

FAMILY LAWYER

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The 5 Most Threatening Issues Facing Your Law Practice

By Mark Powers and Steve Riley, Practice Advisors

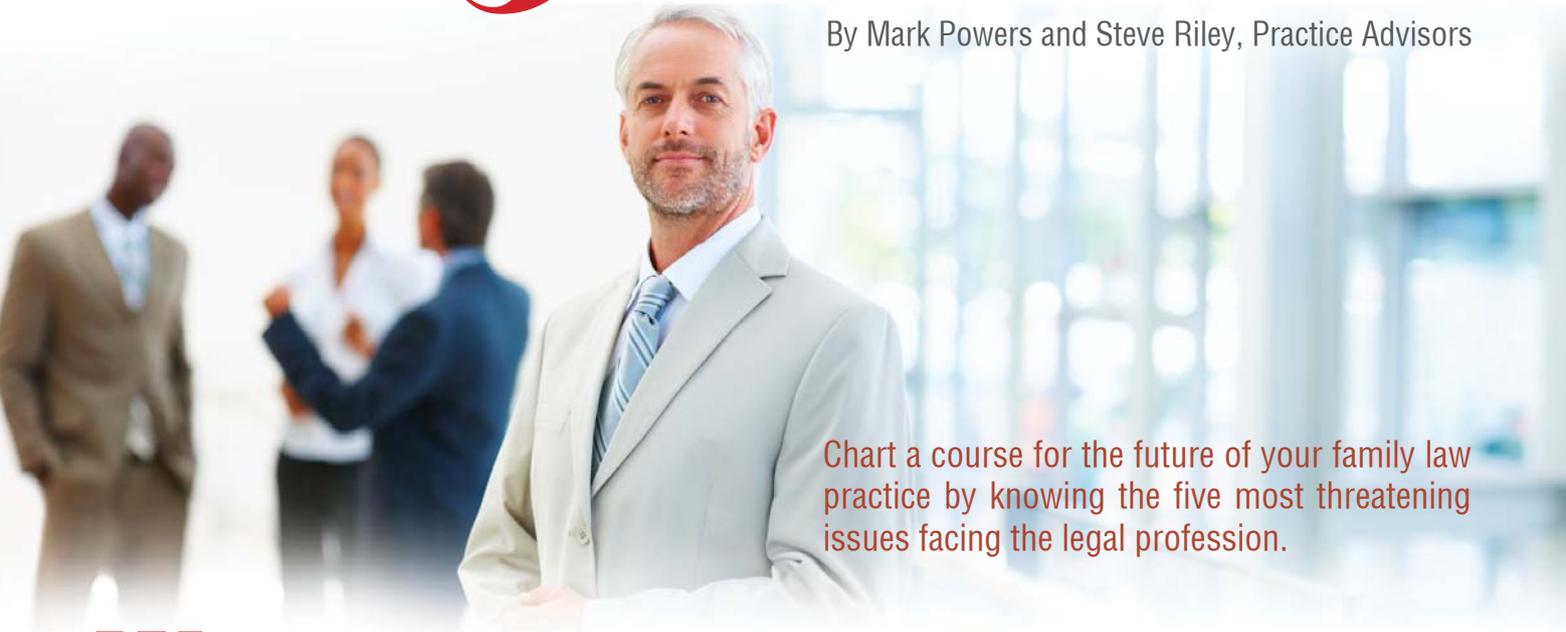


Chart a course for the future of your family law practice by knowing the five most threatening issues facing the legal profession.

We help attorneys plan for the future and we're often asked to make predictions about what we believe is "next" so that our clients may have a competitive advantage. Family law attorneys are particularly vulnerable to what we believe are the five most threatening issues facing the legal profession.

80% of Attorneys Will See Their Incomes Drop

80% of the attorneys currently in practice will experience their income either stagnate or decline. In 1968 there were 168,000 licensed practicing attorneys. By 1980 the number had grown to 680,000. As of 2012 there were approximately 1.25 million attorneys in practice.

In the U.S. 44,000 law students graduate per year. Unlike in the medical profession, there's no cap on the amount of graduates, and in many universities law departments are often the most profitable. Only one out of every two graduates in 2011 have actually found

a job, and predictions for 2013 suggest this may be far less than 50%. In the meantime, more and more lawyers are out there looking for their place in the profession and adding to the competition that already exists.

What does this mean to you?

Despite the fact that a family law practice is one of the most challenging practice areas an attorney can take on, it is viewed by many inexperienced attorneys as an easy practice to start. Expect more competition in the coming years as these attorneys try to gain market share with lower fees.

Your Biggest Competition

Your biggest competitors will be the legal service providers on the Internet. This could be a game-changing problem. You see it now on the horizon, but you have not felt the full impact yet.

One of the largest legal service providers that has cropped up outside the jurisdiction of your local bar association is LegalZoom. In 2011 LegalZoom

reputedly made \$156 million in revenues with a \$12 million profit margin. Rocket Lawyer, backed by Internet heavyweight Google Ventures, is also on the rise and expected to be successful. It is only a matter of time before a company like Costco decides to brand its own low-cost legal clinic and exert even more downward pressure on fees for basic, simple services. Keep in mind that Internet legal service providers can hire lawyers very inexpensively. A 2012 New York Bar Association study predicts that by the year 2015, 76,000 attorney jobs in the state of New York will be outsourced to other countries.

What does this mean to you?

Of special interest to Family Law attorneys is Fairway Divorce Solutions, an online service provider that offers a fast and low cost divorce process for its users. Though it's located in Canada, it's instructive because it combines three different threats in one package: one, it exposes the increasing commoditization of legal services; two, it features the low-cost delivery of those services by non-attorneys; three, it shows that

these services can be offered on the internet which extends beyond normal geographic and jurisdictional limits. A triple threat.

The Bar Can't Stop It

State bar associations will become increasingly like enforcement agencies. They will not be the change agents that the profession needs to battle increased commoditization and competition. We believe that most of the change impacting the legal profession will come from the outside — from legal service providers who are not covered by the ethics rules or the jurisdictions of the bar associations. Restricted by their goal to provide governance, bar associations will choke any form of innovation before it gains a foothold in the profession. As they work to maintain the status quo, online legal service providers will be the real market leaders, forcing change from the outside.

What does this mean to you?

Understand the well-intended limitations of your local and state bar associations. Look to other state and national organizations for the innovative, leading-edge change that will help you compete in the future.

Litigators Will Multiply

A greater percentage of attorneys in the future will make their living as litigators. This means transactional lawyers who were formerly making their living from real estate, estate planning, elder law or probate will find their work absorbed by online legal service providers and other competitors that haven't hit the marketplace yet. Given the scale of this competition, lawyers will look for an alternate way of making a living and will focus on difficult to commoditize litigation, though won't necessarily make more money.

What does this mean to you?

We anticipate that family law lawyers in particular will suffer fee compression because more lawyers will enter family

law, believing it to be an easier practice area to get into.

Artificial Intelligence

The greatest threat to your practice has already been invented. The artificial intelligence that already exists in your smartphone can be harnessed to work against you. Bypassing the use of even out-sourced legal technicians, artificial intelligence could be programmed to handle many of the more easily commoditized services you are currently providing in your law practice, such as a simple uncontested divorce.

What does this mean to you?

When a divorce "app" powered by artificial intelligence is created, make sure you occupy a niche in your family law practice that can't be reduced to a mechanical questionnaire with branching logic trees.

The Good News

Family law services will continue to be in demand. The bad news is that the full-spectrum of services offered by family law attorneys is vulnerable to the threats we've identified. At the same time, your higher end services will be subject to increasing competition as transactional attorneys flee their practice areas and enter the increasingly crowded field of litigation.

You still have time to build a strong defense.

If you choose to serve lower-end family law clients, understand that this is a short-term strategy, as these clients will become more and more commoditized. You will need to think more like an innovative entrepreneur than a great lawyer to expand this side of your practice.

Act now before you feel the pinch of increasing competition. Preserve and expand the market share you have in your community. Referred clients are generally less price sensitive which will help you maintain your rates when

competitors try to undercut you. Work to solidify your referral relationships with the CPAs, marriage counselors, family therapists, business valuers, past clients and other attorneys that have historically sent you good clients. Referrals from these groups can help sustain your practice through the tough times ahead. There is one thing you can count on for the future: referral marketing works and referrals from people who know you and trust you will never go out of style. ■



Mark Powers, President of Atticus, and Steve Riley are practice advisors who have co-authored a number of workshops and programs. Visit the Atticus website: www.atticusonline.com or go to www.familylawyer.com/resources for information on where to watch a short video on an innovative approach to creating a competitive advantage in the marketplace.



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