ATTORNEY'S REPORT

CPA's report to the legal profession

Retirement Planning: Who's Going To Feather Your Nest?

Many attorneys earn a substantial income and live quite well during the course of their law practice. Unfortunately, a lawyer's currency — his or her skills and experiences — aren't tangible assets that can be readily used to feather a retirement nest … they retire with the attorney.

How, then, does the savvy attorney plan for retirement?

Get real. Your retirement strategy must focus on what you can do for yourself, rather than depending solely on a buyout from the firm. Here's why: An owner of a traditional business can reinvest profits to grow the business, accruing goodwill or increasing its value. The money from the sale of this business can then be the lion's share of the owner's retirement fund. That's not likely for the attorney, though.

Sure, you'll probably get your share of the firm's receivables on departure, but you won't be able to automatically sell your share of the firm to the other partners for a significant price. Take-home lesson: Anything that comes from the firm when you leave should be considered icing on the cake.

Build cash. To foster this financial independence, you'll need the power of cash on your side. Start by building a strong legal practice that generates the maximum amount of cash. This involves the basics of business development: strategic planning, professional management, aggressive marketing and the like.

Invest religiously. As the cash accumulates, regularly take some off the table and plug it into a personal investment plan.

Get busy. The first 10 to 15 years of an attorney's career are typically marked by heavy spending and little savings. Standards of living march in lockstep with rising incomes. But if attorneys don't take deliberate action early in their careers, they may not be able to maintain that much-valued lifestyle upon retirement.

Don't make the mistake of depending solely on your firm to fund your retirement —take steps now to secure a financially sound future.