3 Ways Legal Billing Software Reduces Write-Downs

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Write-downs and write-offs can happen for many reasons, including inefficient resources, poor billing practices, or unexpected delays. Though these reductions are sometimes inevitable, they should primarily be associated with fixed-fee matters or individual discounts — not a considerable portion of the firm's total billing. The best way to reduce write-downs and write-offs is with a streamlined, standardized process that utilizes legal billing software to ensure transparency for the client and efficiency for the firm.
The Benefits of Legal Billing Software

1. Track Time for Accurate Billing

Many lawyers use manual methods for time tracking, often leading to errors or missed time. Lawyers who miss a day – or longer – may end up forgetting about time spent on a case and can fail to provide full details for billing. This method of tracking time is prone to human error and can set the stage for client disputes due to discrepancies in their invoice.

Law practice management software with timekeeping features can track the time you spend on a client’s case, complete with notes that ensure the client has a clear understanding of what you spent the time on and why it’s relevant to the case. Every entry is accurate and detailed, so nothing is missed.

2. Automates the Legal Billing Process

There are numerous solutions to automation, but not all of them are designed for the specific needs of law firms. With law practice management solutions and built-in time tracking, lawyers can spend time on clients and internal meetings, rather than working on mundane tasks such as manually tracking time.

Law practice management software offers billing features like:

- Time and expense tracking
- Customizable invoices
- Built-in payment processing
- IOLTA and ABA compliance
- A client portal with automated reminders, mobile transactions, and customizable payment plans

3. Billing and Reporting

Write-downs and write-offs are more likely to occur if a law firm isn’t keeping up on finances and outstanding balances, payments, and revenue. Law practice management solutions with robust reporting features allow lawyers and firms to carefully monitor financial health and streamline the billing processes.

This can be done with features like:

- Automated reports
- Custom tags
- Long and short-term performance metrics
- Workflows
Some of the specific reports law firms can generate include accounts receivable, billing history, matter balance summaries, invoice payments, and revenue.

**What Is the Difference Between a Legal Invoice Write-Down or a Write-Off?**

A write-down is an adjustment to existing inventory, reducing its total value. The asset still retains some value, however. Write-downs are listed on an income statement to reflect the impact of devalued assets, but large write-downs reduce the shareholders’ equity.

A write-off essentially claims that the asset no longer serves a purpose and has no future value. Bad debt can be a write-off if a client purchases a product or service on credit and defaults on it. The accounts on the balance sheet are written off by the amount of the bad debt, which reduces the total accounts receivable balance.

**Why Do Lawyers Write-Down or Write-Off a Client Invoice?**

Both big and small law firms may write-off time, such as associate time, partner time, or practice group time, for a number of reasons. Some of these include:

- Non-billable time for associate training
- Clients pushing back on billing rate increases
- Unforeseen delays on the part of the firm that shouldn’t be billed to the client
- Pre-emptive reductions, which occur when lawyers feel that they’re charging too much
- Scope of work exceeds the budget without prior discussion with the client
- Associates spending too much time on a matter, leading to unjustified billable hours

Some of these situations are unavoidable, but others result from an inefficient and unclear billing process. Law firms can reduce write-downs and write-offs with a streamlined billing process that includes clear client communication that minimizes disputes, defaults, and pushback.

**How to Create a Legal Billing Policy**

To save valuable time and money on billing, law firms should have a clear, standardized law firm billing policy that ensures consistency across staff and keeps billing transparent for the client. Presenting this information during intake will greatly reduce any confusion about your firm’s billing process. It’s also an accountability tool for both your firm and the client throughout the attorney-client relationship.

Ideally, the legal billing policy should cover:
• Descriptions of the scope of work
• Anticipated billable hours (if applicable)
• A detailed invoice timeline with a specific date
• Payment methods available for the client to pay
• Contact information for any billing questions

This is not an exhaustive list, but it’s a great starting part if your firm doesn’t have formalized documentation for billing clients. As a general rule, it’s best to not assume that clients understand the legal billing process and you should give more information than necessary to prevent any miscommunication.

Your legal billing policy should be reviewed at least annually. Sooner if you make any changes that would impact your clients.

Outline Your Firm’s Billing Process

Have you taken a good look at your firm’s billing process? Every now and then, it’s helpful to layout each step. Whether on paper or an online document, create a visual chart of who is responsible for creating invoices, who sends the invoice, how the client pays, who follows up on non-payment, and so on. Visually seeing this process can help identify any bottlenecks in your current billing process and allow you to make necessary changes. You may realize that you’re actually creating barriers for clients to pay their invoices on time or an error in your firm’s billing workflow process that’s delaying the invoice process.

Automated workflows are a simple way to keep your team accountable through the billing process. You can create a workflow for just about any process and save it so you’re not reinventing the wheel with every client. For example, you can create a workflow called “standard billing process.” Within this workflow, you can assign date-specific tasks to staff that trigger events. An example task could be once a client is onboarded, you assign a task in the billing workflow to enable the client portal and store their signed billing policy document.

Standardize Your Invoicing Process

Invoicing is an essential, yet time-consuming process for most law firms. Especially, if they’re still using a paper process to generate, send and track invoices. This traditional method requires law firms to spend unnecessary hours creating invoice templates for each client and there’s no sure-fire way to track the status of the invoice without a spreadsheet.

If you’re one of the law firms who are tired of the mundane invoice process — automated, custom invoice templates are an easy fix to expedite this process and greatly reduce the time your law firm spent on invoicing. PracticePanther standardizes your firm’s invoice process with templates that can be customized and branded to suit your needs. Every case is different which means every invoice needs to be different. However, if there are certain types of cases your firm commonly
handles, you can create invoice templates for each to quickly reference and generate. This way, you’re not wasting time reinventing the wheel for each client or risking errors.

**Have a Plan for Collections or Disputes**

Delayed payments happen, but your law firm shouldn’t allow them to linger for months on end. Whether a client gets busy or is having trouble paying their invoice, it’s important to have systems in place to support them. Automated reminders and payment plans are an added convenience that is beneficial for your firm and the client. It also keeps both parties accountable throughout the business relationship. This information should also live in your firm’s billing policy that the client signs during onboarding.

Disputed payments should also be outlined in your billing policy and addressed within your law firm. You’ll want to consider who the client should contact, how disputes are handled, and resolutions. The best practice is to review any past, repeat client disputes and create a standard process if the scenario. If you’re noticing a specific trend of client dispute, it may be time to review your billing process and realign your policy.

**Be Transparent with the Client**

Clients should have clear communication on your firm’s billing policies, including when bills will arrive, how often, how long they have to pay, and what payment methods are available. This communication should also include the consequences or penalties of late payments.

All clients should receive a copy of the billing policy after the initial consultation. There’s a lot of information during a consultation, so having this information in writing allows them to review the information when it’s convenient. As mentioned before, you could store this document in the client portal for the client to access as they wish.

**Use Legal Billing Software to Reduce Write-Offs and Write-Downs**

Implementing strategies and procedures for billing helps law firms reduce write-offs and write-downs, boosting overall profitability and efficiency. Law practice management platforms with legal billing software solutions help law firms with tools for automation, customizable invoices, e-payments, detailed reporting, and a streamlined billing process.

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