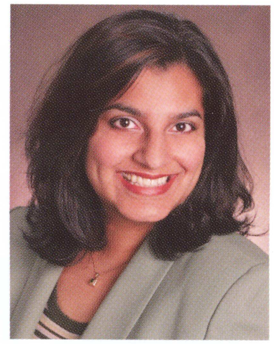
To Rent or To Buy?

That is the question...



In this hot housing market and time of low interest rates, the answer may seem obvious. But does the same principle apply in a law firm? Is "buying in" to a partnership really the light at the end of the tunnel we all strived toward after articles?

Partnership isn't what it used to be. Some may say it is much, much better. Others don't ever want to make partner. The changing face of partnership has garnered much debate, and we see partners everyday who ask us about the pros and cons of a multi-tiered partnership structure. Here is some information to help you understand the reasoning behind the different structures so that you can ultimately determine the best scheme for you.

The Evolution of Partnership

Seventy percent of U.S. law firms with more than 75 lawyers have more than one level of partnership. We are not far behind. The traditional model of partnership is evolving to address the ever-changing needs of the profession, from the perspective of both lawyers and law firms. The traditional law firm system can be defined as firms which are comprised of partners who own the firm and associates who are salaried employees. In a two-tier system, there is an additional level between equity partners and associates, referred to as non-equity, income, or junior partnership.

Retention

One of the main reasons firms have incorporated a two-tier structure is to retain its valuable associates who are not yet ready to become full equity partners. It provides lawyers with the status of partner while giving them the opportunity to build a larger profile and practice. This "look see" approach is also valuable for you in determining whether you really want to buy in to the firm.

Recruitment

Bringing in partners laterally can be both a risk for the lawyer and for the firm. It can sometimes take up to a year to determine whether a partner from another firm is going to be the right fit. Allowing you to not lose your partnership status while not requiring an immediate buy in can be very attractive.

Compensation

Remuneration for equity partners vs. non-equity partners varies from firm to firm, but most often, profit sharing and voting rights are given to equity partners whereas income partners are on salary. Some argue that there is really no difference between a senior associate at a traditional firm and a junior partner at a two-tier firm. In the end, clients don't care how people are compensated internally. What they care about are your hourly rates, the service you provide, and sometimes, your title.

Testing the Waters

If you are a partner with a large portable practice and you are contemplating a move, you may not want to become a full equity partner at your new firm right away, particularly if the culture is quite different from your current firm. You may want to take at least a year to decide whether the investment is the right fit for you. However, you will also not want to move as an income partner and just go on a salary given your large practice. In these circumstances, firms provide an additional tier called "of counsel" or "associate counsel". This title is also reserved for lawyers who may be winding down a practice or who are on an alternative work structure.

Buying is Best

Ultimately, you have to decide what is best for your career growth and which firm will offer you the best fit. Taking the time and care to research your options will ensure that when you do buy that house, it will become your home.

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