

Why Are Lawyers So Expensive?

I remember when I bought my first home and had to hire a lawyer for the first time. My realtor recommended one, of course, who he had used to purchase his home. But, in the age of internet and search engines, I looked up lawyers that covered that area as well and called to get “quotes.” I remember not picking an attorney who was much more experienced than the attorney recommended by the realtor because his fee was higher by \$50.00!

Working, being a newlywed, and struggling to save a downpayment for my first home – I remember thinking to myself, “Why do lawyers charge this much? Can’t the attorney I found online reduce his fee to match the realtor’s attorney?”

Looking back on it now, I know I am not the only one that had these questions, as potential clients walk into my firm and ask these same questions quite often. Not just for real estate matters, but also for family law and estate planning. I remember going over the retainer for a family law matter once with someone who called for a consultation. When I told her the fee, she exclaimed, “Wow, you must think I’m made of money!” Another potential client laughed and said “Why, yes of course. Let me go into my backyard and pull dollars from my money tree. I’ll call you back when I’m done.” And if you’re wondering what happened – I never heard from him again.

Fees, Fees and More Fees

Practicing law for over ten years, completing over 5,000 closings and growing a massive network of business professionals has made me realize that the legal industry is difficult for solo practitioners and small law firms. Clients often think of attorneys as independently wealthy but attorneys should be perceived as small business owners. Not only does a Partner at a small law firm have to attend to clients, draft legal documents and go to court or meetings on a clients’ behalf but they have to balance their books, send out invoices, reconcile accounts, pay bills, monitor expenses, manage payroll, etc. And, like all other small business owners, being an attorney that has their own law firm can be quite expensive!

There are so many fees associated with being an attorney. In Connecticut, an attorney has to pay a tax just for being an attorney – this is called occupational tax. You also have to pay towards clients who can’t afford attorneys – this is called a client security fund fee. When you pay your attorney, deduct around 30% right away in your mind – that’s just for taxes. Attorneys are required to perform conflict checks, draft retainer letters and draft legal documents. Software to do this can cost anywhere from \$250.00-\$1,000.00 monthly. Then there’s insurance – malpractice insurance starts at \$1,500 per year per attorney and goes upward with each area of practice that the firm engages in and each person who works at the firm (paralegals and secretaries get factored in as well). Your attorney also wants to keep up with the latest changes in the law to better serve you, which normally requires a bar membership of \$400-\$500 per year per attorney.

Let’s not forget the countless hours spent on the phone with potential clients when there’s no consultation fee. Imagine going to work and your boss tells you that you won’t get paid for the hour you spent talking to a customer and answering their questions – you’d be upset, to say the least. Attorneys want to get paid for their time, too. We even have clients that promise to pay at the end of a matter and then they disappear once it’s all over.

There is still more, but in the interest of not making this a novel – there is also a lot of time and investment spent in keeping in touch with prior clients and attracting new clients so that firm remains solvent.

Offsetting Those Fees

The best attorneys are not always going to be business savvy, but we have learned how to run a law firm without incurring unnecessary debt and spending time where our time would be most valued. This is the reason why we have paralegals and legal assistants. This is also the reason why some of us charge consultation fees. But no matter how hard we try, for every hour that a solo attorney or small law firm partner spends working on a client matter, there is at least three to four hours spent on client acquisition, managing staff and running a law firm.

So, the next time you think of hiring an attorney and are a little upset about the rate being charged, here are some good (non-insulting) questions to ask: How many years have you been practicing law? Do you only practice in this area? Is your fee comparable to others in the same area of practice? If not, why not? This may make you feel more comfortable about hiring someone for that particular fee and gives your attorney a chance to show you why they are worth every penny.

Written by Shari Ann Madho, Esq.

