

**Case #1: “Just Need it in Writing”**

Limit the scope and bundle all the standard tasks necessary to complete the uncontested case.

**Case #2: “Hope for the Best; Prepare for the Worst”**

Limit the scope to include the standard steps through mediation and include a risk premium that would cover the standard steps required for a contested hearing, if one is needed. Any other variable that might come out would be out-of-scope and require an additional engagement agreement.

**Case #3: “Opposite Side of the Field”**

Limit the scope to an initial, exploratory phase to learn more about the needs of the case. Once the initial phase is complete, we will have a better understanding of what additional work will be needed and

**Case #2: "Hope for the Best; Prepare for the Worst"**

The parents have not spoken in years. Client is unsure where the other parent is located and is unsure what parenting schedule they want. The client is uneasy about starting the process and needs more counseling to feel comfortable. It's unclear whether there will be an opposing counsel or if trial will be necessary.

**Case #3: "Opposite Side of the Field"**

The parents argue over every little thing. They have an existing schedule but neither of them believes it is working. It is unlikely they will reach an agreement. It is likely an expert will be needed to help sort through the allegations being made by both sides. The other party is represented by a firm that is known for increasing litigation. Trial is likely, but it's hard to know the scope of all the issues.

can determine how to approach the variables.

**E. What type of fee arrangement will you use for this service?**

**Case #1: "Just Need it in Writing"**

We'll use a fixed fee approach and bundle all the standard tasks necessary to complete the uncontested case.

**F. What, if anything, did your market research reveal about the market for this service?**

- No family law firms list pricing on their website.
- Legal consumers can connect with a lawyer offering unbundled services through Unbundled

**Case #2: "Hope for the Best; Prepare for the Worst"**

We will use a flat fee with a risk premium included.

**Case #3: "Opposite Side of the Field"**

We will use a flat fee arrangement for the initial phase.

Attorney but it is unclear if the lawyer will offer a set price.

- The Colorado Judicial Branch offers free self-help, information, forms and centers.

**Step 2: Assign a Price**

**Step 3: Identify your Target Monthly Revenue**

**G. What is your initial price for this service?**

**Case #1:** \$3,500

**Case #2:** \$5,250  
(\$3,500 + \$1750 risk premium)

**Case #3:** \$1,500

**H. What is your target monthly revenue?**

*Monthly Expenses:* \$1,500/month

*Salary:* \$8,013/month

*Profit:* \$476/month

**Target Revenue:** \$9,989

**Step 4: Assign Effort and Adjust**

**I. What amount of effort goes into providing this service - small, medium, or large?**

**Case #1:** Small

**Case #2:** Medium

**J. If this was the only service you offered, how many could you realistically handle each month?**

**Case #1:** 5

|  |   |
|--|---|
| <p><b>Case #1:</b> Large</p>   | <p><b>Case #2:</b> 3<br/><b>Case #3:</b> 6</p>  |
| <p><b>K. Divide your target revenue by the number you just wrote down in Box J. What \$ do you get?</b></p> <p><b>Case #1:</b> \$1,998 (<math>\\$9,989/5</math>)<br/><b>Case #2:</b> \$3,330 (<math>\\$9,989/3</math>)<br/><b>Case #3:</b> \$1,664 (<math>\\$9,989/6</math>)</p> | <p><b>L. How does the price you wrote down in Box G compare with the price you wrote down in Box K?</b></p> <p><b>Case #1:</b> It's higher - hooray!<br/><b>Case #2:</b> It's higher - hooray!<br/><b>Case #3:</b> It's lower, but we'll want to watch the rate of add-on services to see if we need to make adjustments.</p> |

## Example Creating a Pricing Menu Worksheet

### Step 1: Determine the Value

**A. Name of Service:** Basic will

**B. What value can you offer through the delivery of this service (think about your target clients' typical goals)?**

- Sense of security that the distribution of assets will be done as the client wishes
- Peace of mind that the client's children will be taken care of
- Provide information to answer all their questions and provide guidance
- Explain the client's rights, options available to pass on property, and other legal documents they may need to supplement their will
- Support loved ones who survive the client and save them time and money by avoiding the probate process
- Memorialize the client's goals by drafting a will
- Help the client pass their legacy on to the next generation

**C. What additional value can you offer through your firm that is not tied to this service (think customer service)?**

- Consultations that are easy to schedule
- A well-developed FAQ section on my website
- Set fees so potential clients can understand up front how much the service will cost
- Payment plans
- Flexible hours outside of 9 to 5

- A client portal where they can access their case file 24/7 and always understand the status of their case or home visits for elderly clients
- An e-newsletter with monthly estate planning tips

**D1. What variables do you need to account for?**

- Changes to document
- Communication time with the client

**D2. Which approach will you use to account for the variables?**

- Limit the scope to include a specific number of rounds of changes and communication time. Anything additional would require an additional engagement.

**E. What type of fee arrangement will you use for this service?**

Flat fee. Clients can pay the entire amount up front or split the fee up into two smaller payments - half paid up front and half paid one month later (before delivery of the will).

**F. What, if anything, did your market research reveal about the market for this service?**

- No estate planning firms list pricing on their website.
- Banks also offer estate planning services.
- LegalZoom and other companies offer DIY options (starting price of \$89) that can be paired with legal advice for an additional fee

**Step 2: Assign a Price**

**G. What is your initial price for this service?**

\$650

**Step 3: Identify your Target Monthly Revenue**

**H. What is your target monthly revenue for the firm?**

*Monthly Expenses:* \$1,500/month

*Salary:* \$7,625/month

*Profit:* \$456/month

*Target Revenue:* \$9,581

**Step 4: Assign Effort and Adjust**

**I. What amount of effort goes into providing this service - small, medium, or large?**

Small

**J. If this was the only service you offered, how many of these services could you realistically handle each month (not necessarily from start to finish)?**

30

**K. Divide your target revenue by the number you just wrote down in Box J. What \$ do you get?**

\$319

**L. How does the price you wrote down in Box G compare with the price you wrote down in Box K?**

It's higher - hooray! This price works for my business!



## Example Creating a Pricing Menu Worksheet

### Step 1: Determine the Value

**A. Name of Service:** Debt defense and out-of-court settlement

**B. What value can you offer through the delivery of this service (think about your target clients' typical goals)?**

- Provide information that explains the client's rights and their options to resolve the matter
- Reduce stress and anxiety associated with the debt and the harassing calls and letters
- Give peace of mind that the debt is under control and the client has a plan they can afford to pay it off
- Leverage as an attorney to negotiate with the creditor and reach a settlement the client can afford
- Confirm the client's interests are protected by reviewing and executing a settlement agreement
- Keep the client from having to file for bankruptcy

**C. What additional value can you offer through your firm that is not tied to this service (think customer service)?**

- Consultations that are easy to schedule
- A well-developed FAQ section on my website
- Set fees so potential clients can understand up front how much the service will cost
- Payment plans

- Flexible hours outside of 9 to 5
- A client portal where they can access their case file 24/7 and always understand the status of their case
- An e-newsletter with monthly money and credit management tips

**D1. What variables do you need to account for?**

- Amount of the debt
- Strength of the defenses, assuming no counterclaims
- Number of court appearances necessary
- Debt collector's or original creditor's standard settlement discount %
- Client's need for a payment plan vs. a lump sum settlement payment
- Amount of settlement review and execution
- Necessity of trial
- Potential for fee shifting if there is an FDCPA claim

**D2. What approach will you take to account for these variables?**

- If the debt is over \$10,000, an answer and discovery are required so need to account for the additional effort necessary within the scope.
- If defenses are very strong, able to provide tremendous value quickly. If they are weak, will need to spend more effort strategizing and negotiating. Either expand the scope if defenses are known up front or include a risk premium to account for extra effort that might be needed if find out defenses are weak.
- Determine based on the above, how many status appearance or hearings will be necessary from appearance through trial and include it in the scope.

|   |   |
|---|---|
|   | <ul style="list-style-type: none"><li>▪ For % discount and client's need for payment plan, consider what the client wants to pay vs. what the case is likely to settle for, and account for the extra effort that might be needed as a risk premium</li><li>▪ Include defined amount of time for reviewing, revising and getting the settlement agreement executed into the scope. Any additional time would be extra.</li><li>▪ Exclude trial from the initial scope, but include an estimate for that additional service in engagement agreement.</li></ul> |
| <p><b>E. What type of fee arrangement will you use for this service?</b></p> <p>Flat fee. Clients can pay the entire amount upfront or split the fee up into two smaller payments - half paid up front and half paid one month later.</p> | <p><b>F. What, if anything, did your market research reveal about the market for this service?</b></p> <p>No consumer debt firms list pricing on their website.</p>   |

|   |   |
|---|---|
|   |   |
| <b>Step 2: Assign a Price</b>   | <b>Step 3: Identify your Target Monthly Revenue</b>   |
| <p><b>G. What is your initial price for this service?</b></p> <p>\$575</p>                                      | <p><b>H. What is your target monthly revenue?</b></p> <p><i>Monthly Expenses: \$1,500/month</i></p> <p><i>Salary: \$7,625/month</i></p> <p><i>Profit: \$456/month</i></p> <p><i>Target Revenue: \$9,581</i></p> |
| <b>Step 4: Assign Effort and Adjust</b>   |   |
| <p><b>I. What amount of effort goes into providing this service - small, medium, or large?</b></p> <p>Small</p> | <p><b>J. If this was the only service you offered, how many of these services could you realistically handle each month (not necessarily from start to finish)?</b></p> <p>25</p>                               |

**K. Divide your target revenue by the number you just wrote down in Box J. What \$ do you get?**

\$383

**L. How does the price you wrote down in Box G compare with the price you wrote down in Box K?**

It's higher - hooray! This price works for my business!



# Creating a Pricing Menu Worksheet

## Step 1: Determine the Value

**A. Name of Service:** Click or tap here to enter text.

**B. What value can you offer through the delivery of this service (think about your target clients' typical goals)?**

Click or tap here to enter text.

**C. What additional value can you offer through your firm that is not tied to this service (think customer service)?**

Click or tap here to enter text.

**D1. What variables do you need to account for?**

Click or tap here to enter text.

**D2. Which approach will you use to account for the variables?**

Click or tap here to enter text.

**E. What type of fee arrangement will you use for this service?**

Click or tap here to enter text.

**F. What, if anything, did your market research reveal about the market for this service?**

Click or tap here to enter text.

**Step 2: Assign a Price**

**G. What is your initial price for this service?**

Click or tap here to enter text.

**Step 3: Identify your Target Monthly Revenue**

**H. What is your target monthly revenue?**

Click or tap here to enter text.

**Step 4: Assign Effort and Adjust**

**I. What amount of effort goes into providing this service - small, medium, or large?**

Click or tap here to enter text.

**J. If this was the only service you offered, how many of these services could you realistically handle each month (not necessarily from start to finish)?**

Click or tap here to enter text.

**K. Divide your target revenue by the number you just wrote down in Box J. What \$ do you get?**

Click or tap here to enter text.

**L. How does the price you wrote down in Box G compare with the price you wrote down in Box K?**

Click or tap here to enter text.



## FEE MATRIX

Please note this is not an exhaustive list of fee structures or the practice areas listed under the “ideally suited for” column. We hope the examples below will inspire further innovation, and we look forward to adding additional examples to this list.

| TYPE               | DESCRIPTION  | WELL-SUITED FOR   |
|--------------------|--|---|
| FIXED FEE BY TASK  | An attorney charges a set price for the completion of a certain task associated with the case or matter (e.g., review of a contract, drafting a petition, appearing once in court, etc.). This fee arrangement pairs well with <a href="#">unbundled services</a> . See an example <a href="#">here</a> .  | Most practice areas   |
| FIXED FEE BY PHASE | An attorney charges a set price for the completion of a certain phase or milestone associated with the case (e.g., initial case review, discovery, from filing to mediation, trial, etc.). This type of engagement can also be time bound. For example, for six months and then you reassess and renegotiate a new fee with the client. The goal is to choose a phase, milestone, or time frame that will allow you to better assess the issues and variables involved so you can offer another set fee for the next phase or remainder of the case. | Many practice areas but especially effective for civil litigation |



| TYPE  | DESCRIPTION  | WELL-SUITED FOR   |
|---|--|---|
| FIXED FEE BY CASE   | <p>An attorney charges a set price for handling the entire case or matter. This arrangement works best for less complex matters with a higher degree of predictability about the potential range of variables and associated legal work likely to be involved. If you choose this approach, we recommend building in a risk premium (as discussed in the Pricing Toolkit). See an example <a href="#">here</a>.</p>  | <p>Uncontested divorce, many post-decree domestic relations issues, real estate closings, immigration visas, wills/trusts, less complex estates, landlord/tenant, more modest civil litigation, contract disputes</p> |
| RECURRING FIXED FEE (A/K/A SUBSCRIPTION FEE) - LITIGATION | <p>Recurring fixed fee arrangements in a litigation context involve charging a set fee on a recurring basis (usually monthly but could also be quarterly or other time increments). It spreads the cost of the services out over the course of the litigation as opposed to requiring the client to pay it all up front or in large sums along the way. This approach is more affordable and accessible to budget conscious clients. Subscriptions are often discounted slightly if purchased on an annual basis. Learn more <a href="#">here</a> and see an example <a href="#">here</a>.</p> | <p>Cases that will last longer than six months</p>  |

| TYPE  | DESCRIPTION  | WELL-SUITED FOR  |
|---|--|--|
| <p>RECURRING FIXED FEE (A/K/A SUBSCRIPTION FEE) - TRANSACTIONAL</p> | <p>Recurring fixed fee arrangements in a transactional setting involve charging a set fee on a recurring basis (usually monthly but could also be quarterly or other time increments) and are typically used to advise clients (e.g., counsel on call or coaching), to provide clients with valuable DIY resources (e.g., videos explaining how to move through the process, fill out the relevant forms, etc.), or both. They work especially well with proactive/preventative services. Subscriptions are often discounted slightly if purchased on an annual basis. Learn more <a href="#">here</a>. And see an example <a href="#">here</a>.</p> | <p>Small business and non-profits, domestic relations, condo associations, estate planning, trademarks, attorney ethics and regulation</p> |
| <p>CONTRACT RECURRING FEE</p>                                       | <p>An attorney charges an initial fee for the creation of a document, such as a contract, and earns a fee every time the client uses the document through a licensing agreement or similar arrangement.</p>  | <p>Small business (non-litigation)</p>   |

| TYPE                | DESCRIPTION   | WELL-SUITED FOR   |
|---------------------|---|---|
| PURE CONTINGENCY    | <p>The attorney receives a specified percentage of the amount recovered in the case and either the prospect of recovery and/or the amount that can be recovered is uncertain. The client generally will be charged any hard costs associated with the case, but the attorney does not receive a fee unless the case results in a successful recovery. This structure is a way to share the risk between attorney and client and it works well when the amount at stake and the potential for recovery are sufficient to balance the risk to the lawyer.</p> | <p>Personal injury</p>  |
| REVERSE CONTINGENCY | <p>The attorney receives a percentage of the amount saved for the client. The base amount from which savings are calculated should be agreed upon with the client up front. Reverse contingency fee arrangements work best in cases where liability is an issue but damages are not.</p>  | <p>Breach of contract, debt collection</p>  |
| FEE-SHIFTING        | <p>Hundreds of state and federal statutes provide for attorney fee-shifting when the client prevails in a case and provide bargaining leverage to recover fees during settlement.</p>   | <p>Consumer fraud, security deposit, domestic relations (statutory fee shifting allowable where the other party can afford to pay fees)</p> |

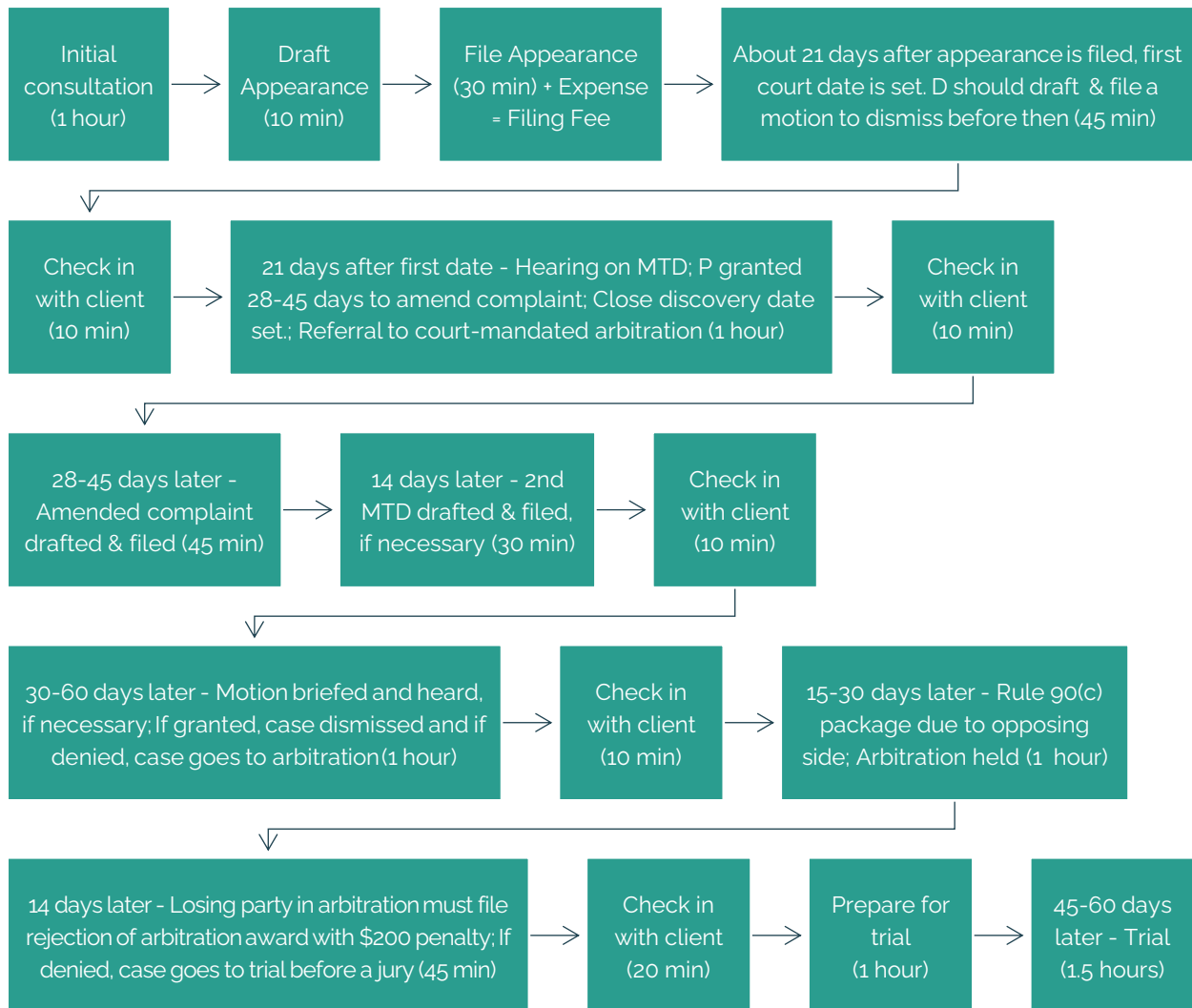
| TYPE                                     | DESCRIPTION   | WELL-SUITED FOR   |
|--|---|---|
| <p>FLAT FEE PLUS CONTINGENCY</p>         | <p>The attorney charges an agreed upon flat fee in addition to a specified percentage of the damages awarded, if any. The client is typically also charged hard costs associated with the case. This arrangement works best in cases where there is greater uncertainty of either liability and/or the amount that may be recovered, yet the client still sees value in pursuing the matter.</p>  | <p>Breach of contract</p>   |
| <p>FLAT FEE PLUS REVERSE CONTINGENCY</p> | <p>Where the attorney charges an agreed upon flat fee up front in addition to recovering a percentage of the amount saved for the client. The client is typically also charged hard costs associated with the case. This arrangement works well in situations where the client can benefit from receiving brief advice about their rights and responsibilities from counsel, and benefit from having a lawyer as their advocate to negotiate or obtain a better result than the client likely would be able to obtain on their own.</p> | <p>Consumer debt collection</p>   |
| <p>HOLDBACK</p>                          | <p>Specifies that the lawyer will withhold an agreed upon portion of the core fee arrangement on behalf of the client and return it to the client unless the attorney obtains a particular result, which is usually tied to client satisfaction.</p>  | <p>Currently most often used in more sophisticated business litigation, but has broader potential applicability</p> |

| TYPE                  | DESCRIPTION  | WELL-SUITED FOR   |
|-----------------------|--|---|
| SUCCESS FEES          | Like the Holdback, in this instance the attorney receives an agreed upon bonus payment in addition to the core fee arrangement if the result meets agreed upon criteria. It aligns incentives for the lawyer and client.   | Typically used in more sophisticated business litigation, but has broader potential applicability |
| VALUE ADJUSTMENT LINE | Made famous in the legal profession by <a href="#">Valorem</a> , this fee arrangement includes an additional line on every invoice that allows the client to adjust the fee up or down as they sit fit based on their satisfaction with your services. See an example <a href="#">here</a> . | Cases where emotions are not running high   |

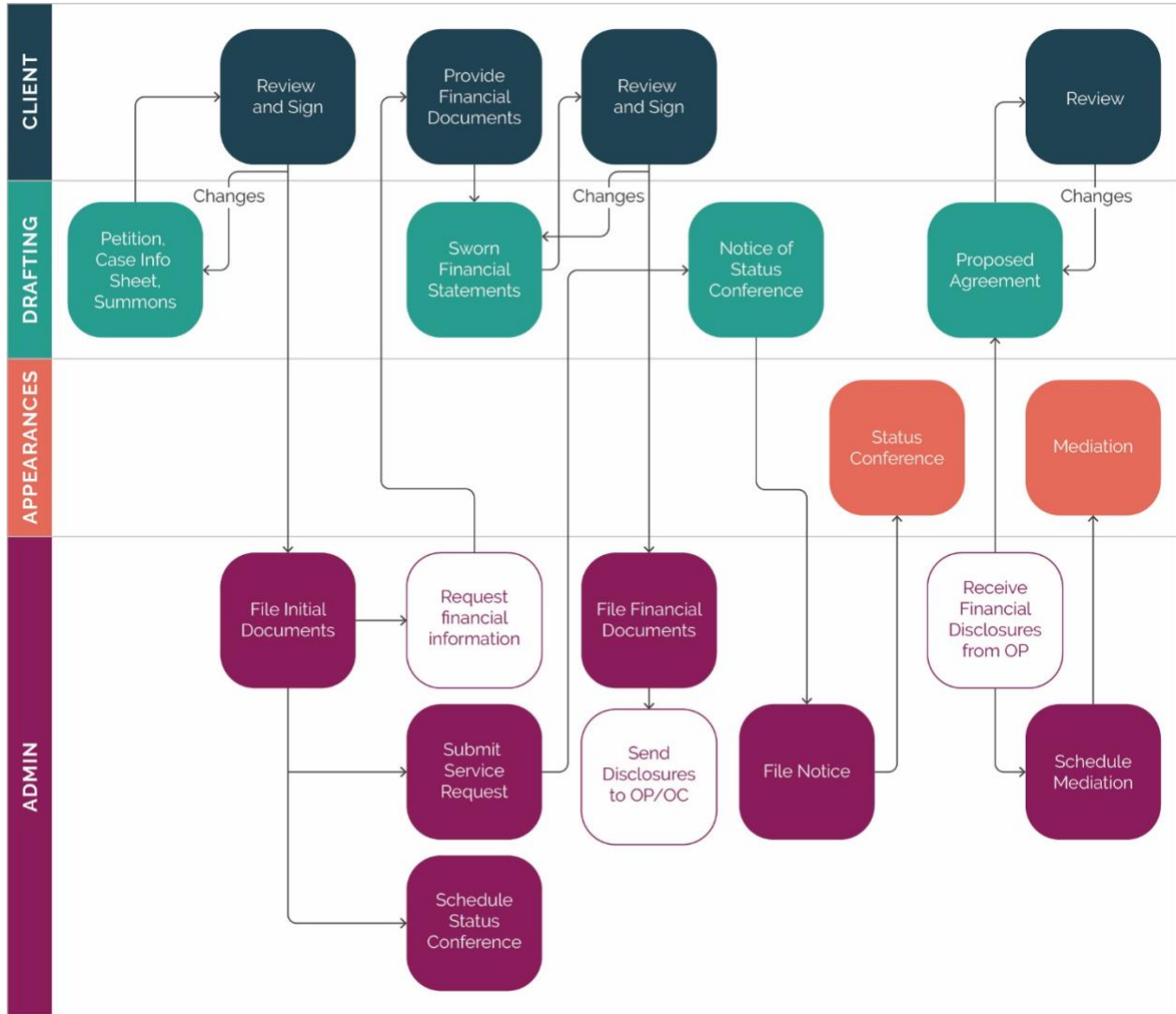
### CREDIT CARD DEFENSE CASE INVOLVING FRAUD

Assumptions:

- The motions schedule could change and thus the timing would change
- The court could grant extensions that are not reflected below
- Contested case, over \$10,000 at stake, and a jury demand is filed
- Filing in person (so no electronic filing fee)
- Using templates as starting points for all drafting
- Postage (if any) will be absorbed into the fee; try to communicate and exchange documents electronically



### INITIAL PHASE OF A CUSTODY CASE



## ENGAGEMENT AGREEMENT CHECKLIST

*First, memorialize the agreement in writing! No exceptions!*

- Define the Scope of the Engagement.** One of the most important sections in your engagement agreement is the part that defines the scope of your representation. The scope should include the specific work or tasks you will complete, any associated timelines, and when your representation will end. It's also important to include any tasks the client will be responsible for and tasks that are not included. Sometimes what's not included is even more important to identify so that there is no confusion. If you plan to outsource any work, be sure to disclose that.

If you are providing limited scope representation, the [CBF LSR Toolkit](#) has sample checklists, an engagement agreement, and other important information pertaining to unbundling.

When defining scope, be as specific as possible. The more information and detail the better. For example, if the scope includes you running a child support worksheet one time (as opposed to an unlimited number of times), the engagement agreement should include that detail either within the scope provision or in an addendum as outlined in [this article](#). Additional examples of detailed scope clauses can be found in the Appendix of the Pricing Toolkit.

- When a Fee is Earned.** Your engagement agreement should include a provision stating when exactly the fee is earned. Consult your local Rules of Professional Conduct to ensure you are in compliance with how your state handles earned fees.

If you live in a state where flat fees are earned upon receipt, be sure to clearly include that information. If you live in a state where flat fees are earned as work is completed, be sure to detail what those milestones are and what portion of the fee is considered earned for each. To learn more about Colorado's Rule 1.5(h) on earning flat fees and to see a sample flat fee agreement, click [here](#).

- Include Assumptions Upon Which the Agreement Is Based.** It is important to outline in an engagement agreement any assumptions upon which the agreed-upon scope is based. For example, in a divorce case, you may offer the client a certain fee based upon the assumption that the two parties have reached an agreement pertaining to their children. You'll want to include that assumption in your engagement agreement. That way, should things change, or you realize there are some things the parties have not agreed upon yet, you have already set the foundation to have a conversation with your client that additional costs may be incurred.



Spelling out the assumptions you are relying on will protect you from doing more work than you were anticipating because an assumption turned out to be incorrect. Remember, defining assumptions and setting expectations is on you. If you don't take the time to do it upfront and memorialize those understandings, you only have yourself to blame.

- **A Right to Renegotiate Clause.** While the goal is to factor as many potential outcomes and variables as possible into your pricing and expressly state the assumptions you have relied upon in offering a particular price, things will come up. Therefore, we recommend including a right to renegotiate clause in your engagement agreement. This clause springs into action when an unforeseeable variable arises, the facts of the case change, or additional work beyond the defined scope is necessary, allowing you to have a conversation with the client. Since you set the expectation from the beginning by including this clause in your engagement agreement, there shouldn't be much surprise. If after speaking with the client you agree on a new fee, be sure to memorialize it in a new engagement agreement that outlines any change in scope and the new price.
- **Set Boundaries and Expectations.** When offering a transparent and predictable price, it is essential to strike a balance that allows clients to contact you without being nickel and dimed. It's important for clients to feel they have an open line of communication with their lawyer. It also allows us to provide the best representation. This need for open communication needs to be balanced, however, against expectations and boundaries. While we want clients to call us with new information or a question, unless we've established that type of relationship in the beginning, we don't want to be on the phone 24/7.

Additionally, you may want to include how the client can access their case file or get updates about the case in real time. Usually this is done through a client portal. You'll want to outline how the client can gain access, what information will be included, and how often they can expect it to be updated.

You'll want to proactively discuss communication expectations during the initial consultation. Once these expectations have been established, include them in your engagement agreement. Be as detailed as possible about the preferred method of communication, days and times, response time, and an overall volume of communication. If the client is not comfortable with your communication guidelines, refer them to a lawyer who would be a better fit.

- Electronic Signature Authorization Clause.** If you want your client to be able to sign documents using an electronic signature, it's a best practice to include a provision stating this.
- Agreement Validity & Expiration.** It is a good practice to include a provision that states that the engagement agreement is not valid and will automatically expire by a certain date if it hasn't been signed by the client and returned and counter-signed by a managing attorney.



# Sample Engagement Agreement Clauses

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## SCOPE

### What is Inside the Scope of this Agreement & Included in the Fee

The Quoted Flat Fee and Monthly Flat Fee Includes:

- Drafting and filing a Petition for Dissolution of Marriage (you will be billed the filing fee of approximately \$400.00);
  - Submitting the Petition to be served on the Respondent (you will be billed for the process server fee of \$85.00 if formal service is not waived);
- If formal service is waived, I will draft a Waiver of Service and Appearance form for the other party.
- Coaching and advising you through any mediation and/or family therapy if ordered by the court;
- Assisting you with drafting the Uniform Financial Disclosure Form and reviewing the other side's Uniform Financial Disclosure Form (if not waived);
- Representing you in court at the following dates:
  - Status dates (approximately one per month);
  - 1 pretrial conference (if one is scheduled); and
  - 1 "prove-up" court date to finalize the dissolution.
- Negotiation of any settlement terms with the opposing party or their attorney;
- Negotiating and drafting a comprehensive Judgment for Dissolution of Marriage, including a Marital Settlement Agreement (resolving the property issues), and an Allocation of Parental Responsibilities and Parenting Plan (resolving the issues relating to children);
- Drafting a Uniform Order for Support and Income Withholding Order (if needed), including submitting them to the payor's employer;
- Drafting the required prove up documents including the Military Affidavit (if necessary), Uniform Prove Up Sheet and Order on Prove Up; and
- Drafting the Court Reporter Information Sheet, obtaining a copy of the court transcript within 28 days from the prove up, filing the original transcript with the Judge's clerk, and sending a copy of the filed transcript to both parties (you will be billed for the transcript fee of approximately \$30.00);
- Coaching and advice by email, phone, and in person throughout the litigation.

### What is Outside the Scope of this Agreement and Not Included in the Fee

Please note that the quoted flat fee and monthly flat fee are only for the work described above and do not include drafting, filing, or litigating additional contested matters. Should litigation outside the scope of what I have detailed above arise, we may determine that the Attorney should provide additional limited services or assume full representation. Attorney may decline

to provide additional services. If Attorney agrees to provide additional services, we will need to agree in writing for an additional fee.

The scope of work under this engagement agreement does not include work beyond the tasks listed above or assistance with or representation on any other tasks that may be pending, which includes but is not limited to my appearance at or my preparation for any contested hearing, work related to temporary orders, or work related to any other motion that may be filed including for contempt, a protection order, to compel, or to appoint a Child & Family Investigator (CFI) or Parental Responsibilities Evaluator (PRE).

Work outside the scope of this engagement will be handled by an addendum to this agreement. If a complete agreement is not reached and a contested hearing is necessary, you can choose to extend my representation and have me represent you at the contested hearing. If you choose to add this additional representation, you understand there will be an additional cost of \$\_\_\_\_\_ per hearing. If any lay witness may be called other than you and the other party, there will be an additional cost of \$\_\_\_\_\_ per lay witness. If an expert witness, including a CFI or PRE, may be called by either party, there will be an additional cost of \$\_\_\_\_\_ per expert witness. If you choose not to extend my representation, you understand that after the completion of the tasks above, you will represent yourself, I will not appear as your counsel before the court for any contested hearing, and the management of your case will be your sole responsibility.

---

You understand that I will not be appearing as your counsel before the court, which includes the family court facilitator. You are responsible for any contact with the court and you will be appearing before the court on your own. This means you alone will be signing pleadings, filing documents, going to court, attending settlement conferences (such as mediation), negotiating, and communicating with the opposing party and/or opposing counsel.

You specifically understand and agree that the management of your matter is your sole responsibility. You must follow court rules during the pendency of your case. If you do not follow these rules, your case may be dismissed or you may be penalized, including, but not limited to, fines or sanctions issued against you by the court.

I will not mail or e-file your pleadings to the court, receive court orders for you, or keep you apprised of court deadlines. You are solely responsible for all document preparation, filings, and deadline management associated with your matter.

I will not at any time be responsible for any of your misunderstandings of the law, the legal process, or of the facts. You accept that one of the dangers of separated (or unbundled) legal

services is that you may not fully understand the law or the facts relevant to your matter, even when I have thoroughly advised you regarding the same. Any of your misunderstandings may significantly prejudice your case.

I can only advise you upon the information that you provide to me. You understand that I will not conduct any independent investigation into the facts of your matter at this time. The level of counseling I am able to provide you will be commensurate with how much I know about your matter. If you do not provide me with all the information I need, I cannot provide you with a high level of legal advice. I will not contact the court, nor will I attempt to access the Colorado Court E-filing System to obtain any information or documents related to your case. You are solely responsible for providing me with all the documents and relevant facts of your matter related to the assistance you are seeking.

---

You agree to pay the deposit according to the following schedule:

\$\_\_\_\_\_ at the time of signing this agreement;

1. \$\_\_\_\_\_ by [Date]; and
2. \$\_\_\_\_\_ by [Date].

You agree that the payment information you provide to make the first installment amount will be automatically charged for the subsequent installment payments on the specified date. If you'd like to use a different payment method for the subsequent installment payments, please let me know at least 5 business days before the automatic payment is scheduled. If a portion or all of a scheduled payment has been earned when it's collected, that portion of the payment will be deposited directly into my operating account.

### WHEN A FEE IS EARNED

- II. **Flat Fee.** This is a flat fee agreement. Client will pay Lawyer [or Firm] \$\_\_\_\_\_ for Lawyer's [or the Firm's] performance of the Services described above in Section I, above, plus costs as described in Section VI, below. Client understands that Client is NOT entering into an hourly fee arrangement. This means that Lawyer [or Firm] will devote such time to the representation as is necessary, but the Lawyer's [or Firm's] fee will not be increased or decreased based upon the number of hours spent.
- III. **When Fee is Earned.** The flat fee will be earned in increments, as follows:
- a. Description of increment: \_\_\_\_\_ Amount earned: \_\_\_\_\_
  - b. Description of increment: \_\_\_\_\_ Amount earned: \_\_\_\_\_
  - c. Description of increment: \_\_\_\_\_ Amount earned: \_\_\_\_\_
  - d. Description of increment: \_\_\_\_\_ Amount earned: \_\_\_\_\_
  - e. Description of increment: \_\_\_\_\_ Amount earned: \_\_\_\_\_

The flat fee will be earned when Lawyer [or Firm] provides Client with [insert Services listed above here].

---

You agree to pay a flat fee of \$\_\_\_\_\_ (\$\_\_\_\_\_ for my services and \$\_\_\_\_\_ for third-party expenses). This amount will be collected up-front and initially deposited into a trust account if the fee has not been earned yet or the expenses credit has not been used yet.

I will earn and withdraw funds from the trust account upon completion of certain milestones:

1. Once the Petition is drafted, ten percent (10%) of the flat fee for my services will be considered earned and withdrawn.
  2. Once the Initial Status Conference is complete or a Stipulated Case Management Plan is filed, fifteen percent (15%) of the flat fee for my services will be considered earned and withdrawn. If the Court does not require an Initial Status Conference, that fifteen percent will be considered earned and withdrawn 45 days after the date the Petition was filed.
  3. Once your Sworn Financial Statement is drafted, twenty-five percent (25%) of the flat fee for my services will be considered earned and withdrawn.
  4. Once mediation is complete or a Parenting Plan has been drafted, fifty percent (50%) of the flat fee for my services will be considered earned and withdrawn.
-

You will be automatically charged \$\_\_\_\_\_ each month. This amount will be collected up-front and initially deposited into a trust account. The fee will be considered earned 30 days later and will be automatically withdrawn from trust.

You agree to provide payment information within three business days of signing this agreement. The automatic charge or withdrawal will occur on the same day each month. By default, it will be based on the day the first payment is made. If you'd rather the payment be paid on a certain day of the month, please let us know when your payment information is being collected. Payments cannot be processed on the 29th, 30th, or 31st of the month since not every month has those dates. Please keep in mind, the engagement will not begin until the first payment has been collected.

---

In addition to the fee for my service, you will be required to pay all expenses incurred such as service fees, filing fees, mediation, expert witness fees, and court reporter fees. You agree to pay these expenses directly to the appropriate provider. You understand non-payment or late payment may result in a delay or dismissal of your case.

---

In addition to the flat fee for my services, you will be required to pay all expenses incurred, including service fees, filing fees, mediation, expert witness fees, court reporter fees, and any single printing, postage, or copy services in excess of \$\_\_\_\_\_. As an estimate, it will cost about \$\_\_\_\_\_ to initially file the case and \$\_\_\_\_\_ for each additional filing after that. If it's required that the other party be personally served, there will also be an expense of about \$\_\_\_\_\_ to complete service. Mediation can cost anywhere from \$\_\_\_\_\_ to more than \$\_\_\_\_\_ depending on the mediator and the time spent. Where possible, you agree to pay for these expenses directly.

As part of this engagement, you have a \$\_\_\_\_\_ credit to be used towards these third-party expenses, which will be automatically applied to any expense I pay on your behalf. If there is any remaining credit at the end of the engagement, you can choose to add it to the total legal fee if you feel I provided exceptional service. Otherwise, you can request the remaining credit be refunded to you. If the credit is used up and I pay for an expense on your behalf, you will be sent a detailed billing statement describing the incurred expenses after a milestone is complete. You agree to pay the outstanding balance for any unpaid incurred expenses within five (5) business days of receiving the billing statement. Failure to repay any unpaid expenses will result in the termination of this engagement.



### **ASSUMPTIONS UPON WHICH THE AGREEMENT IS BASED**

This agreement confirms our recent discussion regarding the scope and terms of our engagement. As we discussed, [insert assumptions]. Your goal is [goal]. To help you work towards your goal, I will represent you in [case type].

### **RIGHT TO RENEGOTIATE**

This flat fee amount for my services is based on my assessment of your case, given the known facts provided. You understand that while my role is to work towards a fair outcome at a reasonable cost, you also understand that I cannot control the other party or the other lawyer and whether their actions make your case more complicated or require additional work outside the scope described above. Should your case become more complicated or require additional work outside the scope described above, which includes but is not limited to hearings, temporary orders, or any other motions filed, an additional fee will be required to cover the additional work. The additional work will not be done until an additional engagement agreement is signed and the deposit for the additional work is received.

## BOUNDARIES AND EXPECTATIONS

Although I do not keep traditional office hours, I strive to respond to all communication by the end of the next business day. While I may make myself available during non-traditional business hours or on the weekends, you agree to respect my time and only contact me during these times in an emergency, unless we have a previously scheduled appointment. If there is an emergency, please send an urgent email, and I will respond as soon as possible.

My fee under this agreement includes up to \_\_\_\_\_ hours of communication time, whether it be by email, phone, text, or in-person meetings, which is the amount of communication time typically necessary for the services listed in this engagement. This time includes communication with you, the other party, the other lawyer, or any third party, including the Court. Should you want more communication time than what is included, you can purchase additional time at a rate of \$\_\_\_\_\_ per hour. The fee for the additional communication time will be initially held in trust and billed as it is used. Any unused funds will be refunded to you at the conclusion of the case. I will let you know in advance if you are close to exceeding the included communication time and whether you will likely need to purchase additional time.

You understand that I will mainly communicate with you by email. If you have concerns about certain communication being sent by email, you agree to use your client portal account to send a secure message to me, and you understand I will respond through the same.

If the other party is unrepresented, I will not communicate with them by phone. All communication with the other party who is not represented must be through email.

---

Throughout this matter, you understand that you will make decisions concerning the objective of the matter, but that I reserve the right to make strategic decisions in working towards that objective.

You understand this matter involves a family law case. Family law cases are never easy and no one ever "wins". They are stressful and emotional for everyone involved, especially children. You understand that it is in everyone's best interest if disputes and disagreements are resolved amicably, respectfully, and fairly. You agree to keep your children entirely out of the conflict so that they avoid any unnecessary trauma. You understand it is in your children's best interests to have a relationship with both of their parents, and that, in most situations, both parents have a right to a relationship with their children.

You understand that family law cases are handled by the \_\_\_\_\_ court in [State]. Domestic courts are courts of equity. If the Court is the decision-maker in your matter, you understand you will no longer retain control over the outcome and the Court will make decisions that are fair, not

necessarily equal. The Court's decision is final, and you will not get everything you want. To avoid losing control over the outcome and having to pay additional legal fees, you understand you will need to compromise and reach an agreement with the other party.

### **FILE RETENTION, ACCESS, AND DELIVERY**

I will keep the file related to this matter for \_\_\_\_\_ years. Following the end of that period, I will destroy the file as long as there are no related pending or threatened legal proceedings. If I provide you notice that I will be destroying the file prior to the \_\_\_\_\_-year period, such notice will be sent to you at the last known address that you provided me a minimum of \_\_\_\_\_ days prior to the date I intend to destroy your file.

For efficiency, ease of retention, and portability, I strive to maintain all documents in a digital format. Therefore, I will send you copies of all documents through your secure client portal account and ask that you share documents with me through the same. All documents filed with the Court will be saved in your client portal account. When you receive documents, you should download and store them in a secure place. If you need paper copies at any time, I will make the copies and bill you for the expense or cooperate in sending the documents to the secure copy service of your choice. You can control expenses for copies by keeping digital copies of your documents.

You understand that I will manage your case, communicate, and store electronic files on a variety of platforms, including on third-party cloud-based servers. You consent to my use of these services for communication, management, and document storage. I will endeavor to take all steps necessary to preserve and maintain the confidentiality of all your information and records, however, you understand and agree that such information and records may be subject to unauthorized access outside the control of [Firm] and agree to hold [Firm] harmless from any breaches of confidentiality of your information and records not caused by [Firm].

## EARLY TERMINATION

You may terminate my services described in this agreement at any time and for any reason.

I also reserve the right to withdraw from this matter and terminate this agreement. The following events will be grounds for my withdraw, following written notice to you:

- Failure to pay the agreed-upon fee or to keep current with payment of expenses;
- Any misrepresentation of facts or events in the case, whether intentional or negligent;
- Any intentional omission or concealment of facts or events, whether or not the misrepresentation or omission is material to the case;
- A refusal to provide me with documents or other information in your possession that are necessary for your case;
- Obstructionist conduct such as failure to cooperate or conduct that makes it unreasonably difficult for me to carry out the representation effectively or efficiently; or
- A request that I take action which is not in your best interest or violates the law or the [State] Code of Professional Conduct.

If our engagement is terminated prior to the completion of the milestones described in this agreement, I will retain the amount earned for the services outlined above that have been completed. For any milestone outlined above that has been started but not yet been completed, I will retain an amount equal to the number of hours I worked on that milestone up through the time of termination multiplied by an hourly rate of \$\_\_\_\_\_. Any unused amount will be refunded to you.

### AGREEMENT VALIDITY AND EXPIRATION

If you agree with the terms described above, please return a signed copy of this agreement and pay the deposit as described above **within three (3) days**. If I do not receive a signed copy of this agreement and the deposit, I will not be your lawyer nor will I commence any work on your case. Additionally, after such time has passed, the proposed terms described in this letter will no longer be valid.

### RECURRING ELECTRONIC SIGNATURE AUTHORIZATION FORM

Please complete the information below:

I, \_\_\_\_\_, authorize [insert law firm name] to charge my credit card or checking/savings account indicated below for \$\_\_\_\_\_ on the \_\_\_\_\_ of each week/month for payment of my outstanding bill for legal services.

**Billing Address** \_\_\_\_\_


**Phone** \_\_\_\_\_

**City, State, Zip** \_\_\_\_\_

**Email** \_\_\_\_\_

#### Checking/Savings Account

|                                   |                                  |
|-----------------------------------|----------------------------------|
| <input type="checkbox"/> Checking | <input type="checkbox"/> Savings |
| Name on Acct                      | _____                            |
| Bank Name                         | _____                            |
| Account Number                    | _____                            |
| Bank Routing #                    | _____                            |
| Bank City/State                   | _____                            |



#### Credit Card

|                               |                                     |
|-------------------------------|-------------------------------------|
| <input type="checkbox"/> Visa | <input type="checkbox"/> MasterCard |
| <input type="checkbox"/> Amex | <input type="checkbox"/> Discover   |
| Cardholder Name               | _____                               |
| Account Number                | _____                               |
| Exp. Date                     | _____                               |

**Signature** \_\_\_\_\_

**Date** \_\_\_\_\_

I understand that this authorization will remain in effect until I cancel it in writing, and I agree to notify [insert law firm name] in writing of any changes in my account information or termination of this authorization at least 15 days prior to the next billing date. If the above noted payment dates fall on a weekend or holiday, I understand that the payments may be executed on the next business day. For ACH debits to my checking/savings account, I understand that because these are electronic transactions, these funds may be withdrawn from my account as soon as the above noted periodic transaction dates. In the case of an ACH Transaction being rejected for Non

Sufficient Funds (NSF) I understand that [insert law firm name] may at its discretion attempt to process the charge again within 30 days, and agree to an additional \$\_\_\_\_\_ charge for each attempt returned NSF which will be initiated as a separate transaction from the authorized recurring payment. I acknowledge that the origination of ACH transactions to my account must comply with the provisions of U.S. law. I certify that I am an authorized user of this credit card/bank account and will not dispute these scheduled transactions with my bank or credit card company; so long as the transactions correspond to the terms indicated in this authorization form.

# Additional Resources

[Implementing Value Pricing: A Radical Business Model for Professional Firms 1<sup>st</sup> Edition](#)

by Ronald J. Baker

[Bain & Company's Elements of Value Pyramid](#)

[A Different Practice's Pricing Paradise](#)