Demystifying the Billable Hour: How to Right-Size Your Rates

With prices rising so much over the last year ([global inflation is forecasted at 8.8% in 2022](#)), it's the right time to look at your current rates and see if you're charging enough to remain profitable.

You must set rates high enough to cover your overhead expenses, the cost of living in your area, and the wages of employees who strictly work non-billable hours. But if prices are rising for you, they're also rising for your clients.

Find the right balance and use legal practice management software to set rates that are fair to both of you. Automate as much as possible to maximize billable hours by implementing these six tools in your tech stack. They will help you right-size your rates.

1. Time and expense tracking software

When you try to multitask without time-tracking software, your productivity can fall to 45%. You may end up skipping lunch and still wondering if you accomplished much. You need to know exactly what you're doing throughout your day to understand where you can create more billable hours.

Time and expense tracking software solves common pain points with defining rates, including the three issues below

- **Forgetting to bill for minutes.** Multiple timers take care of this issue. When you keep one timer going, it won't be a big deal to start it and have to stop it 5 minutes later if you're interrupted.

- **Understanding how much time projects take**. Look at past-time data to see how long certain tasks took you.

- **Tracking expenses.** Use mobile apps to input an expense from anywhere, so you can better understand your overhead costs when creating rates.

Bill-As-You-Work™ technology offers intuitive time and expense capture screens so you never miss a billable minute.

Start and stop time seamlessly using different timers for different projects to collect every billable minute. Software like [Rocket Matter](#) also offers integrations that let you bill for time directly from your email accounts.

Time-tracking software stashes all of your time entries in one place, so it's easy to refer to it when you're setting rates. All of this time data can be used to create invoices at the end of the month. You know they'll be 100% accurate because you entered the data as you went.

2. Invoicing software

Time tracking is only half the puzzle of creating profitable rates. The average lawyer only bills for less than 30% of their workday. So what happens to the rest of the time?

Much of it is spent on time-consuming non-billable hours.

A way to make more money without raising rates on clients is to automate manual tasks that a computer could do for you. A 2021 survey found that [94% of law firms](#) plan to increase their use of technology to boost performance, citing increased efficiency.

Invoicing software includes automation that takes the headache out of manual legal billing so you can focus on your clients.

[Batch billing](#) involves generating multiple invoices of a similar type simultaneously. For example, if multiple clients are using the same service, you can create their invoices all at once. The software generates these invoices for you in the background so you can spend your time completing billable work.

Also, look for invoicing software that offers **paperless prebills.** When you can review all your invoices online, you can quickly make adjustments in the software and securely email invoices in seconds.

3. Online payments software

Getting paid promptly helps you understand your monthly cash flow better so you know how much you need to charge. [Accept online payments](#) at your accounting firm to make it as easy as possible for clients to pay you.

- Clients can pay you in seconds from anywhere using a secure client portal

- Recurring billing allows you to automatically charge clients on retainer every month

- Your account can be funded in as little as 12 hours

4. File-sharing and eSignature software

Use secure file sharing and eSignature to reduce time wasted in client chase and secure more billable hours. This helpful software allows you to send large legal documents to clients to sign or review online.

Check out these powerful cost-saving statistics about secure file sharing and eSignature.

- For traditional methods, it takes **5 days** to get a paper document signed. With secure file sharing and eSignature, it takes an average of **37 minutes**

- On average, businesses **save $20 per document** after implementation

- Secure file sharing and eSignature tools provide an **85%**

Instead of wasting your time calling clients over and over to sign a document (or to sign it correctly), your clients can be guided through the signing process. In fact, they can't make any signing mistakes because the software won't let them.

Overall, businesses that go completely paperless reduce processing errors by 90%.
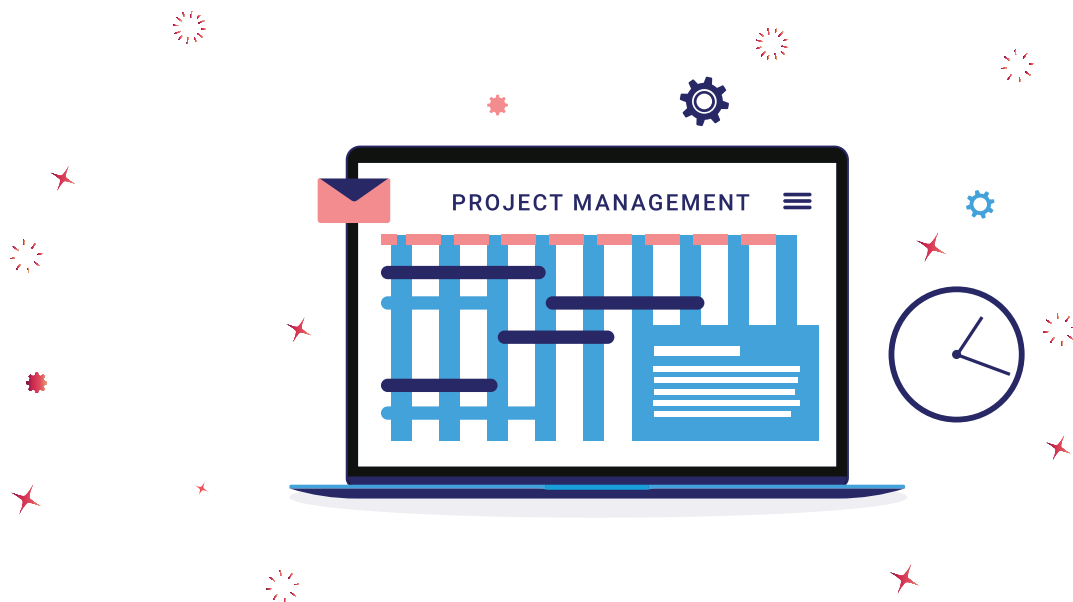
5. Project management software

Understanding how to bill for a project starts with knowing how long it took you to complete, bottlenecks that came up, and the workflows required from start to finish.

Project management software allows you to:

- Create phases for each part of a case
- Keep track of all of your matters
- Break each matter down into an automated set of tasks

When you're setting rates, you can look at previous projects in your software to:

- Better understand where your time went
- See how many types of tasks you were able to perform in one day
- Check how quickly your employees can work on certain matters

6. Advanced reporting software

The data already in your practice management software is the key to creating fair, billable rates. Use [business intelligence reports](#) to see which clients are worthwhile from a cost-effectiveness standpoint, and which ones you may be undercharging.

Check your billing, utilization, and collection rates for a clear picture of the financial health of your firm. You may think your hourly rate works, but you could be forgetting about clients that you accepted at a lower rate or work that was written off.

Get custom-built reports from the experts at Rocket Matter tailored to meet your lawfirm's needs.

Reporting software can also show you critical metrics like productivity per matter and productivity per user so you can see which employees and clients are helping you stay profitable and which ones are dragging down your productivity and profitability metrics.

Simplify the billable hour with Rocket Matter

Rocket Matter's robust legal practice management software includes all the features in this article and more to help you secure more billable hours and set the right rates.

To learn more about how our software solutions can create profit- and client-friendly rates, schedule a demo with Rocket Matter today.