



**PANIC
or
DON'T
PANIC**

**How to decide whether today's deposit
is sufficient to make budget.**



HELP

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As your accounting team:

- 4L performs outsourced bookkeeping, billing & CFO services for small/midsize law firms.
- 4L provides Orion financial/practice management software via the Cloud without a fee for software license, conversion or training costs.
- 4L delivers big firm financial resources at a small firm budget.

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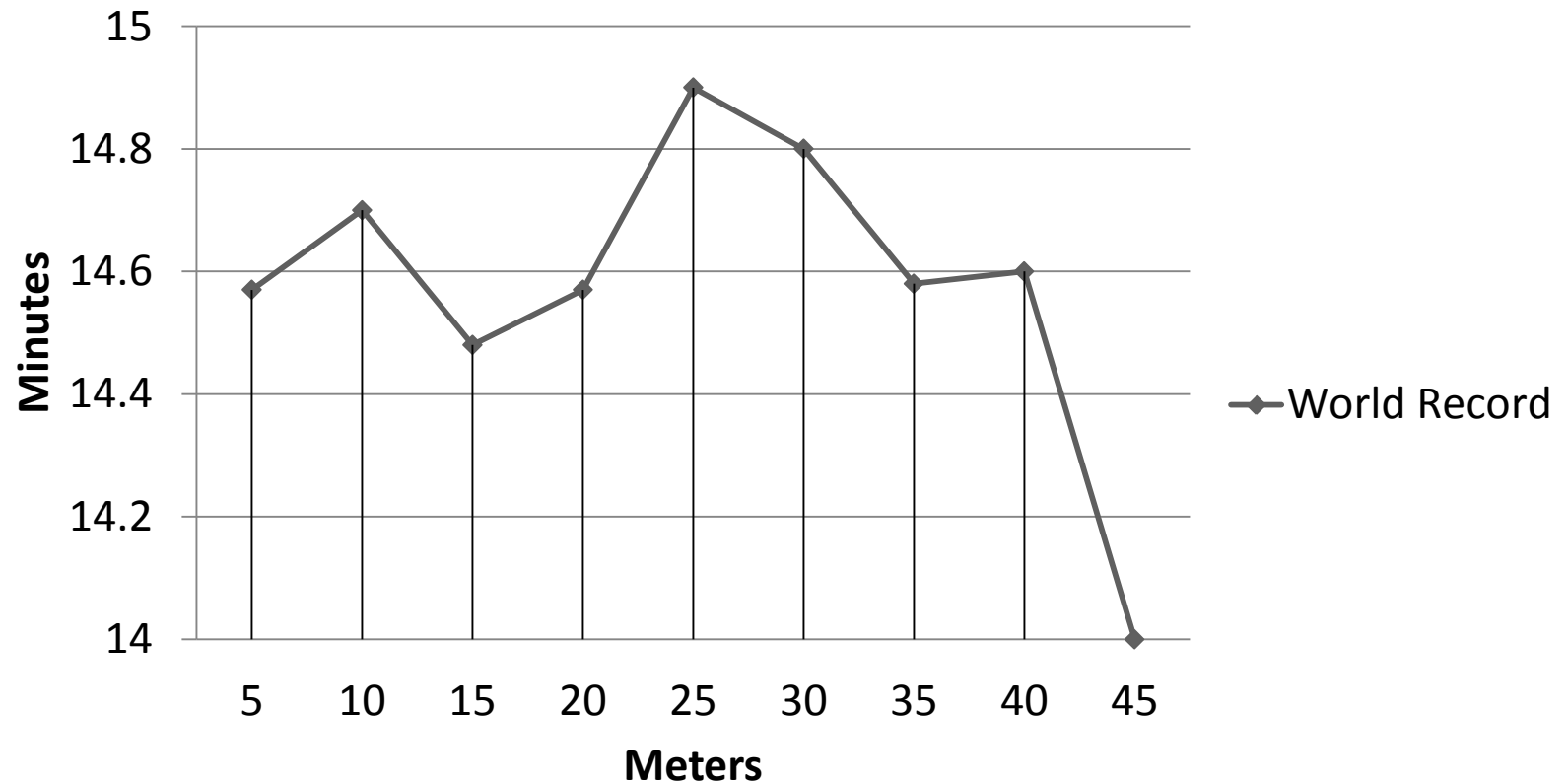


A long time ago at a law firm far, far away ...

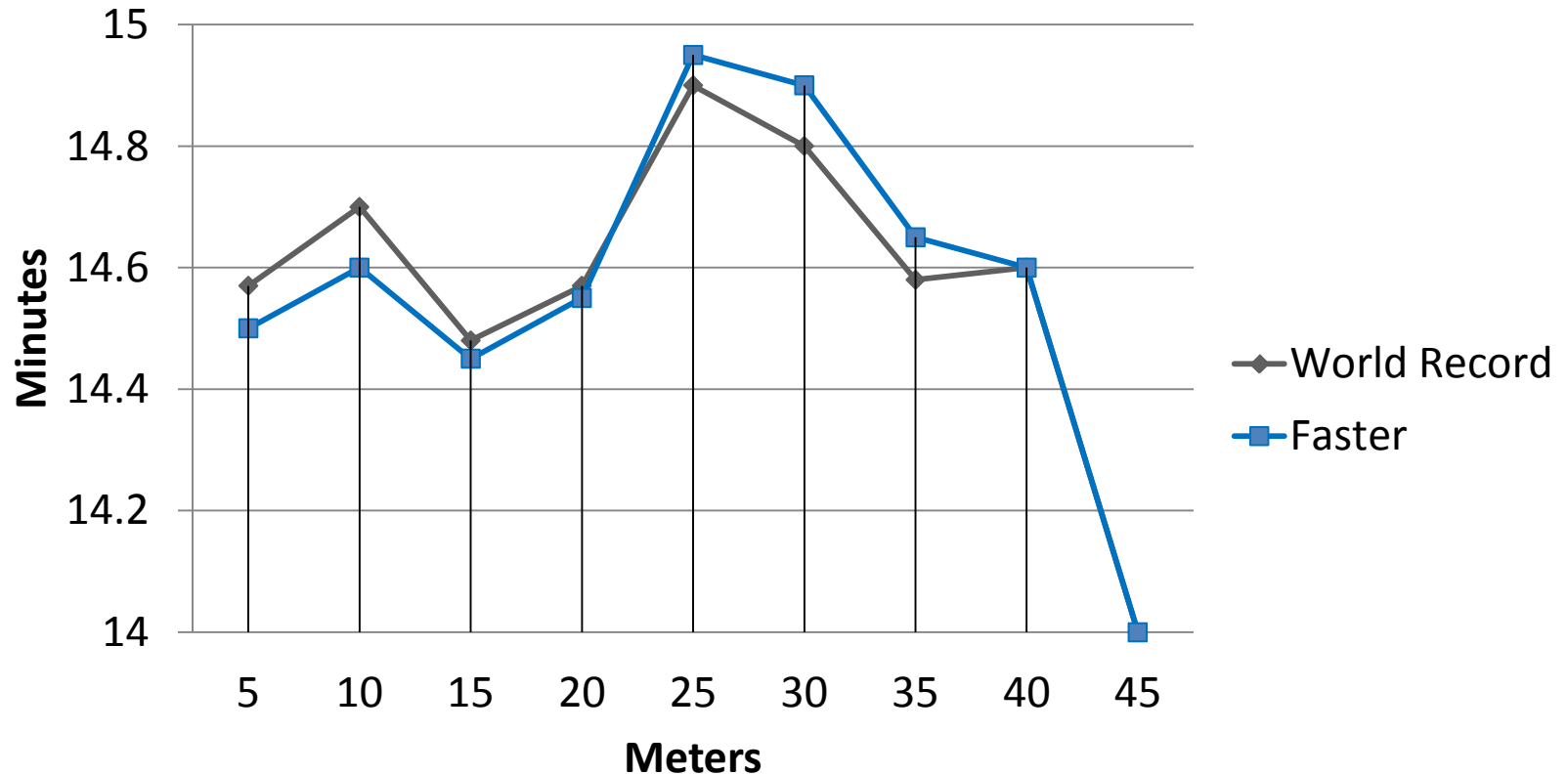
- Monthly Management Committee Meeting, Monday, October 7
- October fee revenue budget = \$500,000
- Firm has more-than-enough “inventory” to timely collect \$500,000
- 22 banking days in October
- \$500,000 divided by 22 days = \$22,727 avg. daily fee deposit
- Actual fees received through Friday, October 4: \$69,456
- Do the math: $\$69,456 \div 4 \times 22 = \$382,008$
- $\$500,000 - \$382,008 =$
\$117,992 fee revenue shortfall



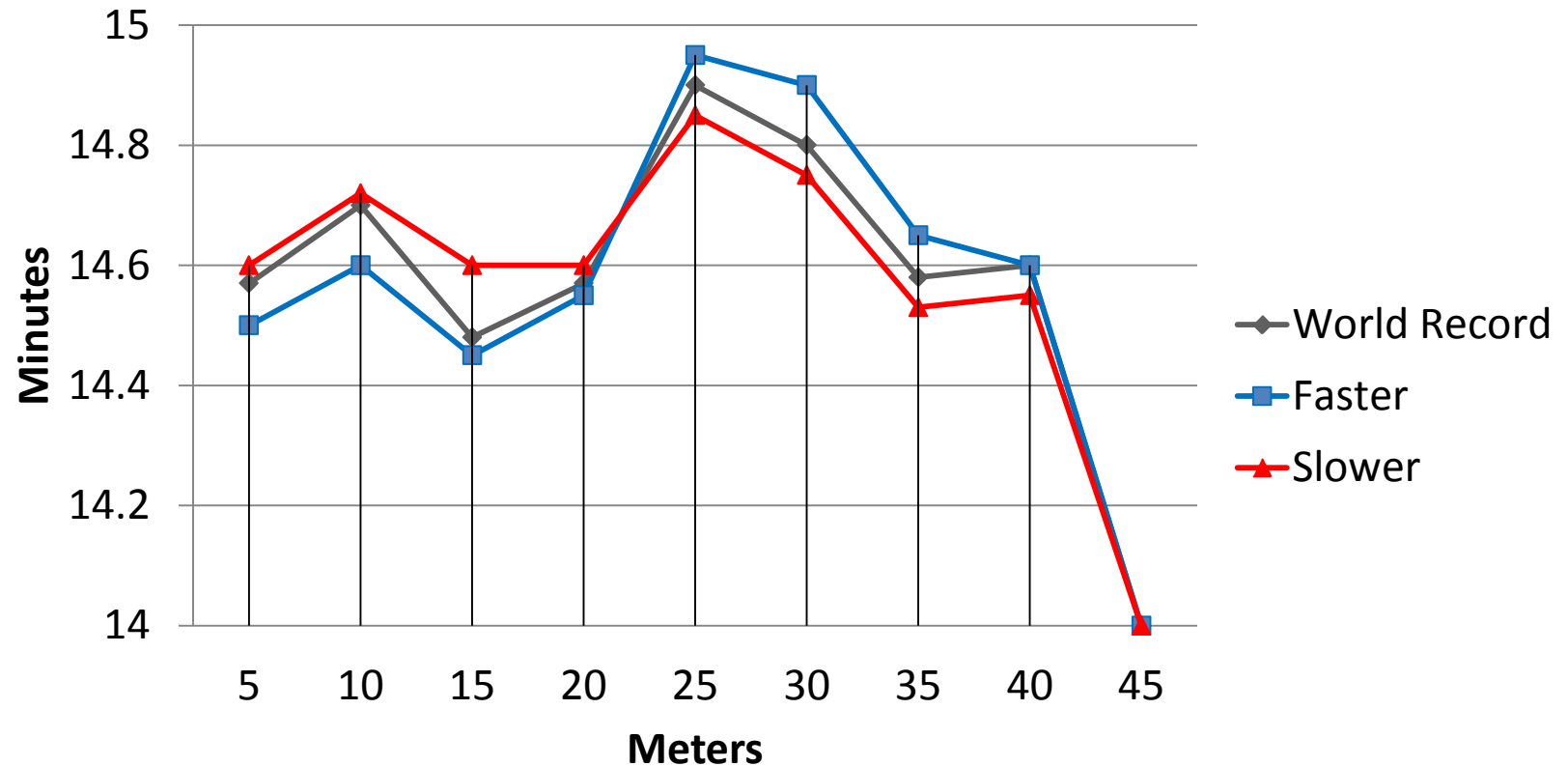
Inspiration arrives in various forms: Wilson Kipsang's 2:03:23 Marathon World Record



Matching WR Pace with Faster First Half Marathon



Matching WR Pace with Faster First Half Marathon
Matching WR Pace with Slower First Half Marathon

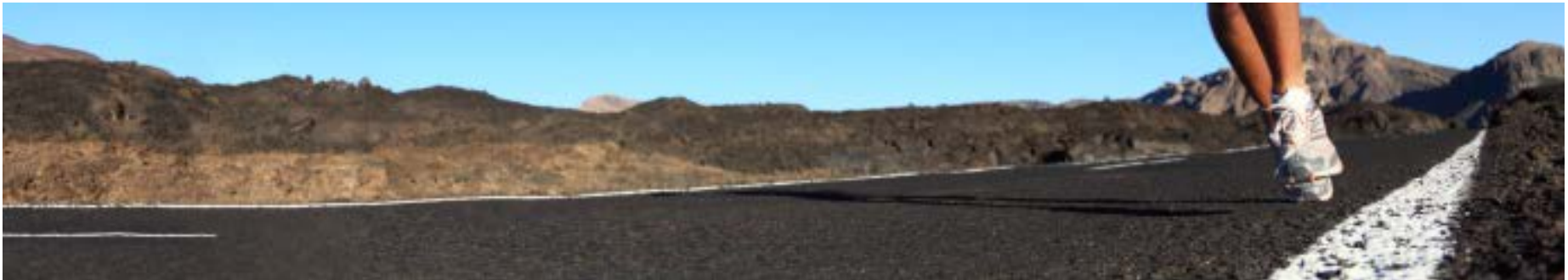


Inspiration arrives in various forms.

Substitute:

World Record Time	for	Monthly Fee Revenue
Distance Marker	for	Banking Day
Split Time	for	Daily Fee Deposit
Cumulative Time	for	Month-to-Date Fee Total

then build a financial model and recompute ...



Challenges to Building a Daily Collection Pace Model

- Not every race is the same
- Courses different
- Weather conditions differ

Two Deep Questions:

1. Is there a pattern to daily collections in any given month?
2. If so, how can the data be applied to track progress toward meeting a revenue collection target for a given month?



First Hypothesis

Over the course of *an average week*, the firm will collect:

X% of the eventual total weekly revenue on *an average Monday*,

Y% on *an average Tuesday*, and so forth....



22-week period
Monday, April 1 through Friday, August 30

Chart 1.2

Wk#	Beginning date	Monday	Tuesday	Wednesday	Thursday	Friday
1	Monday, April 1	\$ 29,808	\$ 354,86	\$ 7,595	\$ 8,000	\$ 8543
2	Monday, April 8	45,082	21,781	265	8,183	5682
3	Monday, April 15	51,108	42,221	23,863	6,477	1000
9	Monday, May 27	16,567	16,567	2,040	4,423	3,500
14	Monday, July 1	14,413	22,108	13,674	9,455	9,455
21	Monday, August 19	33,640	15,379	6,750	4,422	875
22	Monday, August 26	44,090	14,510	18,999	14,669	8,079
	Daily Average	\$ 29,519	\$ 17,476	\$ 12,996	\$ 11,277	\$ 8,289
	Percentage Factors	37.1%	22.0%	16.3%	14.2%	10.4%

Two Conclusions from the Chart 1.1 Data

Conclusion #1 – *On an average week*, this firm will collect 37% of the total amount to be collected for the entire week on Monday; 22% on Tuesday; 16.3% on Wednesday; 14.2% on Thursday; and 10.4% on Friday.

Conclusion #2 – *All other things being equal*, if the firm collects a disproportionately large percentage of its average weekly collection total on Mondays (e.g., 37.1%) , then the firm will collect higher revenue in months with 5 Mondays as compared to a month with 4 Mondays.

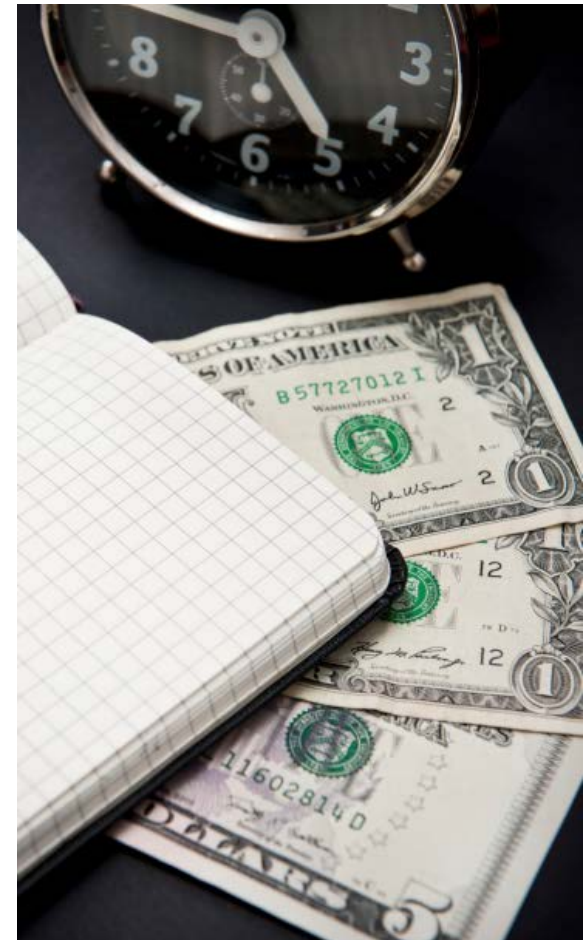


Chart 1.3

April 2013 – total 22 banking days

5 Mondays, 5 Tuesdays, 4 Wednesdays, 4 Thursdays, 4 Fridays

	Monday	Tuesday	Wednesday	Thursday	Friday	Total
Week 1	\$ 37,100	\$ 22,000	\$16,300	\$ 14,200	\$ 10,400	\$ 100,000
Week 2	37,100	22,000	16,300	14,200	10,400	100,000
Week 3	37,100	22,000	16,300	14,200	10,400	100,000
Week 4	37,100	22,000	16,300	14,200	10,400	100,000
Week 5	37,100	22,000				59,100
	\$ 185,500	\$ 110,000	\$ 65,200	\$ 56,800	\$ 41,600	\$ 459,100

August 2013 – total 22 banking days

4 Mondays, 4 Tuesdays, 4 Wednesdays, 5 Thursdays, 5 Fridays

	Monday	Tuesday	Wednesday	Thursday	Friday	Total
Week 1				\$ 14,200	\$ 10,400	\$ 24,600
Week 2	\$ 37,100	\$ 22,000	\$ 16,300	14,200	10,400	100,000
Week 3	37,100	22,000	16,300	14,200	10,400	100,000
Week 4	37,100	22,000	16,300	14,200	10,400	100,000
Week 5	37,100	22,000	16,300	14,200	10,400	100,000
	\$ 148,400	\$ 88,000	\$ 65,200	\$ 71,000	\$ 52,000	\$ 424,600

Second Hypothesis

The data gleaned from the work supporting Conclusion #1 and Conclusion #2 can be applied to a revenue collection “pace” required to meet the firm’s monthly fee revenue budget target, something like the race overlays to match Wilson Kipsang’s Marathon World Record.

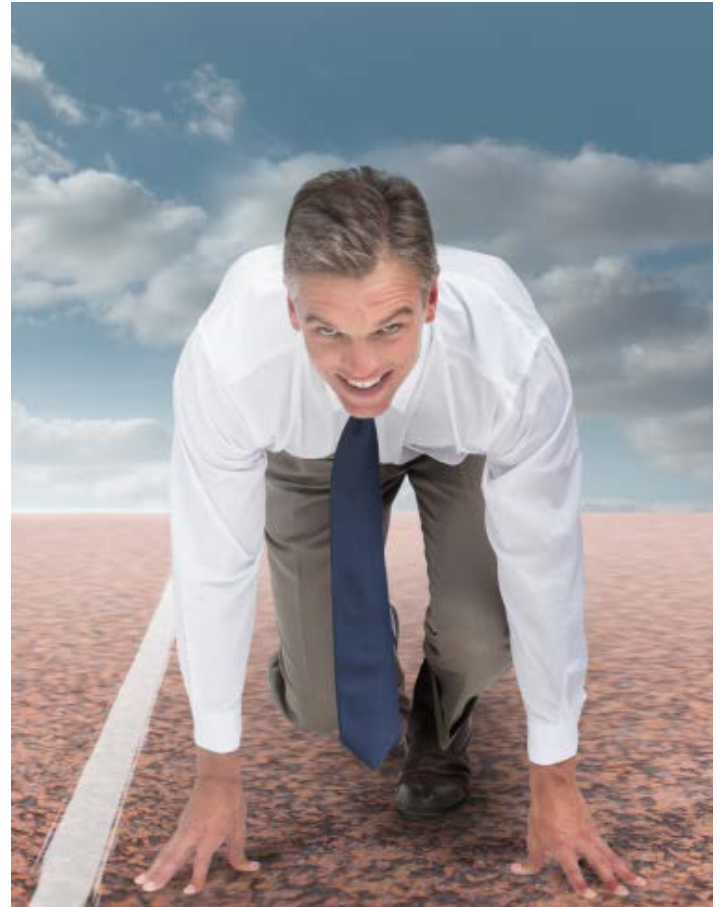


Chart 2.1

A	B	C	D
Day of Month	October 2013	Percent Factor	Initial Daily Collection Target
1	Tuesday	22.0	\$ 24,293
2	Wednesday	16.3	17,999
3	Thursday	14.2	15,680
4	Friday	10.4	11,484
5	Saturday	-0-	-0-
6	Sunday	-0-	-0-
7	Monday	37.1	40,967
8	Tuesday	22.0	24,293
9	Wednesday	16.3	17,999
10	Thursday	14.2	15,680
11	Friday	10.4	11,484
↓	↓	↓	↓
31	Thursday	14.2	15,680
	Total	452.8	\$ 500,000

- ✓ \$40,967 ($37.1 \div 452.8 \times \$500,000$) every Monday in October;
- ✓ \$24,293 ($22.0 \div 452.8 \times \$500,000$) every Tuesday in October;
- ✓ \$17,999 ($16.3 \div 452.8 \times \$500,000$) every Wednesday in October;
- ✓ \$15,680 ($14.2 \div 452.8 \times \$500,000$) every Thursday in October; and
- ✓ \$11,484 ($10.4 \div 452.8 \times \$500,000$) every Friday in October.

Tuesday, October 1: \$22,293

Chart 2.2

A	B	C	D	E	F	G
Day of Month	October 2013	Percent Factor	Initial Daily Collection Target	Actual Collections	Remaining % Factors	Adjusted Collection Targets
1	Tuesday	22.0	\$ 24,293	\$ 22,293		\$
2	Wednesday	16.3	17,999		16.3	18,075
3	Thursday	14.2	15,680		14.2	15,746
4	Friday	10.4	11,484		10.4	11,532
↓	↓	↓	↓	↓	↓	↓
7	Monday	37.1	40,967		37.1	41,139
8	Tuesday	22.0	24,293		22.	24,395
9	Wednesday	16.3	17,999		16.3	18,075
10	Thursday	14.2	15,680		14.2	15,746
11	Friday	10.4	11,484		10.4	11,532
↓	↓	↓	↓	↓	↓	↓
31	Thursday	14.2	15,680		14.2	15,746
		452.8	\$ 500,000	\$22,293	430.8	\$ 477,707

- ✓ Wednesday to \$18,075 ($16.3 \div 430.8 \times \$477,707$), up from \$17,999;
- ✓ Thursday to \$15,746 ($14.2 \div 430.8 \times \$477,707$), up from \$15,680;
- ✓ Friday to \$11,532 ($10.4 \div 430.8 \times \$477,707$), up from \$11,484;
- ✓ Monday to \$41,139 ($37.1 \div 430.8 \times \$477,707$), up from \$40,967; and
- ✓ Tuesday to \$24,395 ($22.0 \div 430.8 \times \$477,707$), up from \$24,293.

Wednesday, October 2: \$19,999

Chart 2.3

A	B	C	D	E	F	G
Day of Month	October 2013	Percent Factor	Initial Daily Collection Target	Actual Collections	Remaining % Factors	Adjusted Collection Targets
1	Tuesday	22.0	\$ 24,293	\$ 22,293		\$
2	Wednesday	16.3	17,999	19,999		
3	Thursday	14.2	15,680		14.2	15,680
4	Friday	10.4	11,484		10.4	11,484
↓	↓	↓	↓	↓	↓	↓
7	Monday	37.1	40,967		37.1	40,967
8	Tuesday	22.0	24,293		22.	24,293
9	Wednesday	16.3	17,999		16.3	17,999
10	Thursday	14.2	15,680		14.2	15,680
11	Friday	10.4	11,484		10.4	11,484
↓	↓	↓	↓	↓	↓	↓
31	Thursday	14.2	15,680		14.2	15,680
		452.8	\$ 500,000	\$ 42,292	414.5	\$ 457,708

Thursday, October 3: \$18,680

Chart 2.4

A	B	C	D	E	F	G
Day of Month	October 2013	Percent Factor	Initial Daily Collection Target	Actual Collections	Remaining % Factors	Adjusted Collection Targets
1	Tuesday	22.0	\$ 24,293	\$ 22,293		\$
2	Wednesday	16.3	17,999	19,999		
3	Thursday	14.2	15,680	18,680		
4	Friday	10.4	11,484		10.4	11,406
↓	↓	↓	↓	↓	↓	↓
7	Monday	37.1	40,967		37.1	40,689
8	Tuesday	22.0	24,293		22.	24,128
9	Wednesday	16.3	17,999		16.3	17,877
10	Thursday	14.2	15,680		14.2	15,574
11	Friday	10.4	11,484		10.4	11,406
↓	↓	↓	↓	↓	↓	↓
31	Thursday	14.2	15,680		14.2	15,574
		452.8	\$ 500,000	\$ 60,972	400.3	\$ 439,028

Friday, October 4: \$8,484

Chart 2.5

A	B	C	D	E	F	G
Day of Month	October 2013	Percent Factor	Initial Daily Collection Target	Actual Collections	Remaining % Factors	Adjusted Collection Targets
1	Tuesday	22.0	\$ 24,293	\$ 22,293		\$
2	Wednesday	16.3	17,999	19,999		
3	Thursday	14.2	15,680	18,680		
4	Friday	10.4	11,484	8,484		
↓	↓	↓	↓	↓	↓	↓
7	Monday	37.1	40,967		37.1	40,967
8	Tuesday	22.0	24,293		22.	24,442
9	Wednesday	16.3	17,999		16.3	17,999
10	Thursday	14.2	15,680		14.2	15,680
11	Friday	10.4	11,484		10.4	11,484
↓	↓	↓	↓	↓	↓	↓
31	Thursday	14.2	15,680		14.2	15,680
		452.8	\$ 500,000	\$ 69,456	389.9	\$ 430,544

If only ...

How I would have responded at the Management Committee meeting with this data available:

- Making the monthly revenue budget is a marathon, not a 4-day sprint
- Firm collects a disproportionate amount of its weekly revenue on Mondays and the \$69,456 collected to date includes no Mondays
- With more-than-enough “inventory” on hand ...
 - Based on the best data available at this time
 - Not only do I not project a \$117,992 shortfall,
 - I believe we are exactly on “world record pace” to match the \$500,000 fee revenue goal!



Dealing with Bank Holidays

Chart 3.1

A	B	C	D	E	F	G
Day of Month	October 2013	Percent Factor	Initial Daily Collection Target	Actual Collections	Remaining % Factors	Adjusted Collection Targets
1	Tuesday	22.0	\$ 24,293	\$	22.0	\$ 24,293
2	Wednesday	16.3	17,999		16.3	17,999
3	Thursday	14.2	15,680		14.2	15,680
4	Friday	10.4	11,484		10.4	11,484
↓	↓	↓	↓	↓	↓	↓
14	Monday	-0-				
15	Tuesday	59.1	65,260		59.1	65,260
16	Wednesday	16.3	17,999		16.3	17,999
17	Thursday	14.2	15,680		14.2	15,680
18	Friday	10.4	11,484		10.4	11,484
↓	↓	↓	↓	↓	↓	↓
31	Thursday	14.2	15,680		14.2	15,746
		452.8	\$ 500,000	\$	452.8	\$ 500,000

Dealing with Significant Onetime Items

Chart 4.1

A	B	C	D	E	F	G
Day of Month	October 2013	Percent Factor	Initial Daily Collection Target	Actual Collections	Remaining % Factors	Adjusted Collection Targets
1	Tuesday	22.0	\$ 19,435		22.0	\$ 19,435
2	Wednesday	16.3	14,399		16.3	14,399
3	Thursday	14.2	12,544		14.2	12,544
4	Friday	10.4	9,187		10.4	9,187
↓	↓	↓	↓	↓	↓	↓
7	Monday	37.1	32,774		37.1	32,774
8	Tuesday	22.0	19,435		22.0	19,435
9	Wednesday	16.3	14,399		16.3	14,399
10	Thursday	14.2	12,544		14.2	12,544
11	Friday	10.4	9,187		10.4	9,187
↓	↓	↓	↓	↓	↓	↓
31	Thursday	127.4	112,544		127.4	112,544
		566.0	\$ 500,000		566.0	\$ 500,000

Here's where you can download copies of

PANIC/don't panic Daily Collection Pace Worksheet Memo

<http://s3.amazonaws.com/juiceyourmarketing/4l/Panic Dont Panic memo 00055864-3.pdf>

and

Daily Collection Pace Worksheet for 2014 in Excel format

<http://s3.amazonaws.com/juiceyourmarketing/4l/Panic Dont Panic worksheet 00055727.xlsx>

If you want to make modifications to the Excel spreadsheet to modify it to meet unique conditions, the password is **soda**

