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Solo Lawyer – Planning To Retire? Of Course You Aren't!

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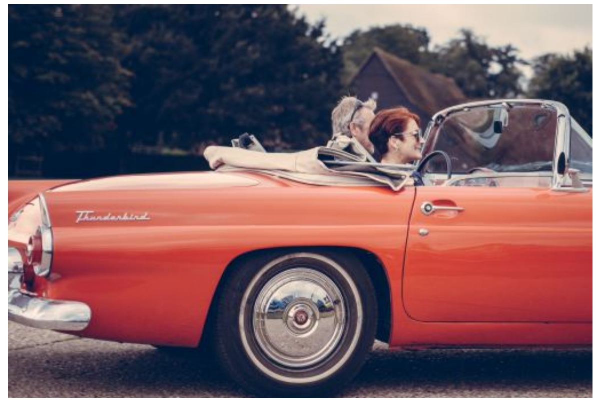
The State Bar of Michigan, in the last survey that was completed and published for 2014 with 2013 economic and demographic data should be revealing and shocking for many practitioners.



The Good Life Can Be Yours

Although this was limited to Michigan members of the Bar Association, it is a harbinger of possible changes in the legal profession for years to come. The full report can be found at https://www.michbar.org/file/pmrc/articles/0000152.pdf I have extracted (non-scientifically) certain portions of that report below. Keep in mind that this data was collected when the economy was still in recovery mode. There have been significant changes in the economy since that data was collected. Most would probably agree that the economic situation for employment and upswings in the economy bode well for legal practitioners in the current economy.

About 10% of the attorneys surveyed responded with 3,892 total responses. 36% of the respondents were were self described as solo practitioners. 55% of respondents said that they had 16 or more years in practice with 35% having 26 or more years in practice. The survey doesn't identify the respondents by age, but if we assume (I know this is dangerous) most law students graduates are at least 25 years of age at graduation, 26 years of practice would put 35% them at over 50 years of age. With 34,000 total members as of the date of the survey, that would make 12,240 attorneys as solos and 4,284 of those 50 and over. With the aging of the population, I think it would be safe to assume that as of 2018, Michigan has 5,000 or so attorneys in that category and growing.

How many of those 5000 attorneys have a plan for retirement that includes transfer of that practice to another attorney or sale of the practice upon retirement? Do you have a plan, a real plan that you have put into place with adequate time to make it effective and is it realistic? What I am about to discuss you might consider off the mark – but it isn't. Read on.

Have you been to an estate auction lately? Have you seen what I am seeing with the aging population? People who have saved all their lives to transfer their collectibles and valuable furniture and china to their children are downsizing. They first ask their children if they want any of their valued possessions. Not the millenials! You can't get very much for your china, antiques, momentos or collector cars these days. The reason, in part, is due to the change in attitude toward material possessions that many of the younger generation abhor. With few exceptions, they don't use china or want antiques. They go to the internet and order online with free shipping everything they need brand new. And if they can't find it new, they can get it using Facebook Marketplace or Craigslist where it can be bought for a song.

We are in a perfect storm for surplus and devalued personal possessions. Stuff that "boomers" acquired during their lives and inherited from their parents is part of the reason for proliferation of all that merchandise everywhere you go. We now have platforms on the internet that allow people to buy and sell those things very easily. With increased supply and reduced demand comes devaluation of all those "valuables". You don't see it coming until you try to unload those items when you decide to "downsize". And with increased populations downsizing and reduced demand for what were perceived as valuables is often accompanied by disappointment as we find the best place for some of those items is the curb where we hope to find someone to carry it off saving us the time and cost of disposal.

What does this have to do with your retirement? Chances are that you are planning or, like most attorneys, not planning at all with the hope that when you quit practice there will be plenty of new attorneys waiting at the threshold of your door anxious to buy your established practice. Think again! hat was the past. We are in a new era.

The changes that I described above which we are seeing in the value of your personal possessions is playing out in legal practices. And the generation that is poised to take over after we are gone have different values and different ideas about how they want to practice law. They also have significant student debt. Before they would consider purchasing your dated and dying practice, they would rather work for someone else to "get experience". And those who got experience know that they can do what you have done without your help.

If you die without a plan, your estate will be saddled with an expensive and complicated unraveling of your business interest. It will not be an asset in your estate, it will be a wasting asset and a liability for your loved ones.

What do you do? Follow my blog as I put forth ideas on how you might structure the transition from solo without a plan to a solo with a strategic plan in future blog posts. For now, here are 10 steps to help you find your way. More details to follow in future posts. (By the way, I will be presenting at the Upper Michigan Legal Institute in June of this year on this topic with additional materials provided at that time.)

1. The first step is to find someone who wants to take over and has strong ties to your community. Bringing someone on to take over your practice who decides to return to their hometown to be closer to care for aging parents, or to raise their children in a better school district, is a recipe for disaster and wasted effort for both of you.
2. Second, don't hire someone with the intent of using them to make money for yourself and to burn them out with assigned clients that you don't want to deal with.
3. Third, plan ahead; well ahead. Ideally, this is a 5 to 10 year transition plan and cannot be done in a year with an expectation of getting true value out of your firm.
4. Fourth, build up the value in your practice before you try to find someone to replace yourself.
5. Fifth, be flexible in your entire approach. Nothing is out of bounds. Don't do what others are doing in the sale of their practices. Be different and structure your transition for maximum value for you and your replacement. This is not a zero sum game.
6. Sixth, stay current with changes in the law, technology and marketing. Keep your practice fresh and alive for maximum value for you and your replacement.
7. Seventh, be prepared for lifestyle changes. That might mean a room in your office to house daycare for your new associate or unusual and flexible time schedules or changes in billing practices.
8. Eighth, stay active in the profession and look for alternative and positive ways to channel your free time as you turn over responsibility.
9. Ninth, don't forget your family and to the extent possible plan your transition with your family and the new associate's family involvement.

10. Tenth, have your affairs in order so that upon your death or disability, everyone has authority to continue and has access to your records, digital and paper-based.

Don't be one of those whose firm is placed in receivership upon your death or disability. Plan ahead and take the steps necessary to transition out of practice to care for your clients, your loved ones and those who take responsibility to carry on after you are gone.

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