



**LAW
INSTITUTE
VICTORIA**

STARTING YOUR PRACTICE

CHECKLISTS



1 STARTING A PRACTICE

Detailed below is a checklist of your items you should consider prior to establishing your own practice

Before your start

Important career questions:

- Do you have the aptitude to run your own business?
- Set yourself career goals. Will your skills find a market?
- Consider career alternatives like partnership, employee, in-house counsel, non-legal careers
- Do you have non-legal skills in managing and leading, finance, organisation and marketing?
- Consider your career goals. Do you have the qualifications and experience?

Business considerations:

- What do you need/want to earn in the short and longer term?
- Do you have sufficient financial backing?
- Have you analysed the market. What do you do? What is your point of differentiation?
- Will you be able to generate sufficient work?
- When must you begin to break even?
- What will your charge out rate be?
- If going into business with others, do your business and life goals coincide? Are your professional skills complementary? Will you be compatible?

Once you have decided to start

Taxation requirements:

- Register for an Australian business number (ABN) and tax file number (TFN).
- Register for the goods and services tax (GST).
- Register for the collection of payroll tax, if necessary.
- Register for the fringe benefits tax (FBT), if necessary

Registration requirements:

- Apply to the Victorian Legal Services Board and Commissioner (VLSBC) for registration of a new practice
- Register your company with the Australian Securities and Investment Commission (ASIC) if necessary
- Register your business name (if different from company name) with Consumer Affairs Victoria (CAV) if necessary
- Obtain practising certificates (authorising the receipt of trust money if required)
- Complete a Legal Practitioners Liability Committee (LPLC) - Professional Indemnity Insurance - form
- Set up compulsory employer superannuation payments for employees
- Obtain a Workplace Injury Insurance policy
- Comply with ASIC requirements

Establishing trust accounts:

- Attend a compulsory trust account seminar at the LIV
- Open a trust bank account
- Notify the VLSBC of trust account details (including external examiner details).
- Appoint an external examiner to 'audit' your trust account
- Establish procedure for VLSBC statutory deposit and adjustments

Regulation considerations:

- Ethics and risk management guidelines
- LIV Continuing Professional Development (CPD) rules
- LIV Professional Conduct and Practice Rules
- Occupational health and safety (OH&S) and wage requirements

LIV:

- Ensure your personal and practice details are up to date
- Join the LIV Legal Referral Service
- Notify the Law Institute Journal

2 BUSINESS STRUCTURE CHECKLIST

Choose the business structure that best suits your practice objectives:

- Sole practitioner
- Partnerships
- Incorporated legal practice (ILP)

Consider whether to form a professional service trust:

- Non-legal services such as administration and library support
- Employ ancillary staff and lease the premises and office equipment
- It is important to get professional financial advice when deciding whether to set up a service Trust

Negotiate the contents of the agreement:

- Admission
- General
- Finance
- Profits and remuneration
- Disability
- Leave entitlements
- Insurance
- Use of service arrangements
- Withdrawal
- Dissolution

BUSINESS PLAN CHECKLIST

Detailed below is a checklist of components that should be considered and incorporated in your business plan

Executive Summary

Located at the front of your business plan, the summary should be completed after the business plan is finished. A one-page summary will introduce the:

- business name
- business structure
- key personnel and their relevant experience
- description of the service
- current market position and growth potential
- business objectives (short and long term)
- reason the business will succeed
- financial projections
- funds required.

Market research and analysis

Business Goals

After completing your market research, business goals are established to provide a vision for the future of the practice:

- What services do you want to provide?
- Who is your target market and what are their requirements?
- What is your competitive advantage?
- What are your expected returns on investment?

Management Plan

This includes plans for the business structure that will be established and the corresponding management responsibilities required to support the structure.

The plan will define the strategies you need to:

- capitalise on the strengths of the practice
- overcome the weaknesses of the practice
- pursue opportunities available to the practice
- minimise threats to the practice.

Marketing Plan:

- your value proposition – the service, its life cycle, its ability to satisfy market needs
- your market – size, geographic location, demographics and trends
- your customers – who, what, why, where, how?
- your competitors – who, what, why, where, how?

It should set out how you plan to deliver and promote your service in order to capture and sustain your market.

Operational Plan:

- staff
- systems and procedures
- training and professional development
- equipment and information technology requirements
- premises (purchase, lease, or home office)
- performance checks (suitable reporting system).

Financial Plan

Financial considerations include:

- funds required to start the business
- financial analysis (profit and loss projections over the next one to two years)
- cash flow analysis (monthly income and expenditure projections)
- balance sheet
- sources of finance
- break-even point (minimum output required to cover costs).

Action Plan

The action plan establishes specific, actionable tasks required to implement the business plan. It should include clear priorities, time frames and allocations of responsibilities.

4 BUYING A PRACTICE CHECKLIST

Detailed below is a checklist, though not exhaustive, that may provide some guidance when considering the purchase of an existing practice

What is the objective that the business purchase will attain for you?

Sustainable income

What has the profitability been of the business over the last four years? You should seek a full income and expenditure statement for the business over each of the last four years so that you can determine what level of income might reasonably be sustained when the business comes under your ownership or control.

Look at:

- a. Income items particular to the vendor. For example, specific sources of income from particular clients that might not readily transfer to a business under your stewardship.
- b. Expenses unique to the vendor.
- c. Expenses that do not currently exist but which would be incurred if you were to take over the business. This might include an imputed salary for the business operator, or rent at a market rate.

Analyse the figures to work out, as best you can, the level of sustainable profit in the business that you are looking at.

Clients

For many businesses it is said that you get 80% of your business from 20% of your clients. At a time when personal loyalty appears to be decreasing, it is not uncommon to see figures that indicate you get 60% of your business from 40% of your clients.

You need to know which clients are providing most of the business, and whether the fees that have been generated from those clients can be sustained. A large litigation file might be coming to an end, or a subdivision might be nearing completion. Will they be replaced, and if so, by whom?

Work types

What kinds of work are undertaken at the practice, and are you sufficiently qualified or experienced to

undertake that work? Is it a matter of training, or do you need to hire additional expertise?

Systems

Does the practice use a practice management system? A document management system? Computerised accounting and/or time records? Are client details in a database? What is the mechanism for identifying the clients, and the level of fees generated from those clients?

How do you propose to use, adopt or modify any system that the vendor may have, and how will you achieve that? Are the licences for the software used at the office up-to-date? Are they capable of transfer, and at what price?

Fee agreements

Are there fee agreements? You do not need a disclosure and costs agreement for every file that you open, but it is a good practice and makes it easier for you to be paid in circumstances where costs exceed the anticipated threshold. Remember that the failure to provide a costs agreement and disclosure statement when required constitutes misconduct.

Premises

Is there a lease in place? Are you happy with the lease terms (rent, duration, rent reviews and reinstatement obligations) or, is now the time to consider an alternative?

Staff

Who is employed in the business? Are there employment contracts in place, and what are the accrued staff entitlements?

How do you want to deal with accrued staff entitlements if there is a change in ownership of the business?

Describing the transition

How will you and the vendor describe the transaction to the clients of the business?

Clients do not like to be bought and sold. They have a relationship with their trusted adviser and are more likely to be amenable to a transfer of allegiance if that is presented to them sensitively and in a way that matches their objectives and satisfies their perceptions.

Will the vendor stay around, and if so on what terms and for how long?

After the vendor has fully exited the business, to what extent can you rely upon the vendor's knowledge, assistance and contacts in the short- to medium-term?

How much do you pay?

Prepare your own budget for the business, including your expectations in terms of income and expenses.

Add in what you consider to be an appropriate income level for yourself. Does it still show a profit? If it does not, you are buying yourself a job, not making an investment.

If you think the fees being paid to the vendor are unrealistically low then consider that shifting your (new) clients' expectations will be a lengthy process. Too often we see businesses change hands, immediate price increases, and a quick fall away in custom.

Once they are your clients, you need to educate them, or reach an accommodation.

The Transition Paperwork

For the files, you will need:

1. A signed authority from the client authorising you to take over control of the file from the vendor.
2. A costs agreement and disclosure statement. There will be a fair bit of work in this, because there is an expectation that there will be a great deal of education required.
3. An authority to take control of deeds entrusted to the safe custody of the vendor.
4. An authority to take over trust monies.
5. An assignment of the premises lease.



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