

Legal Finance: An Essential Tool for Law Firms

We are amidst a great change in the legal industry. The burdens of the traditional law firm model, where partners must don the dual hats of client advocate and financial manager, have prompted law firm leaders to re-think the way they do business. Taking cues from corporate America, smart law firms have increasingly looked to non-lawyer professionals to take primary responsibility for their organizations' operational and financial health, allowing lawyers to focus on what they do best—practice the law.

Now, more than 85% of the Am Law 100 and 70% of the Am Law 200 firms employ a chief financial officer, according to a study by Colliers International, and the impact of such hires is obvious.¹ Even during the height of the pandemic (2020) the Am Law 100 saw gross revenue increase by 6.6% to \$11 billion; revenue per lawyer increased by nearly 5% to \$1.05 million; while profits per equity partner increased 13.4% to \$2.23 million. The Am Law 200 saw similar growth, with gross revenues increasing 1.1% to \$20.8 billion; revenue per lawyer increasing 3% to \$707,506; and profits per equity partner growing 8.8% to \$863,449.²

In this new legal landscape—where pandemic-impacted clients have an ever-increasing need for value and flexibility—resourcefulness and creativity will be paramount to continued law firm success. Now more than ever, law firm leadership must be nimble and willing to think outside the box for ways to increase revenue and fuel growth. And that is precisely where a legal finance provider like Law Finance Group fits in.

For almost three decades, LFG has partnered with law firms of all sizes, along with their clients, to help them realize the value of their legal assets. For law firms, that means leaning on LFG's strong capital base and civil litigation expertise to increase revenue even while substantially mitigating downside risk.

LFG works with law firm CFOs and COOs to deliver bespoke solutions to partners and clients, enabling firms to shift the burden of paying firm and case expenses as well as legal fees away from the client in favor of LFG. For example, LFG's portfolio finance product (where an availability of capital is tied to a collateral pool of several cases) provides law firms with the financial security to take on additional contingency-fee cases or start a new litigation program while still retaining upside on positive outcomes. LFG can also help accelerate payment of client

¹ See Colliers International, *The Law Firm C-Suite Study: the Impact of C-Suite Growth in the AmLaw 200*, https://www.alanet.org/docs/default-source/whitepapers/c-suite-white-paper-5-16-17.pdf?sfvrsn=30104dab_4

² See The American Lawyer's rankings, <https://www.law.com/americanlawyer/2021/04/20/the-2021-am-law-100-ranked-by-gross-revenue/> and <https://www.law.com/americanlawyer/2021/05/18/the-2021-am-law-200-ranked-by-gross-revenue/>

receivables that remain unpaid, monetize settled assets where payment is delayed, or provide capital distributions to partners when existing institutional credit lines would limit such distributions.

In short, with the help of a legal finance provider like LFG, law firm CFOs will be better positioned to provide solutions their firms need—by reducing cash flow variability, mitigating risk, increasing profitability, and creating a more fiscally nimble and sophisticated business.

About Law Finance Group

Founded in 1994, Law Finance Group is a leading commercial legal finance firm focused on investing in high-value civil litigation opportunities. Law Finance Group partners with law firms and their clients to mitigate risk, improve cash flows, and leverage existing assets in the face of litigation risk. The firm has offices in Mill Valley, New York, and Austin. For more information, visit our website at www.lawfinance.com.

