

# Why Zero AR Could Transform the Legal Industry In a COVID-19 Third Wave Crisis

---

Though growing vaccination numbers offer glimpses of a post-pandemic world, there are still various parts of the country and the world dealing with the serious threat of COVID-19. These places provide a cautionary tale about the possibility of a third wave crisis. Law firms need to implement strategies that will help them sustain a possible third wave.

Accounts Receivable (AR) represents compensation owed to a law firm by clients. Law firms often work under compensation arrangements where legal services are provided before compensation is received. When those invoices go without payment, they become AR. Unfortunately, legal bills go unpaid far too often. When those outstanding invoices accumulate, law firms are left with a high AR. In fact, it is not uncommon for a law firm's AR to include invoices that are more than a year overdue.

## **The Problem of High AR in a COVID-19 Third Wave Crisis**

Collection rates represent how well law firms collect outstanding balances. With the average law firm collection rate at 85%, the uncollected 15% can account for tens and even hundreds of thousands of dollars. With the uncertainty that still remains about the pandemic, law firms need the financial health that comes along with 100% collections and zero AR.

The process of collecting legal compensation can take a lot of valuable time and law firm resources. In addition, collection processes may strain the attorney-client relationship. For these reasons, many law firms choose not

to pursue collections aggressively. They instead accept high AR as a cost of doing business.

Even during normal times, a high AR can cause significant problems for law firms. When allowed to get too high, expenditures like payroll, taxes, office overhead, and insurance costs can outpace firm revenue and negatively affect profitability. These financial complications would become even more troublesome during a potential third wave crisis. The interruption of business that a crisis could bring requires adequate cash flow, and high AR can leave firms without the cash flow they would need.

## **Achieving Zero AR**

There are numerous steps that law firms can take to advance towards zero AR.

- **Standard collection plan** – Law firms need standard collection policies that all staff members can follow in order to standardize processes. An effective policy would include such components as accepted billing methods, billing schedules, and late payment penalties.
- **Expand Payment Method Options** – Clients expect various payment options. Law firms need to accept electronic payment options like credit cards, debit cards, and bank account drafts. It's even more effective if clients are able to conveniently remit payment online.
- **Payment Incentives** – Clients do respond when firms provide incentives for early bill payment. Consider potential offers like early payment discounts and payment plans where clients can pay their legal fees in smaller increments over time.
- **Stored Payment Methods and Automatic withdrawals** – With these arrangements, clients provide credit card or bank account to be kept on file within the law office. The payment method is automatically run on a predetermined date. Stored payment strategies provide some assurance that firm invoices will be paid completely and within an appropriate timeframe.
- **Technology** – Reaching zero AR requires legal billing software that promotes effective payment procedures. TimeSolv legal billing software offers some of the most innovative e-payment features on the

market, including integration with LexCharge, a company that specializes in electronic payment processing for law firms. With this integration, law firms can store client payment methods and efficiently process client payments in batches.

- **Strategic Task Delegation** – The skill and time of high billing timekeepers should be reserved for the most profitable tasks. As such, collections duties should be handled by support staff members.
- **Batch Billing** – With batch billing capabilities, law firms can process numerous client payments with just a few clicks of a mouse. In minutes, rather than hours or even days, firms can instantly reduce AR with timely and complete payments. When using batch billing, firms should ensure that they follow established timelines and that the payment procedures stay within the guidelines of the agreement. With strict adherence to established policies, firms can avoid billing disputes.
- **Use TimeSolv** – TimeSolv helps law firms pursue zero AR with the following features:
  - Integration of TimeSolv and LexCharge
  - Convenient “Sent Invoice” screen that allows users to quickly view the status of client payments, including a list of all sent invoices, along with information about which have been paid and which remain outstanding.
  - Quickly run provided payment methods to secure payment for outstanding invoices.
  - Batch payment options that allow firms to collect client payments in bulk. In mere seconds, an entire batch of invoices can be paid, instantly promoting zero AR.

### **The Legal industry Needs Zero AR in a COVID-19 Third Wave Crisis**

Law firms will need adequate cash flow in the event that a COVID-19 third wave crisis occurs. By implementing strategies that promote zero AR, firms can strengthen their collections, decrease outstanding invoices and increase their profitability. To experience the zero AR benefits of TimeSolv legal billing software, click this website link for a free trial offer.