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Wealth Management For New Law Firm Partners

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This is the first article in a three-part series by investment adviser and recovering attorney Stuart Riemer exploring wealth management issues for law firm attorneys. The second and third articles in the series will address wealth management specific to mid-career attorneys and senior partners, respectively. Here, Riemer shares his insight for newly anointed partners


Stuart Riemer

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You are about to be become a partner or have recently reached that milestone in your career. Well done. You have survived numerous challenges and now you are being rewarded for the long hours that have been invested on behalf of your firm and, importantly, your clients.

Whether or not you are being made an equity partner, it is likely you will agree that your firm should have invested more into your business development capabilities during your associate/counsel years. (On the other hand, perhaps you are among the fortunate few whose firms have been investing in this aspect of your career).

In any event, if you don't have your own book of business, it may mean you are a contract partner with a capped upside on your earnings until you have developed your own client base and control your own revenue stream.

Either way, you are in line for annual compensation in the mid- to high six figures, and you have important decisions to make about how you intend to manage and grow your wealth.

On the Straight and Narrow

Do not let your new status as a partner affect your financial decisions.

Until such time as you've accumulated sufficient net worth to begin determining your own destiny, you will be relying on others within your practice group to develop business opportunities and on your firm to manage that business. So, in this interim period, focus on those areas over which you do have control. Develop a detailed budget, stick to it, and use it as the foundation for building your personal and retirement accounts.

When developing your budget, do not lose sight of the tax ramifications associated with your transition from a W-2 employee to a K-1 "owner," and do allocate sufficient cash flow to cover your quarterly tax obligation. And, if your firm pays the majority of your income toward the end of the year as profits are earned, manage your expenditures in a manner consistent with your firm's cash flow structure. In other words, plan ahead and have sufficient capital held in reserve to carry you through the lean months.

More generally, take a conservative, diversified approach to your financial portfolio and the allocation of the assets it comprises, and make certain the allocation reflects your unique requirements and your short and long-term objectives.

As a rule, invest in liquid strategies, and invest only in those strategies you understand. Should you plan to invest in anything other than traditional stocks and bonds, make certain both you and your financial adviser have agreed there is a compelling reason for investing in an alternative strategy or one with lower levels of liquidity.

The "Business" of Time Management

You practice law because you enjoy solving problems and using your expertise to zealously represent your clients, but you are also running a business. Take advantage of the greater flexibility that comes with your new position, and do not lose sight of what your practice is really all about.

Once again, it is a business, pure and simple.

Do not simply bill hours just to hit your bogie. Develop your own client base and make certain you consider the risk/reward quotient associated with each scenario that might have an impact on your business.

Questions. Questions. Questions.

You have a great deal to consider as you continue along your career path. For example:

- What is the most effective means of continuing to grow your nest egg?
- What is the best means of benchmarking how you're succeeding in realizing long term financial goals?
- How much cash flow do you estimate you will need in retirement?
- When should you begin diversifying your liquidity buckets for maximum tax advantage?

Ah, yes — the thorny subject of taxes. Those liquidity buckets include your personal account(s) and your IRA(s), and the point of diversification is to ensure your next egg is growing in multiple registrations. This is very important for one simple reason — no one knows what the tax code is going to look like in 30 or 40 years, so keep your options open.

Beware The Pitfalls

There are legion examples of those in the early stages of their careers being targeted by individuals aggressively selling insurance products ranging from disability insurance, to long-term care insurance, to whole life policies and other types of variable contracts. Too often, decisions regarding these products are made without a real understanding of the associated needs, costs and risks.

If you are among those who may have made an ill-advised decision about an insurance product during your years as an associate/counsel, talk to your financial adviser. Ask for assistance in determining whether the policy terms are consistent with your current situation and objectives and, if not, whether there's any alternative to maintaining the policy in question.

And, if your new status as a partner prompts a first or second round of overtures from insurance salespeople, look long and hard before you agree to enter into any sort of contract. (If you are so inclined, buy some term insurance. It is relatively inexpensive and provides a good measure of protection.)

Your priority at this point in your career is to build your balance sheet and increase your liquid assets. Your ability to begin accumulating wealth at this station of your career will make you appreciably better positioned down the road to make considered decisions regarding your options in the insurance arena in the context of a much broader, more sophisticated financial plan.

And, in terms of priorities, it is extremely important to understand that your estate plan serves as the foundation for your financial plan. In the event you have not already addressed such basic estate planning issues as your will, health care proxy, living will, power of attorney, and trusts, now is the time to do so.

Look Before You Leap

Maybe you made the decision several years ago to forego the partnership pursuit in favor of establishing your own practice. Although you have built a stable and rewarding business, you are now seriously considering an offer to join another firm as a partner.

While it may appear to be an excellent opportunity and may, in fact, be just that, do not make any decision before determining in detail what you need to know about the financial health of the firm, your equity stake and other terms of your prospective employment.

The Advice You Seek …

You have just made partner, and you simply do not have the time to deal with all of the wealth management issues. That is why it has never been more important to your future to align yourself with a financial adviser who has only your best interests in mind.

In other words, do not take advice from anyone who has a vested interest in the product or products they are recommending.

You may already be relying on an individual who has earned your trust but, if not, do find the time to perform your due diligence and establish such a relationship. Then, talk with your adviser on a regular basis and don't stop asking questions until you know exactly why the investment decisions you're being asked to approve are in your best interests.

—By Stuart Riemer, Treasury Partners

Stuart Riemer is a director with Treasury Partners at HighTower and a member of the firm's wealth management group. He holds a Series 65 Securities License, and is life and health insurance licensed. He is also a retired member of the New York State Bar and previously practiced with Mintz Levin Cohn Ferris Glovsky & Popeo.