

Make retirement planning part of your law office management

Retirement is a necessary part of life that many people choose to ignore. They either fail to see the importance of planning until it's too late, or they simply choose to spend their money now rather than saving it for later in life. If you fall into either of these camps, you could have a rude awakening headed your way in the not-so-distant future.

As a small or solo practitioner, you owe it to yourself and your staff to implement a comprehensive retirement plan. This post will offer some very general guidance on how to start that process, along with a discussion of succession planning for the solo and small legal practice. Every single day, you get closer to retirement age – and each day that you fail to plan is another missed opportunity for adequate preparation.

Understand your options

Before you can choose the right retirement plan for your law office, you have to know and understand your options... and there are many of them out there. For the purpose of this article, we will take a general look at three of them – the IRA, a 401K, and the simplified employee pension. Let's start with the IRA.

IRA – A Simple IRA plan allows employee contributions. It is similar to a 401K plan, with lower contribution limits and contributions are made directly to employees' IRAs. According to an [article](#) in the Employee Benefits Group Newsletter, the Simple IRA is a cost-effective option for solo practices and small firms, with a maximum employer contribution of only 3%. It is also easier to create and manage than other retirement plan options. The negative side of the plan is that your firm is prohibited from administering

any additional plans, so you are limited to the per employee maximum contribution.

401K – This is the most popular retirement plan and the one that your employees will likely expect. At the core of this type of plan is salary deferment and the ability to manage investment of the deferred funds. Under most 401K plans, your firm can make matching contributions and benefit from annual profit-sharing.

A downside of the 401K plan is that it requires substantial administrative responsibility. The various obligations of the plan may require that you contract an investment advisor or some other professional with fiduciary responsibilities over the administration of the plan.

Employee Pension – These plans require employer contributions. The firm is allowed to make discretionary contributions, which are shared with all eligible employees. The Firm makes the contributions directly to the employees' IRAs. One large advantage of the employee pension is that it allows discretionary deductible contributions up to \$41,000 or 25% of pay, whichever is less. According to Rogers, this plan provides small firms with a viable compromise between IRAs and 401Ks.

Get help

If everything you just read sounds like a foreign language to you, the best step you can take is to get help from an expert. Just as people come to you for legal expertise, you need to find someone with retirement planning expertise to ensure that you are choosing an option that benefits you, your employees, and the firm as a whole.

The American Bar Association also offers a resource that you may find helpful. The [ABA Retirement Fund](#) was created to help solo and small firm members with affordable retirement planning. The program reportedly serves more than 37,000 members and over 4,000 law firms.

Succession planning

While this is a concept often discussed among large and mega law firms, succession planning is also necessary at the solo and small practice level. Law practice succession planning is the creation and implementation of a plan to protect the firm's clients and continue the firm's work once principal members are no longer able or willing to practice law. Succession planning includes such elements as:

- Business planning
- Leadership planning
- Personal financial planning
- Personal estate planning
- Firm ownership transition planning

While the point of succession planning is to create an orderly transition at the end of the firm's current life, it is undertaken during or even before the practice begins operating. As stated in an article on [TheIndianaLawyer.com](https://www.theindianalawyer.com), when thinking about succession planning, you need to ask yourself, "If I slow down, retire, close my office, become disabled or die, who will make sure that my clients' legal needs are served?"

As an attorney, you have an obligation to place your clients' interests above your own, so it's important to make succession plans. Another point to consider is that your junior attorneys may want future leadership opportunities. With a comprehensive succession plan, you have the ability to mentor these employees and help them develop the skill sets they will need to lead the law firm into its next phase.

There are numerous options for law firm succession, including:

- Giving younger partners or associates greater responsibility
- Transitioning of firm partners or leaders into "of counsel" positions
- Selling the law practice to another firm
- Merging the law practice with another firm
- Creating contract relationships with other attorneys who can provide legal services
- Closing the law office completely

Let's look deeper at some of these options. The best choice for your firm depends on the specific dynamics of your office. If you have younger attorneys on staff, you may want to begin cultivating them to take over the firm one day. As you get closer to retirement age, you may want to give up some of your management responsibilities and handing over these duties to an attorney who is already present can be much less disrupting than bringing in someone new.

If you decide that merging with another firm is your best course of action, you will want to take the time to ensure that the other firm is compatible with your practice, including its culture and practice areas. One last option you may consider is closing your office altogether. This is the option that may be most counter to your clients' interest, so it needs to be thought out and thoroughly planned.

Retirement and succession planning must be part of your law firm administration. Don't treat this responsibility as an afterthought. Put in the time and effort to get it right. Your future depends on it.

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.