

Should Lawyers Adjust Their Rates in 2023?

In the past year, inflation levels have reached highs that haven't been seen in four decades, and there are no signs that these high prices will be leaving anytime soon. In fact, economists are projecting that inflation could continue to impact the cost of goods and services well into 2023, if not longer. This has left consumers anxious, and business owners as well.

What does all of this mean for lawyers and their clients?

It may be time to consider increasing your law firm rates, especially if you didn't already raise them at the start of 2022. Fortunately, the end of the year is upon us, and it's normal for lawyers to adjust pricing for the new year. If you've been thinking about sending out an announcement about rates, now is the time to do so.

Of course, this decision isn't always an easy one. Many lawyers are hesitant to raise prices. They may fear that they could lose clients who are already facing higher costs in other areas of their lives and businesses. What's to stop them from shopping around for lower prices?

You don't have to let this fear stand in the way of your law firm's profitability. The following tips can help you decide if increasing your lawyer rates is the right decision for your practice. You'll also learn more about how much you should adjust your prices and how to effectively communicate upcoming changes to your clients.

Factors to consider before changing law firm rates

An immediate price hike may not be the solution for every law firm, but it's certainly something to consider. The following are just a few of the factors that could impact your decision about whether or not to raise your attorney rates.

How much time goes into your matters?

One of the keys to setting appropriate rates lies in understanding how much matters cost—and this information can only be gained by detailed [time and expense tracking](#). Are you going over budget on matters? Are expenses eating into your profit margins? Examining your time and expense reports closely will give you a better idea of whether your rates are sufficient for the work you're doing.

As you look at your time and expense reports, this is also an opportunity to consider how you can increase profitability without raising rates. If your reports highlight bottlenecks, slow processes, or unnecessary expenses, flag these areas and see how you can streamline your workflows or lower costs. Sometimes a few tweaks to workflows can make all the difference.

The timing of your rate change

While many businesses began raising prices around the start of the Covid-19 pandemic, that might not be the case for your law firm. If you haven't increased your lawyer rates since pre-pandemic times, you should consider doing so for 2023. Though there's always the fear that you could lose some business, clients are typically much more understanding of price increases when they don't happen very often.

Increase in demand

Regardless of the economic situation, you may need to increase your rates when your services are in high demand. As you gain a reputation for providing exceptional services, clients will increasingly seek out your practice. Therefore, you'll be able to justify a price increase. Not to mention, the extra income can help you provide more efficient services by adding personnel, implementing [automated invoicing and billing software](#), or other improvements to your firm's tech stack.

Rising costs

As overhead costs, salaries, and other expenses continue to rise, it becomes more important than ever to raise your rates. Otherwise, you'll be stuck watching your profit margin shrink. While it's great to be sensitive to

the impact that your attorney rates have on your clients, you can't forget that your business needs to survive the current economic context, as well.

If raising your rates is necessary to keep your business afloat, you shouldn't be afraid to act quickly.

Market rate trends

It's vital that you pay attention to market trends before you go making any changes to your pricing. You should have a good idea of where you stand in relation to your competition. Do you already have the highest prices? Or are you on the lower end of the spectrum?

Law firms that already have relatively high prices may want to consider holding off on increases, especially any drastic changes. However, if you're charging less than your competitors, it's unlikely that your clients will be able to find lower prices elsewhere, so you can increase your rates with less worry.

How much to adjust your 2023 attorney rates

If you plan to raise your lawyer rates in 2023, you'll want to adjust them by the right amount. This will vary from law firm to law firm, but in general, it's recommended that you don't increase your rates by more than 5%.

Anything higher can easily scare off current clients—even if you don't increase your prices a little bit each year.

That limit is one of the reasons that you should consider increasing your rates by about 2-5% annually. You shouldn't wait until you're in a financial crunch to try and save your law firm with one big price hike. Significant price adjustments are a shock, and therefore much more likely to send your clients shopping around for a new lawyer. Instead, many clients find that small annual increases are far easier to handle.

Tips for communicating rate changes with your clients

Now that you've decided how much you plan to raise your attorney rates, it's time to communicate the change to your clients. This can be a delicate

process, especially when you have clients that you genuinely enjoy working with. Fortunately, excellent communication can go a long way.

Keep the following tips in mind when increasing your pricing:

- **Give advance notice:** No one likes sticker shock. It's best that you respectfully inform your clients of the price increase at least 60 days in advance. This gives them plenty of time to plan and prepare for the adjustment.
- **Keep the announcement brief:** Though you may feel tempted to justify your decision to your clients, it isn't necessary. Instead, you should keep the notice short and to the point.
- **Call your "A" clients:** If you're working with people that you consider to be the "ideal client," it's worth going the extra mile to keep them. Give them a call. This way, you have a chance to discuss your plans to raise your law firm's rates and can address their questions and concerns.

Set yourself up for success in 2023 with higher law firm rates

If you're unclear on where your law firm's profit margins stand or need help getting invoices out with your new pricing, TimeSolv can make the transition smoother for you and your clients. TimeSolv sets you up for success by allowing for robust time and expense tracking to ensure that your rates are appropriate for your practice area, audience, and financial goals.

To see how TimeSolv can help your law firm stay profitable, [sign up for a free 30-day trial](#) today!