



# PRIVATE WEALTH MANAGEMENT LEGAL SPECIALTY GROUP

## COVID-19 and the Legal Profession

### The financial, productivity and human capital impact on attorneys and firms

Unlike thousands of businesses in the manufacturing, consumer cyclical and retail sectors, professional services firms will likely weather this pandemic in relatively decent financial shape. Depending on your firm's area of specialization, however, clients may become more cost conscious and judicious as to how they utilize your services. Therefore, it's critical that you approach what is still a very uncertain future conservatively – in hopes of protecting jobs and preserving the financial stability of your firm until we can get back to some semblance of normalcy (whatever that may eventually look like).

One of the greatest challenges is rooted in the fact that legal practices carry extremely thin balance sheets. You have your accounts receivables and work-in-progress, but very little in the way of tangible hard assets. By far, your greatest asset is the intellectual capital of the dedicated professionals working at your firm.

So, how do you go about protecting that asset? How do you balance the financial health of your business, while at the same time fostering a continued high level of professional engagement amid this unprecedented crisis?

### ADJUSTING THE FINANCIAL LEVERS

In an environment where business may experience a major retraction and clients may soon begin to "slow pay," you still need to work and pay the bills. Certainly, exploring all of the financial stimulus options available under the unprecedented \$2+ trillion CARES Act legislation will be your first order of business. The combination of potentially forgivable Paycheck Protection Program loans, an expanded Economic Injury Disaster (EID) loan program and various tax credits and employee retention credits may offer some much needed relief. Which of those best fit your needs, however, will depend greatly on the specifics of your practice and your organizational structure.

Along with applying for stimulus relief, you'll likely want to explore drawing down on any existing and available credit facilities. Recently, we've also begun to see a number of national firms beginning to pull back on a variety of compensation levers including:

- Temporary salary reductions that scale down in magnitude from partners to non-equity attorneys, associates and even support staff;
- Deferring partner distributions until later in the year (or potentially until 2021);
- Delaying bonuses and salary reviews; and
- Suspending matching retirement plan contributions

Several larger firms have even begun the process of furloughing both professional and support staff, as well as introducing optional reduced-pay sabbaticals and part-time work arrangements.

### PRESERVING YOUR HUMAN CAPITAL

As you explore various financial strategies for navigating your firm through the COVID-19 storm, however, it's vital that you view each potential solution through the prism of how it might impact the engagement and well-being of your professional team. You've already taken the most important first step – protecting their physical health by shuttering your offices and working remotely.



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But what happens if social distancing remains the de facto “new normal” for the foreseeable future? How will you go about addressing some of the attendant longer-term challenges such as:

- Maintaining or even improving productivity while working remotely;
- Mentoring future partners from a distance; and
- Insulating the rank and file of your firm from any significant changes that may occur at the top of the house;

Despite the current financial uncertainty, don't overlook continued investment in your technology infrastructure. Ensuring that you are far enough along on the journey from a paper-based to a digital ecosystem may take on even greater significance over the next couple of years. And the same holds true for your firm's cybersecurity and data integrity. As conducting business online assumes a greater role in our daily lives, so too will the need for enhanced digital security.

## AVOIDING PERMANENT OUTCOMES TO TEMPORARY PROBLEMS

Ultimately, the decisions you make about protecting your firm's short-term financial health will need to be weighed

against long-term viability concerns – ensuring that you maintain sufficient capacity to execute on deal flow or client engagements/mandates once the dust settles on this pandemic.

Right now, none of us have sufficient information to accurately assess when we'll gradually start returning to our offices, and whether or not an eventual easing of social distancing mandates will result in a resurgence of the virus that necessitates secondary and tertiary shutdowns. Despite innate behavioral biases that often cause us to underreact or overreact to events, this is an exceptional situation that calls for thoughtful balance.

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For more information, or to speak with a Truist Legal Specialty Group advisor, please call us at 404.575.2995 or email us at [LegalSpecialtyGroup@suntrust.com](mailto:LegalSpecialtyGroup@suntrust.com).

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