


# Small practitioners seem to weather the recession

## *The economic tsunami may not hit you, but it never hurts to be prudent.*

**By Geraldine Lewis**

The headlines are dire. The economy is in free fall. Big firms have disappeared overnight into the ether. The patient is on life-support. The reality is most of us are baby boomers or younger, never experienced the Great Depression and have no idea what to make of all this. We want to believe we are resilient, the economy is resilient and we will weather this storm. Some are still in a state of denial. Others are angry at what the politicians and Wall Street have wrought. But what's the picture in the small towns in Northern California and how are sole practitioners and smaller firms handling this economic tsunami?

### David Mason

David Mason is a sole practitioner in the small Northern California town of Alturas, in Modoc County. It is in the northeast corner of the state, and cattle drives still happen there. With a population of about 3,500 people, the town is so remote that tourists rarely visit. The timber industry collapsed in the 1980s, and David says the economy has been depressed ever since. When I last talked to him, he was content with his practice, which he operates out of his home, and enjoys the perks of being his own boss and setting his own schedule.

This year, he cautiously notes, things seem to be about the same. As a sole practitioner he has a more general practice and expects that no matter what happens with the economy, people will still need wills and trusts and some will still be seeking divorces. And he is now a candidate to become the local judge. There is only one. He has made it through all the interviews and evaluations and expects the Governor to announce his choice in the next few months.

Whatever way it goes, David expects to continue his legal career in Alturas and expects that the town will weather this latest economic downturn.

### Michelle Verderosa

Several months ago Michelle Verderosa was busy with her law practice in Susanville. She described the community as fairly litigious. It is home to three major prisons. The main employers are the state and federal government. With a population of nearly 14,000 people, upscale homes on large acreage are offered in the "fives." When I spoke to her recently, she was apprehensive about the state work furlough that began on February 9. "It's a 10 percent cut in income for these people," she stated. 'I don't know what will happen. Obviously it will affect the entire community." Right now she is not planning to change anything. "I'm not stressed out yet," she adds. The effects of the furlough and general economic downturn have yet to be felt here.

### Will Kay

Eureka is nestled in the redwoods on the North Coast. With a population of 25,000 people, the economic base used to be timber and fishing. Both industries are seriously waning. Next to government employment, the local hospital is the largest private employer. While the business Web sites indicate tourism is an important and growing source of income, the underground marijuana growers also contribute to the stability of the economy.

Will Kay has called Eureka home for 32 years and is grateful he has his own practice as a sole practitioner, rather than belonging to a larger firm where he once practiced law. He's busy. Things seem okay for now. But he notes that the general economic trends evident in the metropolitan areas of the state don't hit the more insular North Coast for a year to a year and a half later.

Kay's trying to gauge how business is going. He notices that his fairly steady DUI cases have dropped off. He used to count on one a month and now it's more like one every three months. He thinks maybe people who have been cited are going it alone in front of the judge. On the other hand, his unlawful detainer cases have picked up, which also may be a sign of the times. Some elective legal work seems to have fallen off. His business clients are postponing formalizing agreements for now.

In addition, Kay notices that commercial rental vacancies are up while the local mall, which has been there 22 years, may declare bankruptcy. The owners have 200 malls across the country, which are all in trouble. If the local mall closes, it would be a significant economic hit to the area. He has talked to some bankers he knows, and they are nervous and trying to

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hold on. As a result they aren't lending, and business owners feel the pinch.

But he feels confident he can maintain his business. After 32 years, he doesn't need to advertise and his office overhead is low. He has a very efficient part-time secretary, and he is technologically up to date and can take over in her absence and get the work done. He uses the county law library for research, which is only two blocks from his home.

He doesn't have a "plan B" right now but he is thinking of taking the mediation training being offered by the County Bar. "I might not ever mediate, but I'll know more than I do now about the process and maybe I'll be involved in a mediation with one of my clients." All in all, he expects to be okay.

### Signs of the times

Richard Carlson, Deputy Director of the Lawyer Assistance Program of the California Bar, says that while there is an uptick in the number of lawyers seeking career counseling, he doesn't know if that is due to the economy or other factors. He does note that the trend of lawyers leaving the profession was already significant before the economic hard times. He further notes that another sign of the times is that more women are trying to find full-time positions because part-time work is no longer economically feasible for them. He does not expect to see an increased number of lawyers seeking help for depression or substance abuse, noting that those who do not use substances to cope won't start now because of economic difficulties. However, for some who are already suffering, this downturn could be the final straw that sends them over the edge.

Carlson further notes that legal services are typically a trailing indicator, and we will see the fallout over the course of the next year or two. He expects that the effects of the economy will be community specific. If, for whatever reasons, a particular community is hard hit, then attorneys will experience economic difficulties as well. Some communities may be more insulated.

### Plan ahead

It is unrealistic to think that you can "recession proof" your practice but there are some steps you can take to make the road ahead less bumpy.

- **BE REALISTIC**. You have to move past denial and anger and examine the future with a clear head.
- **EXAMINE** your accounts, your expenses and your debts. Know who is paying and who is not and determine if some clients are worth keeping. If you can cut expenses it is probably a prudent move.
- **PAY DOWN DEBT.** Get your personal and business debt under control, paying off what you can. That means credit cards. Banks are hiking rates on the best borrowers, so don't be complacent.
- **INCREASE** your line of credit. If your bank is agreeable, it will provide you with an emergency stash if you need it. It's usually easier to get an increase before you need it.
- **BE PRUDENT** about expenditures. You're running a business and there are necessary expenses. Upgrading your technology and software so that you don't have to rely on ancillary staff can be a positive move. Hiring extra help might not be.
- **REVIEW YOUR CLIENT BASE.** Are you servicing clients who require too much time for too little return? Now is the time to cut loose clients who aren't really profitable.
- **REVIEW YOUR BILLING PRACTICES.** Now, more than ever, clients are looking for value. The billable hour often raises hackles. Clients are more willing to pay a negotiated fee for specific services and will appreciate an attorney who is smart enough to realize that.
- **EXAMINE** the types of cases you are handling. Look ahead to where new business is likely to occur. How can you tap into the push for "green?" If you live in a community that has been hard hit by sub prime loans, what services can you offer to homeowners or banks?
- **PRO BONO** work can offer you a chance to do something you care about, and you can gain expertise in an area of law that interests you. While you are helping others, you will be networking in your community and opening doors you didn't see before. One example is volunteering to provide legal services for returning veterans who need help in many areas. Check it out. There is more to practicing law than the paycheck.
- **START** a Web page or law blog if you haven't already. You can do your own Web page for almost no cost and an increasing number of clients go the Internet to find legal assistance or information about specific legal problems. If you enjoy writing, try a law blog. It will keep you fine-tuned.

No one can predict how drastic this economic downturn will prove to be, or how long it will last. Those who opted out of the big firm, big city rat race will undoubtedly fare better in the tough times. They are more agile and their business is more resilient simply because they are tuned to the workings of small towns. But tough times always provide opportunities to make changes. And those who see the opportunities will do okay.

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