

# Missouri Bar Releases Economic Survey Results

The Missouri Bar has released the results of *The Missouri Bar Economic Survey – 2007*. The survey is a guide for Missouri lawyers to use as they plan and manage their law practice or work within the legal profession.

The information may be useful for lawyers in the private practice of law to evaluate their firm's performance relative to comparable law firms and may compare their firm's performance with those of similar size, by geographic location, and other similarities. Some sections of the survey include data from previous surveys presented in such a manner as to decipher trends over the past decade. A portion of the survey also depicts economic information about Missouri lawyers who practice solo or work in law-related and non-legal professions.

The Missouri Bar has conducted a survey every other year since 1958 to gain insight into the economics of the practice of law in the state of Missouri. This non-scientific survey is a snapshot of the economic performance of the legal profession in Missouri as of December 31, 2006.

The survey began with a sampling of 3,501 Missouri Bar members listing an address in Missouri that was randomly selected from the member database. Approximately 20,000 lawyers listed a Missouri address at the time the survey was taken. In the spring of 2007, those

in the sampling were sent the confidential survey questionnaire to complete. The survey questionnaire was sent out electronically to those in the sampling who have an email address on file with the Supreme Court of Missouri. The survey was subsequently mailed to Missouri Bar members who did not have an email address on file or those who did not respond to the online survey. The survey was completed by 1,167 members online and 563 by mail. This represents a total of 1,730 that completed and returned the survey with a 49.4% response rate. For the first time, considerably more responded to the survey online than by mail. The respondents were asked to provide information as of the close of business on December 31, 2006.

## EXECUTIVE SUMMARY

The following is a brief summary of the results from *The Missouri Bar Economic Survey – 2007*. Based on the concise information presented in this summary, the reader should not make any particular assumptions. You are encouraged to review the entire copy of the survey results to form your own analysis.

## GENERAL INCOME INFORMATION/ FULL-TIME PRACTITIONERS

The mean (average) annual net income for all full-time practitioners an-

swering the survey was \$158,691 in 2006. This represents an increase of \$14,891 or slightly more than 10% from the survey conducted two years ago. It may be important to note, however, that more than 37% of the respondents reported mean (average) incomes ranging from \$60,000 to \$119,999 and 18.5% in the \$30,000 to \$59,999 range.

Reflecting on mean (average) incomes reported by respondents in full-time private practice by practice area indicates that those who practice alternative dispute resolution; patent, trademark, or copyright; administrative/regulatory law; appellate practice, including personal injury; and environmental law all show mean (average) incomes in excess of \$200,000 ranging from \$279,305 to \$202,952.

Full-time practitioners in the City of St. Louis reported the highest mean (average) income in 2006 at \$186,272, followed by Jackson County at a mean (average) income of \$177,599. In St. Louis County, the mean (average) income was reported at \$150,222. In out-state Missouri, the mean (average) income for Cole County totaled \$146,350, while the mean (average) income for full-time practitioners in neighboring Boone County totaled \$93,455. Incomes increased in some areas, namely St. Louis City, Jackson County, and Cole County, but decreased from the last survey in St. Louis, Greene, and Boone Counties.

More than 50% of the respondents anticipate their firm will hire additional lawyers in 2007. Only approximately 4% expect to decrease the number of lawyers in their firm during 2007.

## SOLE PRACTITIONERS

Information was captured in the survey concerning sole practitioners in private practice. Full-time sole practitioners answering the survey reported their overall mean (average) income in 2006 to be \$96,069, which is an increase of \$15,069 from 2004. The highest percentage of earners who are sole practitioners is reflected in the \$60,000 to \$89,999 range, followed closely by the \$30,000 to \$59,999 range. Comparing all respondents in full-time private practice, the highest percentage of earners is reported to be in the \$60,000 to 79,999 range, followed closely by those in the \$80,000 to \$99,999 range. The survey also contains interesting comparisons based on sole practitioners and all others by income and gender.

## COMPARISON OF PRIVATE AND NON-PRIVATE PRACTICE INCOMES

Overall, the responses about income suggest that lawyers in full-time private practice and corporate lawyers are close to the same, with full-time practitioners edging out corporate lawyers by a mean (average) income difference of only \$5,345. The mean (average) income of full-time private practitioners is \$158,691 as compared to the mean (average) for corporate lawyers at \$153,346. Those working in education reported a mean (average) income of \$82,906. The respondents who indicated they worked in full-time government employment (including prosecutors and public defenders) reported a

mean (average) income of \$69,999, while those who reported working in full-time government, education or other corporate (not specified) reported a mean (average) income of \$86,839.

## ANNUAL MEAN (AVERAGE) INCOME BY AGE, GENDER, AND LENGTH OF TIME SINCE ADMITTED

Comparing mean (average) incomes by age indicates the highest earners in private practice to be in the 56 to 65 age group at \$228,206, followed closely by those in the 66 to 75 age group at \$223,391. Those admitted to practice 30 to 39 years reported the highest mean (average) income at \$249,938, followed by those admitted 20 to 29 years with the mean (average) income of \$212,732.

Male lawyers in private practice reported a mean (average) income of \$178,270 while female respondents in the same category reported a mean (average) income of \$108,833.

## SALARIES OF NEW LAWYERS

The salary range for new lawyers in 2006 shows a marked increase. Nearly 35% of the respondents indicated they hired a newly admitted lawyer in the over \$90,000 range, while in 2004 only 5% of the respondents reported hiring in this range. It may be important to note that there were 979 responses to this question, of which 455 reported hiring a newly admitted lawyer in 2006; 390 did not employ a new lawyer and 134 did not know.

Viewed by counties, 38.6% of the respondents from Jackson County hired a newly admitted lawyer in the over \$90,000 range as compared to 57.1% of respondents in the City of St. Louis, and 24.7% of respondents in St. Louis County. In Cole County, 9.1% of the

respondents reported hiring in the over \$90,000 range with 81.9% in that area reporting hiring in the combined range of \$35,001 to \$45,000. In Greene County, 26.3% of the respondents reported hiring in the \$75,001 to \$80,000 range.

## SALARIES OF LEGAL ASSISTANTS, PARALEGALS, LEGAL SECRETARIES

Nearly one-third of the respondents reported salaries for legal assistants and paralegals to be in the \$30,001 to \$42,000 range with slightly more than 15% in the \$42,001 to \$48,000 range. Nearly 40% reported legal secretaries in the \$24,001 to \$36,000 salary range and nearly 11% in the \$42,000 to \$48,000 range.

## ANNUAL BILLABLE HOURS REQUIREMENT

Well more than half of the respondents in private practice (61%) indicated their firm did not have an annual billable hours requirement or standard while 39% reported they do. These percentages closely match the results of the two previous surveys. However, it's interesting to note that actual hours reported worked in 2006 are spread out evenly in ranges from less than 1,500 hours to more than 2,000 hours.

## ORGANIZATIONAL SETTING/ PARTNERSHIP AGREEMENT

More than 37% of the respondents in private practice reported their firm is organized either as a limited liability company or limited liability partnership, while 30% reported being organized as a professional corporation. The survey responses also indicate that nearly 10% are organized as a partnership and 15% as a sole proprietorship. Nearly 7%

practice as sole proprietors sharing office space, and 1% reported other. This nearly mirrors the results from the previous surveys taken in 2002 and 2004.

More than 64% of those practicing with partners indicated that they have a written partnership agreement, while only 52.5% of those agreements include a provision for the death, disability, or retirement of key members of the firm.

## CONTINGENCY FEES

Nearly 70% of the respondents reported that they charge between 30-34% of the settlement proceeds in contingency fee arrangements. If the case goes to trial, nearly 48% of the respondents reported charging between 35-40%. Over half of the respondents (55%) indicated their contingency fee is taken from the gross proceeds rather than from the net, while 45% reported their fee is taken after expenses are paid.

## HOURLY CHARGE FOR TRIAL WORK

The hourly charge for trial work was reported by 16.8% of the survey respondents to be in the \$126-\$150 per hour range, 16.7% in the \$151-\$175 per hour range, and 15.8% in the \$176-\$200 per hour range, which is up slightly from the results of the previous survey two years ago. More than 11% of the respondents indicated they charge more than \$300 per hour for trial work.

## CHARGES FOR EXPENSES

Nearly 70% of the respondents reported charging their clients more than \$60 per hour for services provided by legal assistants or paralegals. Most respondents charge clients for time on the telephone, reading and responding to email, and for travel expenses. A good

percentage also charge clients for computerized legal research. Only a small percentage of the respondents reported charging for secretarial time.

## FEES AND COLLECTIONS

More than 86% of the respondents reported they routinely provide their clients with a written representation agreement. This reflects a 6% increase since the previous survey two years ago. This percentage has increased significantly over the past decade.

In excess of 46% of the respondents indicated they wrote off less than 5% of their billings as a loss; 28% wrote off between 5%-9%; nearly 19% wrote off between 10%-19%, which is consistent with the prior survey. Somewhat over 21% reported they charge interest on past-due billings. Nearly 30% of the respondents indicated they accept credit cards for payment, which is up slightly from the survey taken two years ago.

Past due billings were reported by 41% of the respondents to be handled by either negotiating with their clients or voluntarily reducing the fee, while 36.5% simply write off unpaid billings. Only 4% suggested they routinely file a law suit to collect past due billings.

## OFFICE OVERHEAD/PROFESSIONAL LIABILITY INSURANCE COVERAGE

Slightly more than 27% of the respondents reported their overhead to be in the 31-40% range, followed by 24.7% in the 41-50% range, and 21.7% in the 21-30% range. Nearly 42% did not know the amount of the office overhead at their firm. The survey reflects the amount of overhead by counties.

More than 88% of the survey respondents indicated they carry professional

liability insurance coverage, which is considerably higher than other types of insurance carried by the respondents.

## ADVERTISING AND MARKETING

More than 66% of those who responded reported they used some form of advertising during 2006, which is consistent with the prior survey. The largest number of respondents indicated their firm has a website. Websites have pulled far out in front of yellow page advertising as the most frequently used method of advertising; however, yellow page advertising was reported as the second most favored type of advertising by the survey respondents, followed by speaking engagements. A much smaller percentage used radio or television advertising.

## MAIN SOURCES OF NEW CLIENTS

Client referrals and referrals from other lawyers continue to be the main sources of new clients coming into the firms of respondents, which is consistent with past surveys. Social and business affiliations round out the respondents' most favored methods of attracting new clients, with advertising and results from the firms' websites trailing significantly behind.

*The Missouri Bar Economic Survey – 2007 is available in its entirety on The Missouri Bar's web site at [www.mobar.org](http://www.mobar.org) under the Members Section. One free copy, either printed or on CD-ROM, is available upon request to all Missouri Bar members as a member service. Send your request to [mstevens@mobar.org](mailto:mstevens@mobar.org) or call 573/638-2259.*