

# Increased Profitability with Effective Use of Paralegals



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# What is a Paralegal?

- Paraprofessional for the legal profession
- Wide range of definitions
- Definition has changed in last 20 years
- Attorneys use two terms to define support staff:
  - Legal Assistant
  - Paralegal



# What is the Difference?

- Legal Assistants primarily perform clerical tasks as delegated by the attorney
  - The tasks performed usually can't be billed to the client
- Paralegals primarily perform substantive legal tasks that would be performed by the attorney without a paralegal such as meeting with clients, drafting documents, performing legal research, etc.
  - The tasks are usually billed to the client at the paralegal

rate



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# Current Definition of Paralegal

- Person qualified by education, training or work experience to perform substantive legal work customarily performed by an attorney
- Either under the supervision of an attorney or as permitted by statute, administrative rule, or court authority
- Certain tasks must be performed only by a licensed attorney



# Substantive Legal Tasks

- Direct contact with clients
- Drafting legal documents for review
- Organizing legal files and information
- Interviewing witnesses
- Preparing discovery documents for review
- Legal research and legal writing
- Preparing briefs and memoranda for review



# Disclosure of Paralegal Status

- Paralegal must disclose status in communications with clients and third parties
- Paralegal can be listed on attorney's signage and stationery with a disclosure of status
- Paralegal must not engage in the unauthorized practice of law
- Some states permit independent paralegal tasks



# Tasks Paralegals Can't Perform

- Give legal advice
- Establish attorney-client relationship
- Set legal fees
- Sign pleadings and other court documents
- Appear on behalf of the client (some exceptions for administrative hearings)



# Ethical Obligations

- Paralegal tasks are performed under the direct supervision of an attorney unless an exception applies
- Paralegal tasks must be performed in accordance with ethical standards that apply to attorneys
- Paralegals are expected to be familiar with rules of professional conduct that apply to attorneys





# Effective Use of Paralegals

- Large percentage of tasks in the legal setting can be effectively performed by paralegals
- Frees the attorney for tasks that can only be performed by the attorney
- Serves clients more effectively with quality of contact and reduced costs
- Attorneys can serve more clients and increase professional success



# Estate Planning Services

- Attorney meets with client to determine estate planning goals and to set up representation
- Paralegal prepares documents for attorney review
- Paralegal sends draft documents to client for review and discusses corrections with client
- Attorney meets with client to review and execute final documents
- Result: more estate planning clients



# Litigation Case

- Attorney meets with client to set up representation
- Paralegal drafts pleadings and discovery documents for attorney review
- Paralegal summarizes depositions, interviews witnesses, and organizes case information
- Paralegal prepares trial exhibits
- Attorney tries or settles the case
- Result: Attorney handles more litigation cases



# Bankruptcy Case

- Attorney meets with client to analyze financial matters and to set representation
- Paralegal gathers information, has contact with client, prepares petition and schedules, and schedules client meeting to file the bankruptcy case
- Attorney meets with client to review and sign bankruptcy petition and schedules
- Paralegal files case and prepares for the meeting of creditors
- Attorney appears with client at the meeting of creditors
- Result: Attorney handles more bankruptcy cases

# Analyzing the Profitability of Paralegal Work



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# Comparing Profitability Entry Level vs. Experienced Paralegal

## Costs

	<i>Entry Level</i>	<i>Experienced</i>
Salary (Compensation)	\$30,000	\$50,000
Fringe Benefits (Compensation)	+9,000	+15,000
Overhead Costs (Direct & Indirect)	<u>+45,000</u>	<u>+45,000</u>
<b>Total Costs</b>	<b>\$84,000</b>	<b>\$110,000</b>



# Comparing Paralegal Profitability Entry Level vs. Experienced

	<i>Entry Level</i>	<i>Experienced</i>
Hours	1,600	1,500
Hourly Rate	<u>x \$80</u>	<u>x \$110</u>
Potential Revenues	\$128,000	\$165,000
Realization Rate	<u>x 90%</u>	<u>x 95%</u>
<b>Actual Revenue</b>	<b>\$115,200</b>	<b>\$156,750</b>



# Comparing Paralegal Profitability Entry Level vs. Experienced

	<i>Entry Level</i>	<i>Experienced</i>
Actual Revenue	\$115,200	\$156,750
Total Costs	<u>- 84,000</u>	<u>- 110,000</u>
<b>Profit</b>	\$31,500	\$46,750





# Comparing Profitability Paralegal vs. Associate

## Costs

	Paralegal	Associate
Salary (Compensation)	\$40,000	\$100,000
Fringe Benefits (Compensation)	+10,000	+ 15,000
Direct Costs	+ 2,000	+ 29,000
Indirect Costs	<u>+ 43,000</u>	<u>+ 80,000</u>
<b>Total Costs</b>	<b>\$95,000</b>	<b>\$224,000</b>



# Comparing Profitability Paralegal vs. Associate

## Revenue

	Paralegal	Associate
Hours	1550	1850
Hourly Rate	<u>x \$90</u>	<u>x \$160</u>
Potential Revenues	\$139,500	\$296,000
Realization Rate	<u>x92.5%</u>	<u>x92.5%</u>
<b>Actual Revenue</b>	<b>\$129,000</b>	<b>\$273,800</b>



# Comparing Profitability Paralegal vs. Associate

	<b>Profit</b>	
	Paralegal	Associate
Actual Revenue	\$129,000	\$273,800
Total Costs	<u>-95,000</u>	<u>-224,000</u>
<b>Profit</b>	<b>\$34,000</b>	<b>\$49,800</b>
<b>ROI</b>	<b>35.8%</b>	<b>22.2%</b>



# Profitability in Alternate Fee Matters



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# Fixed Fee Case

<u>Fixed Fee</u>	<u>Worker</u>	<u>Hours</u>	<u>Cost/Hr.</u>	<u>Investment</u>	<u>Profit</u>	<u>ROI</u>
\$1000	Partner	5 hrs.	\$225	\$1,125	(\$125)	<b>(11.1%)</b>
\$1000	Associate	7 hrs.	\$135	\$ 945	\$55	<b>5.8%</b>
\$1000	Partner	1 hr.	\$225	\$ 225		
	Paralegal	9 hrs.	\$ 65	<u>\$ 585</u>		
				\$810	\$190	<b>23.5%</b>



# Contingency Case

<u>Verdict</u>	<u>Fee</u>	<u>Workers</u>	Firm <u>Cost/Hr.</u>	<u>Hours</u>	Firm <u>Investment</u>	<u>Profit</u>	<u>ROI</u>
\$120,000	\$40,000	Partner	\$225	180	\$40,500	(\$500)	<b>(1.2%)</b>
\$120,000	\$40,000	Partner	\$225	100	\$22,500		
		Paralegal	\$65	125	<u>\$ 8,125</u>		
					\$30,625	\$9,375	<b>30.6%</b>



# Improved Client Satisfaction and Retention

- Reducing Legal Fees



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# All Work by Lawyer at \$200 Per Hour

<u>Task</u>	<u>Hours</u>	<u>Cost</u>
Client Interviews	4	\$ 800
Witness Interviews	6	\$1,200
Responding to Written Discovery	12	\$2,400
Preparing for and Taking Depositions	12	\$2,400
Legal Research	10	\$2,000
Preparation of Pleadings	12	\$2,400
Trial Preparation	16	\$3,200
Trial	<u>16</u>	<u>\$3,200</u>
<b>Total</b>	<b>88</b>	<b>\$17,600</b>





# Work Delegated to Paralegal at \$90 Per Hour

<u>Task</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Cost</u>
Client Interviews:	Lawyer	4	\$ 800
	Paralegal	4	\$ 360
Witness Interviews:	Lawyer	2	\$ 400
	Paralegal	6	\$ 540
Responding to Discovery:	Lawyer	2	\$ 400
	Paralegal	14	\$1,260
Prep. for and Taking Deps.:	Lawyer	6	\$1,200
	Paralegal	7	\$ 630



# Work Delegated to Paralegal at \$90 Per Hour (Cont'd)

<u>Task</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Cost</u>
Legal Research:	Lawyer	2	\$ 400
	Paralegal	12	\$1,080
Preparation of Pleadings:	Lawyer	2	\$ 400
	Paralegal	14	\$1,260
Trial Preparation:	Lawyer	8	\$1,600
	Paralegal	16	\$1,440
Trial:	Lawyer	16	\$3,200
	Paralegal	<u>16</u>	<u>\$1,440</u>
<b>Total:</b>		<b>131</b>	<b>\$16,410</b>



# Reducing Legal Fees: Cost to Client

## Scenario 1

Lawyer Works 88 Hours

Costs to Client \$17,600

## Scenario 2

Lawyer Works 42 Hours

Paralegal Works 89 Hours

Costs to Client \$16,410



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**Client Saves \$1,190, or 6.8%**

# Reducing Legal Fees: Cost to Firm

## Scenario 1

Lawyer Works 88 Hours  
at \$145/hr.

Total Cost to Firm = \$12,760

## Scenario 2

Lawyer Works 42 Hours  
at \$145/hr.  
Paralegal Works 89 Hours  
at \$61/hr.

Total Cost to Firm = \$11,519

**Firm Saves \$1,241 or 9.7%**

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- For further information on Paralegal Utilization:  
<http://www.americanbar.org/groups/paralegals.html>

