

8 Reasons Time Tracking Is Necessary for Profitable Flat Fee Billing

Although most law firms continue to use traditional billable hours, [84% of law firms also use alternative fee arrangements](#) to charge clients for at least some of their services. In 2021, flat fee billing was a significantly more popular alternative fee arrangement compared to other billing approaches, such as retainers, contingency fee billing, or blended rates.

Despite its prevalence, you might find the prospect of flat fee billing intimidating if you're accustomed to billing on an hourly basis. In this blog post, we'll explain how flat fee billing can benefit your legal practice and how you can protect your law firm's bottom line from common flat fee billing fumbles.

What is flat fee billing?

Under a flat fee billing structure, the law firm and the client agree on a static fee for services before an attorney begins work on the client's matter. This fee will not increase with the amount of time the attorney spends working on the matter, nor will it decrease if the matter is resolved in less time than expected.

To set a profitable flat fee, attorneys must determine the breadth of the client's legal matter and outline the steps of the work ahead of time before estimating how many of the firm's resources will be needed to resolve the matter.

The client pays for an expected outcome, rather than the time an attorney's work takes to complete. Unlike hourly billing or [contingency fee billing](#), flat fee billing accounts for the value of the work itself, rather than the time spent on it.

With strategic implementation, this alternative fee arrangement holds the potential to maximize your firm's profitability.

Law firms and clients both benefit from flat fee billing

Clients who are charged a flat fee for legal services enjoy a number of important benefits:

1. Decreased fee anxiety
2. A more straightforward billing process
3. Increased comfort contacting attorneys about legal matters

Law firms also benefit by offering this kind of fee arrangement:

1. Greater efficiency and profits
2. Improved client relationships
3. A competitive edge over other firms

A more client-centred experience

Clients tend to feel less trusting of attorneys when they're anxious about the cost of legal services. They may also become wary about contacting attorneys with new case details because they know that every minute on the phone costs money. When clients feel cost prohibits them from communicating with your firm as needed, you might miss out on key details that make or break the outcome of the legal matter.

A [flat fee billing](#) approach improves client-attorney trust and communication by providing cost assurance and allowing a better experience for your clients.

A win/win fee arrangement

Flat fee billing is straightforward for clients *and* attorneys. Whereas clients gain the assurance of greater value for their money, attorneys enjoy an edge over competitors by meeting clients' demands.

In addition, many law firms have discovered that adopting a flat fee billing approach makes it easier to anticipate costs and revenue.

Increased efficiency (which translates to increased profits)

If you're billing clients hourly, your law firm's bottom line could suffer as your team's productivity increases. Attorneys aren't incentivized to work efficiently when they're earning a premium for every hour spent on the job. In fact, hourly billing may actually inflate earnings for staff members that take longer than their peers to complete basic tasks.

Not to mention, if an attorney becomes twice as fast at completing a certain task, the payment for that task is halved under an hourly approach to billing. With flat fee billing, your law firm isn't penalized for increased productivity. In fact, profits can only increase as attorneys become faster at their jobs and/or legal technology reduces their workload.

Implementing flat fee billing at your legal practice? Don't stop tracking your time

Many legal firms fall into the pitfall of believing that adopting flat fee billing negates the need for [time tracking](#). After all, many states don't require attorneys providing flat-rate billing to include an hourly breakdown on each [invoice](#).

Firms may reason that attorneys and paralegals spending less time tracking their activities and entering them into billing systems is a good thing, because it frees their time up to work on more profitable tasks. In reality, flat fee billing without time tracking is a risky move for your legal practice.

Without keeping track of the hours you're spending on individual matters, it will be hard for your firm to ensure you're setting profitable rates and staying within a time [budget](#) that protects your profit margins. Fortunately, TimeSolv's time tracking solutions, like our [fixed fee calculator](#), make it simple to determine a fair flat fee for legal services.

8 reasons to pair time tracking with a flat fee billing structure

1. Time tracking allows you to measure flat fee billing profitability.

This is the number one reason to keep using a time tracking software, such as [TimeSolv](#), even if your law firm is using flat fee billing for a matter. Are your fees too high? Are they too low? If you don't know how much time your

staff is spending on each legal matter, it's impossible to know. Use time tracking to determine whether or not your team's hard work is profitable under your current fee structure.

2. Maintaining detailed timesheets provides clients with transparency.

Your clients must be able to trust that you're spending a sufficient amount of time and effort on their legal matters, whether you produce your timesheets only upon request or include time tracking data on every invoice. This data reinforces the idea that your legal services are a valuable investment.

3. Time tracking can preserve relationships with disgruntled clients.

Sometimes, clients become unsatisfied because they feel that the attorney assigned to their legal matter isn't putting in enough effort. Of course, this usually happens because clients lack an understanding of how long tasks take.

Without any data to back up your claims, an unsatisfied client may terminate the working relationship or even file an ethical complaint. It's usually in your firm's best interest to present unhappy flat fee clients with a detailed time log to demonstrate that your services are worth your fee.

4. Time tracking data protects your firm from potential malpractice claims.

Legal malpractice claims are sometimes based on an allegation that the legal firm didn't spend enough time on the case. If you're unable to placate a client that's dissatisfied with your flat fee services, you're going to need proof that the attorney in question actually put in the hours. Consistent time tracking provides a valuable measure of protection against these types of false accusations.

5. Securing fee awards for clients is impossible without [time tracking](#).

If one of your clients is entitled to seek attorney's fees from the opposing party, specific information about your efforts will be necessary. Typically, the court will require the attorney to submit invoices that clearly demonstrate the time spent on the winning client's legal matter. Without this data, it's difficult, if not impossible, for the judge to justify the requested attorney fee award.

6. Time tracking protects your legal practice's financial interest if a client demands a refund.

In some states, flat fee billing rates are partially or fully refundable when an attorney fails to provide the services agreed upon. Once again, the courts rely on specific time tracking information to resolve how much money is owed.

7. Evaluating efficiency is easier with time-tracking data.

Even when attorneys are working on flat fee matters, it's crucial to understand which client matters are taking up the most time. Tracking which cases are being worked on and how much time gets spent on them prevents your team from overworking a case to the point that your law firm loses money.

In addition, time tracking data empowers the attorneys and paralegals on your team to determine which of their daily tasks take up the most time and which tasks could be managed more efficiently.

8. Time tracking supports accountability when attorneys work on client matters subject to flat fee billing.

When you're billing on an hourly basis, it's glaringly obvious if a particular attorney takes a longer time than their peers to complete certain tasks. If your firm halts time tracking due to [flat fee billing](#), though, it's much harder to tell how productive your team members are.

TimeSolv's innovative solutions for flat fee billing

Ultimately, you should determine your legal practice's billing structure based on your team's needs and the demands of your clients. If you decide to move forward with flat fee billing, you'll need to set your prices based on the estimated amount of time attorneys will spend on each legal matter.

TimeSolv is designed specifically to help you ensure these matters stay profitable.

In particular, [TimeSolv's Fixed Fee Calculator](#) makes it easy to calculate a profitable fixed fee based on the hours required for a matter, so you can be confident that the projects you take on will earn your practice a profit.

TimeSolv also allows you to create time budgets for each phase of your flat fee matters. You can configure the software to warn timekeepers if they exceed their time budgets, or prevent additional time entries altogether. This way, you'll never have to worry about losing your profit margins as attorneys exceed their budgeted hours for a matter.

To learn more about how TimeSolv can help your law firm implement flat fee billing, sign up for a [free trial](#).