

Financing your new law firm

Whether you are a new attorney fresh out of law school or an established lawyer, looking to make an independent start, hanging out your shingle is not for the weak at heart. There are countless decisions to make, all while dealing with that one huge question running through your head. How will you pay for it all?

What Does it Cost to Start a Law Practice?

There is no one answer to that question, because it largely depends on the numerous variables involved in the opening of a new law office. You have to choose a location, assess your staffing needs, and invest in marketing to get clients through the door. There's also the cost of malpractice insurance, office equipment, and your personal living expenses (including that looming student loan debt).

The decisions you make about your new law office will greatly influence the costs you incur. Some virtual practices can successfully thrive with a minimum investment, thanks to an absence of overhead costs. You may also be able to get by with limited staffing for a period of time, further reducing your monthly business expenses. Picking a specific niche also helps to streamline costs, allowing you to tailor your marketing efforts when trying to secure those first few clients. With cloud-based practice management systems, like TimeSolv's innovative legal billing software, you can cut costs and still benefit from reliable and comprehensive law office management support.

Finding Your Startup Investment

Where do lawyers find the funds to open a new law practice? Here are some of the most common resources:

- **Family loans** – Supportive loved ones may feel compelled to pull out the checkbook and contribute some much needed funds. These informal loans are usually less strenuous to secure than traditional bank loans, but they may also come with personal baggage. Consider drafting a simple loan agreement, outlining the payment agreement. It will help clear up any possible misunderstandings and hopefully prevent contentious family get-togethers down the line.
- **Personal savings** – If you've diligently planned for this moment in your life, you may have the ability to personally invest in your law office dream. Proceed with caution though. Take a realistic look at how much your practice will cost, as well as how much you need to maintain such luxuries as a roof over your head and food in the frig. You also want to maintain some of your savings for periods of slow profit. Don't deplete your entire rainy day fund, because there may very well be some rainy days ahead.
- **Business Loans (SBA)** – if you qualify, a business loan offers a great opportunity to access a significant amount of capital at one time. Banking institutions typically loan to law firms for the purpose of purchasing firm assets (like that new desk you have your eye on) or to invest in growth strategies. You may receive a line of credit, to draw on as needed, or a lump sum loan amount. If you aren't particularly well-suited for a bank loan, the SBA might provide the push you need for an approval. While the government agency does not make direct loans, it does help potential borrowers secure business loans from banks.

Regardless of which funding method you choose to get your firm off of the ground, it is vital to your business and personal well-being not to get in over your head. It's fine to dream big, but unrealistic expectations can get you and your practice into serious financial trouble. Be smart and make good business decisions, so you can point your new firm in the right direction.

About Erika Winston:

Erika Winston is a freelance writer with a passion for law. Through her business, The Legal Writing Studio, she helps legal professionals deliver effective written messages. Erika is a regular contributor to [TimeSolv](#) and a variety of other publications.