



The Financial Aspects of Career Transitions for Lawyers:
Seven Golden Rules for Success

Have you thought about changing your law job? Perhaps even leaving the practice of law entirely? If the answer to either of these questions is yes, you are not alone. And if you are like many lawyers, one of the next questions that pops into your head is: “Can I afford to leave my current position?” There is no way to get around it; many lawyers perceive money as the single biggest obstacles they face when making a career change in or outside the practice of law.

But financial considerations need not be an absolute bar to finding something that you would prefer to do. That is not to say that money is irrelevant; it clearly is in many cases. But if you follow seven rules—seven golden rules—you can maximize the chances that financial issues won’t control your job search.

Rule # 1: Find out what you can afford to be paid.

Just as employers develop salary ranges that they are willing to pay, you need to know the minimum salary you can afford to accept. This does not mean that you should accept the minimum; nor does this mean that making a career change necessarily means that you will make less money in your position. But too often, lawyers dismiss positions or entire fields out of hand because they assume they can’t afford to make the switch. Find out for sure. How? Start by calculating your monthly fixed expenses. Look back at the last six month or so and identify expenses that are essential, not discretionary. This often includes items like the mortgage or rent, food, gas, insurance, taxes, and student loan payments. Knowing your fixed expenses will provide you a quick and dirty assessment of what discretionary expenses you might need to limit depending how much you get paid. You can calculate fixed expenses the old fashioned way with a pencil and paper. But there are numerous software packages and websites that will help you establish a personal budget and determine your fixed and discretionary expenses.

Rule # 2: Ask open-ended questions about your finances.

Determining what you can afford to pay is more than just identifying your fixed expenses. How much people earn is often tied up with issues of status, power, pride, and many other intangibles that don’t show up in budgets or spreadsheets. That is why you need to be clear about your predispositions about money. Too often, attorneys who are faced with a choice of pursuing a career that involves lower level of compensation ask themselves questions that make it harder for them to determine what they are comfortable earning. In fact, the question, “Can I afford to leave my current position?” isn’t



particularly helpful because it calls for a yes/no answer. Open-ended questions tend to be more illuminating and helpful. For example, “What changes could I make now to maximize the chances that I could afford to leave my current position?” or, “What kind of job would make it worthwhile for me to afford a lower level of compensation?” Asking yourself, your spouse, significant others, friends and others these and other types of open-ended questions makes it easier for you to clarify your attitudes and priorities about money.

Rule #3—Start Changing Your Spending Habits Now.

Too often, attorneys recognize that they are unhappy in their current position but don’t take steps to change their financial situation until they start the job search, or worse yet until they have received a new job offer. Avoid this mistake. Start changing your spending habits and making other changes to your finances as soon as you begin to recognize that there is a substantial chance you want to leave your current position. The more time you give yourself to build up savings and otherwise prepare for a financial transition, the wider the range of alternatives you will be able to examine comfortably. And for those of you who feel stuck, and don’t know what kind of position you would want to have next, focusing on your finances can kick start the career transition process by giving you something tangible to do. In addition, when you know you are taking steps to prepare for a future change, you might not feel so bad about your current employer or job; the financial changes you make might make you feel less trapped.

Rule # 4--Maximize the benefits of your current situation.

As you begin the process of making a career change, identify those aspects of your financial situation that are particularly likely to be affected by a job or career change. For example, if you are thinking of buying a home or financing the purchase of a car, it might be more advantageous to make these purchases before you leave your current employer. This is especially likely to be true if you will be taking a substantial pay cut or will start your own business. Likewise, certain forms of portable insurance, such as short-term disability, can be easier to obtain while you are still employed because your benefits under those policies might be tied to the income you receive from your current employer. Don’t assume, however, that leaving your current employer will necessarily restrict your financial options. For example, some law firms restrict the ability of lawyers to buy and sell stocks or make other investments. Thus, leaving such firms might free you from certain existing constraints. It is impossible to provide a comprehensive list of all the financial considerations that might be affected by a job or career change. Thus, it is important to begin to identify those factors that are most likely to affect your specific situation.



Rule # 5: Don't leave money on the table when you negotiate compensation with your new employer.

Few activities in life have the potential of being as lucrative as time spent preparing for salary negotiations. But time and time again, I see lawyers who do their anal-retentive best when it comes to preparing a resume or preparing for interviews essentially blow off preparing for salary negotiations. The single biggest mistake lawyers tend to make is that they don't invest the time and money to find out what the market rate for the job in question. Thus, they are not able to respond in a meaningful way to the salary offer. You can do better than this. Not only is the time researching salaries well spent, in many cases expenses related to finding a job in your current profession are tax deductible even if you don't end up changing jobs. See IRS Publication 529. Likewise, take the time to identify compensation-related issues that are important to you beyond the starting salary. Make sure you understand the benefits that are associated with your new position. For example, I've worked with one client who was reluctant to bring up the fact that his sister was scheduled to be married a few weeks after the new position was slated to begin. The time to address the fact that you won't have accrued enough vacation time to attend the wedding is during salary negotiations. And don't be shy about raising non-salary issues that are important to you. I've seen employers pay for a share of moving expenses, bar dues, the cost of a consultant to help the spouse of the employee find a job, and in one case a portion of the commissions associated with selling a house. I can't tell you what specific issues might be important to you, but one of the basic rules of salary negotiation is that the employer can't say yes if you don't ask.

Rule # 6: Don't leave money on the table when you leave your current employer.

I know from personal experience that lawyers are pretty good when it comes to getting their bonuses before they give notice. I once verified that the bonus check had cleared before resigning from a law firm.

But there is more to leaving your current employer than collecting a bonus on the way out the door. Understand the timing of when benefits accrue and vest. This is especially important if your present employer contributes to your 401(k) or similar account. Before you leave, find out how your retirement funds vest and what it takes to roll them over. Likewise, many employers pay for health insurance and related benefits on a monthly basis. Thus, it can be advantageous to make sure you are still on the payroll a few days into the new month. That way your health insurance will be paid for throughout the entire month. Likewise, be aware when your present employer pays for other benefits such as annual bar dues.



Rule # 7 Strongly consider working with a financial professional.

If you have read this far, it probably has occurred to you that the financial aspects of career changes can be complicated. Changing your job may impact everything from your health insurance to your mortgage. And we haven't even touched upon issues such as loan consolidation and taxes. Given the complexities of today's financial world, and the importance of a job and career change, you should strongly consider working with a financial professional if you don't already do so. Just as some lawyers get paid by the hour while others are paid on a contingency basis, different financial advisors work differently. With some you pay by the hour for their advice; others receive a commission based on the financial products you actually buy. There are wide array of choices that are likely to meet your needs. And some lawyers have found their calling by becoming financial advisors. They, along with other financial professions, specialize in working with lawyers. You owe it to yourself to at least find out what a financial professional may able to do for you.