

How Attorneys Underearn

By Ann M. Guinn

Ann Guinn will be speaking Friday, September 21 at the SBM Annual Meeting and ICLE Solo & Small Firm Institute in Grand Rapids. Ms. Guinn is a practice management consultant who helps attorneys build high-earning, client-centered, satisfying law practices. She has generously allowed us to republish an article previously presented elsewhere on the topic of underearning. This topic is a timely one for our Practicing Wellness column. A key element in self-care is developing financial awareness, clarity, and mastery. In today's economy, this can be challenging. Please take a few moments to read this article. If you are attending the annual meeting, don't miss Ms. Guinn's presentation on how attorneys underearn. If you cannot attend, look for her two "Ten-Minute Tips" at <http://www.icle.org>.

—Tish Vincent,
LJAP Program Administrator

As a consultant to small law firms, I have discovered an unsettling phenomenon among the attorneys I meet. Many practitioners are struggling with chronic underearning—and I am at a complete loss to explain why. Simply put, *underearning is earning below your potential*. Symptoms of underearning include:

- Not living the life you want
- Not being able to provide the lifestyle you would like for your family
- Not making enough money to cover your basic needs
- Not having enough money each month to save for emergencies or retirement
- Not being able to give your staff the raises or bonuses they deserve
- Living in deprivation

- Not being able to do the things you would like with your business
- Constant stress about money

Underearning is about making choices that keep you earning below your potential. In his book *Earn What You Deserve* (Bantam 1996), Jerrold Mundis tells us that underearning may take an active or passive form. Passive underearning is about choosing not to do something or failing to do something that would have resulted in your earning more money. Failing to raise your fees, refusing to spend money on software or equipment that would make you more efficient and productive, or not tending to your marketing are examples of passive underearning. Active underearning involves knowingly doing something that will cause you to underearn. Examples include accepting a client you believe will not be able to pay, providing excessive pro bono services, discounting fees, writing off time, or handling certain administrative (nonbillable) tasks that could be outsourced (e.g., payroll and bookkeeping responsibilities). Either consciously or unconsciously, too many attorneys make choices that cause them to underearn.

Over the years, I have encountered a variety of behaviors that lead to underearning. Some are personal issues, while others are poor management strategies. Do any ring a bell with you?

- Giving away time
- Irregular billing
- Failing to market

- Accepting bad clients/cases
- Accepting clients who can't pay
- Lack of self-motivation
- Undervaluing your work
- Underbilling for work performed
- Self-limiting beliefs
- A continuing expectation that someone or something will save you
- Rationalizing low income
- Reverse snobbery ("People with money aren't nice")
- Subtle self-sabotage
- Codependency (putting other people's needs ahead of your own)
- Living in financial chaos
- Lack of self-discipline
- Not working enough hours
- Filling free time with nonrevenue-producing activities and tasks (Internet surfing, computer games, endless chores, personal e-mails, shopping, and staring out the window)

If you are an underearner, unless you understand how your behavior takes money out of your pockets and those of your partners, you're going to have a hard time changing your behavior. Unless you see underearning as depriving your family of a better lifestyle, you aren't going to change. Unless you see underearning as earning below your potential and recognize that you could be earning more, you will never believe it doesn't have

The following nonprofit organizations offer a wealth of information and meetings (in-person, online, and by phone) to help individuals struggling with money issues:

Debtors Anonymous <http://www.debtorsanonymous.org>

Underearners Anonymous <http://www.underearnersanonymous.org>

For more information about making your practice more profitable, check out Ms. Guinn's book *Minding Your Own Business: The Solo & Small Firm Lawyer's Guide to a Profitable Practice* (ABA 2010) at <http://www.americanbar.org>. To order her CD and companion workbook entitled "How to Conquer Underearning and Start Living the Life You Want" or to receive her complimentary newsletter with practice management tips, please contact her at ann@anguinnconsulting.com or (253) 946-1896.

to be this way. Unless you get angry about it, you are not going to stop underearning.

So do you think you might be an under-earner? Take a moment to answer the following questions and decide for yourself. Circle the statements that apply to you as well as those that might apply but you're unsure if they accurately describe you.

- (1) I often give away my services (e.g., pro bono work, not billing for all time worked, volunteering, answering questions for free on the telephone, free initial consultations).
- (2) My initial consultations almost always run over the time allotted, but I don't charge more for the extra time.
- (3) Raising my fees causes me such stress and fear that I only do it every few years.
- (4) I regularly discount my fees to encourage prompt payment.
- (5) Sometimes I feel I'm not worth what I charge, so I write off part of my time.
- (6) I don't record my time contemporaneously for either hourly or flat-fee work.
- (7) I let my accounts receivable become 90 days or more past due before I take action.
- (8) I continue working for clients who aren't paying me.
- (9) Talking with clients about money is uncomfortable for me.
- (10) I waive my advance fee deposit if a potential client can't afford it.
- (11) I have time management issues.
- (12) I am good at self-sabotage (e.g., accepting clients who are unable or unlikely to pay my fees, not setting goals and developing action plans to reach them, taking cases I'm not qualified to handle, billing irregularly, not doing focused marketing to attract my ideal client).
- (13) My debt level is high, I have very little in savings, my retirement account is underfunded, and I'm not clear on where my money goes.
- (14) I don't really know how much I actually earn until I see it on my tax return.
- (15) I continually put others' needs before my own.
- (16) I am often worried about money.
- (17) I frequently feel guilty about not earning as much money as I could.
- (18) I fear for my financial future.
- (19) I believe I can make money.
- (20) I am confident in the value of my services to my clients.
- (21) My expenses are always below my income.
- (22) Money is my friend and I appreciate what it does for me.

- (23) I believe I have a rosy financial future.
- (24) I experience very little fear or insecurity about money.
- (25) I am committed to getting paid what I am worth.
- (26) I love my work.
- (27) I am blessed with a supportive fan base (including spouse/partner, other family members, close friends).
- (28) I admire wealthy people.
- (29) I have little or no credit card debt.
- (30) I get myself in situations beyond my ability and then rise to them.
- (31) I am resilient and able to bounce back when I fail.
- (32) I am filled with gratitude for the success I've achieved.
- (33) I work very hard but I know I don't have to do everything myself. I know how to delegate and set limits.
- (34) I am tenacious in achieving my goals.
- (35) I take action on past-due accounts as soon as they become delinquent.
- (36) I fire clients who don't pay me.

The dividing point in these questions is pretty obvious. If you answered "yes" to any of the first 18 questions, you probably are an underearner. A "yes" to questions 19–36 demonstrates that even if you are underearning, you have a healthy relationship with money and a great chance of breaking that self-defeating pattern.

So, are you an underearner? Do you see that your underearning is a result of choices you make—actions you take or don't take?

Why do you set yourself up to under-earn? What's in it for you? (Any psychologist will tell you that we get something out of negative behavior as well as positive.) Underearning issues are frequently rooted in a lack of self-worth or a feeling of helplessness or hopelessness. What's behind your underearning?

When considering this issue, it's important to *remember the insidious damage caused by a long-term pattern of under-earning*. It robs you of the peace that comes from knowing you are financially secure. Underearning seldom impacts only the underearner. Your pattern of underearning can:

- Keep your practice partners and employees from earning more
- Deprive you and your family of a lifestyle you would all like to enjoy

- Put the lion's share of the burden of keeping your home/family afloat on your spouse/partner
- Restrict the growth of your practice
- Affect your ability to provide clients with first-class legal services because you don't have the money to invest in the resources that would aid in representation
- Undermine your self-esteem and may even make you question your career choice
- Saddle you with constant money worries that can distract you from your work
- Create stress which can endanger your health by causing depression, anxiety, sleeplessness, and over- or under-eating

Recently, I met an attorney who is an extreme underearner. He prides himself on

the fact that he drives a 40-year-old car. His home has no electricity. He bills only 1–2 hours a day and devotes the rest of his time to pro bono work. He has a wonderfully kind and caring heart—and pro bono work is his passion and his motivator. What he has come to realize, though, is that this lifestyle is his choice—not the choice of his eight-year-old daughter. She wants the things her peers have and she wants to participate in the activities enjoyed by her friends. His underearning no longer affects only him and his wife; now, they are raising a child in deprivation. The problem is that his lifestyle is so ingrained in his psyche he is terrified at the thought of giving it up and putting more emphasis on earning money. He has eschewed what he calls “the superficial trappings of mainstream America” in favor of just getting by. It remains to be seen if he can make the change from chronic underearning to earning a sufficient amount to provide his family with some of the niceties of life—like an electric lamp.

How do you want to live out the rest of your career? What are you willing to do to achieve that? If you suspect your pattern of underearning is rooted somewhere deep inside, search out a therapist who deals specifically with money or esteem issues or a certified financial recovery coach to help you break out of your self-limiting practices. It may not be easy to change the behaviors that are keeping you from earning at your potential, but the end result will be well worth the effort. You've worked hard to get where you are—and being able to make enough money to take care of yourself and your family is one of your rewards. You deserve it! ■

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