

## Let's Create a Budget Assignment

### Why Do Paralegals Need to Understand Budgeting?

Paralegals may be expected to create budgets for their department, office, or, in some small firms, the whole practice. Paralegals may also need to create a case or trial budget at some point. Sometimes when firms aren't generating the profit that they should be, it may be due to a lack of understanding by many of basic firm finances. Attorneys and employees may believe their salaries, bonuses or raises do not correlate with the billable hours and hourly rates. All firm employees, especially those who bill their time, need a working knowledge of factors impacting the firm's profitability.

### Budget Process

When creating a budget, a common mistake is to just take last year's expenses and add 10 percent. Like the development of a true business plan, a budget takes time to create and requires the management team to have a firm understanding of what is currently being spent, what goals the firm has over the next year, and what should be spent to accomplish the goals. Break down your expenses into major categories then subcategories. An example of a major category would be marketing. Subcategories may include: print materials; direct mail; digital marketing and search engine optimization; ads in publications and other media outlets; seminars for the general public; and promotional products.

### Instruction

There are many blogs that break down various costs your firm might encounter. However, for purposes of this assignment, it seems best to create a sample budget to provide students to use. Split up the students into breakout rooms and ask that they come up with a fake law firm and determine its structure to use for the budget. It can be difficult to create a set percentage of the budget a firm should spend on each category. If this fake firm only had five support staff and 2,500 square feet of office space, its budget would change significantly with respect to those two categories – this is why students should discuss the setup of their firm (number of attorneys/employees, location, etc.) as the first part of this assignment. Each firm is unique so each breakout group's budget will reflect that.

Once the breakout room is closed, the group will report on their budget to the class.

### Sample Budget Template

<b>Computer/IT</b>	<b>\$49,850</b>
Computers (Lease: 15)	\$2,500
Outsourced Support	\$15,000
Case Management Software	\$12,500
Microsoft Office Suite	\$1,500
Adobe Licenses	\$3,000
Accounting Software	\$1,000
Email Account Management	\$1,350

Cell Phones for Attorneys	\$4,000
Phones & Internet	\$9,000
<b>Insurances</b>	<b>\$236,000</b>
General Liability	\$3,000
Malpractice with Prior Acts	\$15,000
Key-Man Insurance (Partners)	\$3,000
Benefits & Workers' Comp.	\$215,000
<b>Marketing</b>	<b>\$75,000</b>
Business Cards	\$2,000
Letterhead & Envelopes	\$2,500
Website	\$5,000
Search Engine Optimization	\$15,000
Ad in Media Publications	\$20,000
Seminars/Events	\$12,000
Flyers/Brochures	\$1,000
Promotional Products	\$10,000
Networking	\$2,500
Attorney Discretionary Fund	\$5,000
<b>Office Space</b>	<b>\$69,600</b>
Lease (~3,250 sq. feet)	\$60,000
Janitorial Services	\$6,000
Utilities	\$3,600
<b>Office Supplies</b>	<b>\$77,000</b>
Paper	\$35,000
Pens, Staples, Clips, Etc.	\$15,000
Furniture Repairs/New Furniture	\$12,000
Breakroom Supplies	\$15,000
<b>Personnel</b>	<b>\$948,900</b>
Running/Processing Payroll	\$1,400
Associate Attorneys (3)	\$265,000
Support Staff (10)	\$445,000
Benefits & Workers Comp.	\$215,000
Continuing Education	\$12,500
Team Building	\$10,000
<b>Miscellaneous</b>	<b>\$43,650</b>
Travel Reimbursement	\$6,150
Emergency	\$27,500
Firm Development/Growth	\$10,000
<b>Total Proposed Budget</b>	<b>\$1,500,000</b>