

Legal Service Plans

An **Idea** Whose “Need” Has Come



It's been said there's nothing more powerful than an idea whose time has come. Sometimes that idea can reshape an entire industry. In technology, it's been described as the “killer app” (application). In retail and marketing industries, it's called the “category killer.”

In the legal profession, some consider the legal service plan, especially those tailored for the small business market, to be the much needed “application” for today's small business owner. Although legal service plans have been available for many years, the great recession has generated new interest in this approach to legal services. Here in Nevada, small business owners and entrepreneurs are struggling as never before to meet the basic needs of maintaining an enterprise, and if anything, the situation is getting worse. At the end of 2009, it was reported that more than 22 percent of Nevada businesses were past due in bill payments, an unappealing statistic that Nevada “owned” for most of the year. In January 2010, the U.S. Bankruptcy Court of Nevada released data that indicates Chapter 11 filings by businesses rose 44.8 percent in 2009 compared to the previous year.

There are many challenges to operating a small business and many of them have a legal component which should be addressed by legal counsel. Yet many small business owners – especially during the recession and its aftermath -- see legal counsel as a luxury rather than as part of the fundamental cost of doing business. Legal service plans offer small business owners an affordable means for addressing common legal needs, such as general legal counsel, contract review and employment issues and debt collection.

In offering legal services in a “plan format” with defined fees, small business clients can be more comfortable, knowing what to expect and what they will pay for these services.

It's a practical arrangement that allows small business owners to utilize legal services for preventative purposes rather than a necessity of last resort.

Clients are more inclined to pick up the telephone when they have a question about a legal concern, and this is particularly true of small business clients. Often, this has a beneficial result as the client is asking the question or expressing the concern before something becomes a problem. Many times the client does not recognize some important aspect of corporate formalities, such as maintaining corporate meeting minutes or a stock transfer ledger, things that can lead to major problems for the company and the owner. If a business owner is audited by the IRS and it becomes apparent that the company is not maintaining corporate formalities, the IRS could tax the business as a sole proprietorship rather than as a corporation, thereby substantially increasing the tax rate for that year and all previous years these records have not been maintained. That would bankrupt many small businesses.

The best legal service plans also offer clients access to law firms with a broad variety of legal services at one firm, which helps to ensure a familiar and consistent client experience. On a given day, a small business owner may have legal questions that range from employment issues to corporate law to collections assistance. Having access to legal counsel from one central and trusted source is important. Having an ongoing relationship with a law firm that is tested on its performance and client service is exceptional. Having access to these services at an affordable, predictable fee structure is invaluable. 

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