



HOW TO ESTIMATE THE VALUE OF YOUR **LAW FIRM**

A STEP-BY-STEP GUIDE



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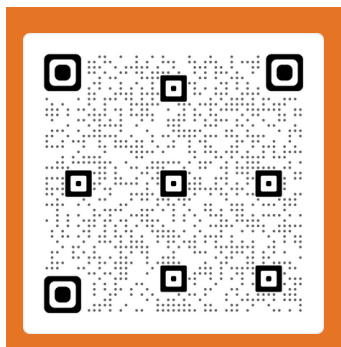
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INTRODUCTION

Determining the value of your law firm is a vital first step in planning for a sale, succession, or transition. Valuation is the only true way to determine the actual market value of your law firm. This imperative knowledge shows buyers what your firm is really worth, what your potential path to exit may look like, and the timing of everything that comes next.

This guide provides a step-by-step process to estimate your firm's Transferable Value using key valuation methods. By following these steps, you'll establish a planning figure to guide your next steps—whether selling, succession planning, or considering a purchase.

A planning figure is a great place to start, but having a professional valuation of your firm is highly recommended to ensure you don't risk missing out on significant financial gains. The Law Practice Exchange completes valuations with the market buyer in mind. From using a database of comparable firm sales to an expert team giving real time market feedback for your firm's value, the result is a real-time value and financial analysis to show you what's possible today. [Get started here.](#)



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Book Your 15 Minute Confidential Strategy Call Now

1. Complimentary strategy call to discuss your goals and how to achieve them
2. Discover the best path forward for you and your practice
3. Start your planning today by booking a call as your first step.

The Asset Approach

Assess both the tangible and intangible assets of your law firm. Key components of asset valuation include:

- **Furniture, Equipment & Tangible Assets:** Estimate the current market value of office furniture, computers, and other equipment. Value = \$_____
- **Accounts Receivable:** Assess the total outstanding payments expected from clients. Value = \$_____
- **Current Case Inventory Value:** Calculate the value of ongoing cases based on expected outcomes. Value = \$_____
- **Other Assets to Transfer:** Include the value of the website, domain names, proprietary software,

	etc.	Value	=.	\$_____
Total.	Assets	Value.	=.	\$_____

The Revenue Approach

Evaluate the firm's revenue potential while factoring in the impact of ownership transition.

- **Average Revenues:** Calculate the firm's average annual revenues over the past few years. Average Revenues = \$_____
- **Expected Loss Due to Transition:** Estimate potential revenue loss due to ownership transition. Expected Loss = \$_____
- **Adjusted Revenues:** Subtract expected loss from average revenues. Adjusted Revenues = \$_____
- **Market Factor Multiple:** Select a multiple (typically ranging from 0.5 to 1), guided by market conditions, firm performance, and comparable sales.. Multiple = _____
- Total Revenues Value = Adjusted Revenues x Market Factor Multiple = \$_____
- Note: The actual Market Factor Multiple can vary based on financial performance, SWOT analysis, and market comparables which would be provided in a comprehensive valuation analysis.

The Earnings Approach

Analyze the firm's profitability by reviewing net income and necessary adjustments.

- **Average Net Income:** Determine the firm's average net income over recent years. Net Income = \$_____
- **Your Salary/W-2 Wages:** Include your salary or wages as the owner. Salary/Wages = \$_____
- **Replacement Attorney Costs:** Subtract the cost of hiring an attorney to replace you. Replacement Costs = \$_____
- **Owner Benefits and Adjustments:** Adjust for any additional owner benefits or expenses.

Adjustments. = \$_____

Adjusted Earnings = Net Income + Salary/Wages - Replacement Costs +/- Adjustments = \$_____

Market Factor Multiple: Select a multiple (typically between 2.2 and 3.0), considering firm performance, market conditions, and industry benchmarks, and despite outliers on both ends.

Multiple. = _____

Total Earnings Value = Adjusted Earnings x Market Factor

Multiple = \$_____

Note: The actual Market Factor Multiple can vary based on financial performance, SWOT analysis, and market comparables which would be provided in a comprehensive valuation analysis.

Reconcile the Methods: Weighted Average

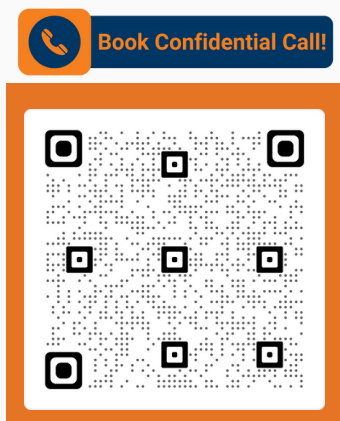
Steps to Calculate the Weighted Average Value:

- **Asset Approach Value** = \$_____, Weight = _____%
(commonly 10-30%)
- **Revenues Approach Value** = \$_____, Weight = _____%
(commonly 20-40%)
- **Earnings Approach Value** = \$_____, Weight = _____%
(commonly 40% or more)
- **Total Weighted Average Value** = 100%, Total Value =
\$_____

Disclaimer

The valuation methods in this guide are designed as tools for preliminary estimation only. They offer a foundational approach to gauge your law firm's potential value. For an accurate, in-depth valuation, consult the valuation experts at The Law Practice Exchange. We can perform a detailed analysis to determine the fair market value of your firm.

This guide aims to provide law firm owners with a practical approach to valuing their practice, highlighting various methodologies that consider both tangible and intangible aspects of the business. Whether planning for sale, succession, or transition, a thorough understanding of these principles ensures a well-prepared approach to these significant changes.



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