How Clio Can Help You Become a Fee Forward Law Firm

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Is the billable hour dying?

According to research from the latest *Legal Trends Report*, clients want modern payment options: over half of potential clients would prefer to pay their lawyers using modern service delivery models. Despite this, only 31% of law firms offer these payment options.

If your firm leverages "fee forward" billing models, you'll get the best of both worlds: the opportunity to provide the payment options that clients are looking for while automating routine tasks and freeing up time for more billable work without the risk of lost revenue.

Below, we'll introduce you to the concept of becoming a fee forward law firm, along with the benefits and how Clio supports fee forward firms at all stages of the payments process, from billing and payments to accounting.

The easier it is for your clients to pay their bills, the faster your firm gets paid. Book your Clio demo today and discover the power of Clio Payments.

What is a fee forward law firm?

Being a "fee forward law firm" means being more proactive and securing payment before services begin, commonly through flat fees, advance fee deposits into trust, and other alternative fee arrangements.

Instead of billing based after you have spent your limited time on a matter, fee forward firms offer payment options that create a more transparent, client-centered approach to legal services. These options provide predictable costs for clients while also streamlining the billing and payments process.

The benefits of being fee forward

Why should you care about becoming a fee forward law firm?

For one, becoming fee forward can reduce friction in routine tasks, like billing and collections. In the *2017 Legal Trends Report*, lawyers told us that they spent over 20% of their non-billable time on billing and collections. Not only that, but focusing on your fees

can help you offer the experiences that clients want, which means happier clients, more referrals, and more new business for your firm.

Improving lockup

Lockup—an indicator of cash flow—is a critical consideration for law firm performance that we regularly explore in our *Legal Trends Report*research. This term refers to the amount of revenue (measured in days of work) that is unbilled and uncollected at any given time. Firms with a high amount of revenue stuck in lockup will have slower cash flow, while those that bill out and collect on work more efficiently will have less revenue in lockup, resulting in a higher cash flow.

According to our most recent research, the median amount of total lockup that law firms carry is 92 days. In other words, the average law firm has nearly three months' worth of their annual revenue in either an unbilled or uncollected state at *any given time*.

From a practical perspective, fee forward offerings can help firms further reduce their lockup. For example, offering flat fee payments allow firms to improve processes for getting bills out on time. Without needing to track every minute of work, document your time entries, and then issue a bill, review draft invoices with other staff members, or even debate the validity of certain billable tasks with a client, firms leveraging flat fees can provide their clients with predictable, fair pricing plans while saving time on "back end" work.

Improving realization and collection rates

At Clio, we're all about tracking opportunities and success. That's why we provide performance data and analyses fundamental to the success of law firms alongside deep insights into trends across the wider legal profession.

For any firm assessing their payments performance, our realization and collection rates data is a great place to start. Here, we see that the average law firm only invoices 2.6 hours' worth of billable work to clients per lawyer, per day (their "realization rate"). Ultimately, in an average 8-hour work day, lawyers are only collecting 2.3 hours' worth of invoiced work from clients (their "collection rate").

So, how can firms get more out of their day and improve their realization and collection rates? Offering fee forward options is a great place to start. For one, offering fee forward billing options can help firms spend less time invoicing and chasing down payments, thus improving their realization and collection rates with little effort.

In our 2023 *Legal Trends Report*, we found that trust requests and evergreen trust requests are features in Clio that make it easy for law firms to request advance fee deposits and stay on top of requests to keep trust accounts topped up each month. Since firms know that funds are on hand to pay their clients bills, lawyers may be less likely to apply write-downs or discounts. As a result, their realization rates remain high. Law firms using these fee forward methods had correlated realization rates 8-12% higher than firms that did not use these features. Firms using trust requests also had a correlated collection rate 3% higher than firms that chased down client payments after the work was already done.

Even firms that did not take advanced fee deposits, but instead got permission to bill client-stored payment methods – like a credit card or checking account – had an 11% increase in realizations rates and a 1% increase in collection rates.

Put simply, fee forward firms record more time on their bills and get paid at a higher rate than firms that bill hourly after the fact.

Improving client satisfaction

When it comes to payment options, what's good for law firms aligns with what clients want. Having transparent and predictable costs upfront makes legal services more appealing to clients and assuages concerns about costs getting out of control.

Take, for example, our recent research on flat fees. According to our latest *Legal Trends Report*, 71% of clients want to pay a flat fee for their entire case, while 51% want to pay a flat fee for specific activities or services within a case.

Those clients who had previously hired a lawyer were *even more* likely to claim they want to pay a flat fee for their entire case.

In other words, clients are ready for change: especially those who have dealt with the billable hour in the past.

Finally, operating away from the billable hour can help more clients access your services. For many, the hourly billing model can be a barrier to justice, as it's often unclear what the ultimate cost of the service will be. Using fee-forward options ensures that clients know how much they're paying for your services in advance, making the process of finding and hiring a lawyer more accessible.

Ultimately, lawyers who adopt a fee forward approach may be better-positioned to give clients the payment options they want, thereby increasing client satisfaction and setting themselves apart in a market searching for alternative payment options.

How to become a fee forward law firm

We've talked a lot about the benefits of becoming a fee forward law firm, and you're now probably wondering how it's done.

At the end of the day, becoming fee forward is a choice. Whether your choice is to wholly embrace flat fee billing or to combine alternative payment options with hourly billing, or some combination thereof, committing to the process of assessing your work and bundling services accordingly to create more transparency for clients alongside new opportunities for efficiency and growth.

Beyond deciding on a fee forward path for your firm, you'll need to leverage the right software to make your billing and payments process as straightforward as possible. After all, building new processes (and sticking to them) can become challenging if you don't have the right tools.

Below, we'll show you just a few of the ways in which Clio can help you become a fee forward law firm.

Advanced fee deposits

Definitions can vary based on your bar association's regulations, but retainers are generally money paid by a client to secure access to a lawyer's services and are earned upon receipt. Retainers go directly into your operating account. Law firms hold advanced fee deposits in trust to pay for future legal invoices, as most jurisdictions require these funds to be kept in a trust account.

With Clio Payments, you can send clients a trust funds request to start their advance fee deposit, receive automatic notifications if the evergreen trust request amount reaches a minimum threshold, view a detailed client ledger report, generate and bill and share a copy with your client, use the retained client funds to pay the bill, and then send the client a new trust request to replenish their advance fee deposit for continued work.

Simple payment links

Clio Payments helps support early billing through the use of simple payment links. Generating and sharing payment links allows firms to collect money up front without needing to generate a bill. These payment links can be included in an engagement letter, so firms can collect funds at the start of a matter, or send a payment link to a client at the conclusion of a matter. You can even embed permanent links for payments to both operating accounts and trust accounts on your website.

Stored payment methods

Using Clio Payments, firms can request a client's credit card or eCheck information, and save it in Clio to bill against in the future. By obtaining and holding stored payment methods, firms can receive invoice payments on their own schedule, ensuring timely payments without needing to hold funds in trust. It is best practice to include the details of how and when you will bill using a stored payment method in your engagement letter.

How Clio supports fee forward law firms

With Clio Payments and Clio Accounting, firms get everything they need to handle transactions, simplify reporting, and drive more efficient operations. Clio Payments streamlines billing and collections, enabling clients to pay faster and securely from anywhere. Clio Accounting complements this by automating financial reporting, expense tracking, and bank reconciliations—all within the Clio platform. These tools enable legal professionals to focus on their practice, knowing they have end-to-end coverage for their payments and accounting processes.

If your firm is ready to provide more flexible payment options to clients, or perhaps shift away from the billable hour altogether, book a Clio demo today to discover how Clio Payments can help.

About Clio

Clio is the global leader in legal AI, powering legal work across the profession, from law firms of every size to corporate legal teams, government agencies, and courts. Its Intelligent Legal Work Platform unites the business and practice of law, connecting the people, information, and processes behind legal work. Clio's AI brings the context together with legal sources drawn from Clio Library, a growing collection of more than one billion legal documents. Over 400,000 legal professionals in more than 130 countries rely on Clio to run their legal world. Learn more at www.clio.com.