

# Small Law Office Budgeting Tips

Setting up a budget helps create and maintain financial health. A well thought-out budget can help you maintain control over expenses and exert discipline over your spending as needed. It can be an effective tool in the battle against cash flow fluctuations. Here are some tips for setting up a budget for a solo practitioner:

- Start by determining and setting up a draw for the amount you will need to pay your monthly bills at home.
- List all known expenses for the operation of your office, and determine a reasonable yearly budget for each. Look at past expenditures and average costs for other firms, if needed.
- Use these figures to determine the amount you will need for a particular period, then compare with known or projected income figures to see if you can (or must) cut back in one or more areas.
- Be sure to include cost-of-living increases to expenses and income in your draw figure on a regular basis.
- For recurring items that are paid less frequently than monthly, such as

quarterly tax payments, calculate the amount you will need on a monthly basis and be prepared to set it aside monthly.

- Put this monthly set-aside and all other income left over after paying your draw and office expenses into an interest bearing reserve account.
- When you don't make the minimum necessary to pay yourself or take care of necessary, or extraordinary, office expenses, you can borrow from the reserve account. Always bring the reserve account back to its previous level before making additional distributions to yourself.
- Periodically look at your reserve account and pay yourself a "bonus" if you have enough profit. Calculate the "bonus" by figuring the amount you must keep in the account to pay office expenses and your draw over several months in a "worst case scenario." Your bonus should be whatever is left after this calculation.
- Each year, review your budget and revise your personal salary expectations and expenses to fit the pattern shown by the previous year's figures. After several years you will be able to compare the data to make projections for the future and determine if additional marketing efforts are required.

- Simple accounting software can help make the budgeting process easier. If you enter your data on a weekly basis, you will always be able to determine your year-to-date expenses in a given category. This is especially helpful for spotting areas where you can cut expenses by finding a lower cost supplier or buying in bulk.
- Contact the Alabama State Bar Association's Law Office Management Assistance Program for information on business planning and other management related issues.



**Minimize expenses,  
maximize profit, and  
control cash flow  
with these budgeting ideas.**

For more information on budgeting for the small law office or on the Alabama State Bar's Law Office Management Assistance Program, please contact:

Laura A. Calloway  
LOMAP Director  
[lcalloway@alabar.org](mailto:lcalloway@alabar.org)  
Sandra Clements  
LOMAP Assistant  
[sclements@alabar.org](mailto:sclements@alabar.org)  
(334) 269-1515

ALABAMA STATE BAR  
415 Dexter Avenue  
Montgomery, Alabama 36104



Alabama State Bar  
Law Office Management Assistance  
Program  
415 Dexter Avenue  
Post Office Box 671  
Montgomery, Alabama 36101-0671  
Phone: (334) 269-1515  
Fax: (334) 261-6310

# BUDGETING FOR THE SMALL LAW FIRM



Alabama State Bar  
Law Office Management Assistance  
Program  
415 Dexter Avenue  
Post Office Box 671  
Montgomery, Alabama 36101-0671  
Phone: (334) 269-1515  
Fax: (334) 261-6310