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Law Firm Billing: Complete Guide & Best Practices for Growth

Katie Langer · Wednesday, May 14th, 2025

Law firm billing is more than just an administrative function. It's also the engine that drives profitability, sustainability, and client trust. The way a firm bills its clients can impact everything from cash flow to client retention, but it's not always a straightforward process. Thankfully, organized processes, technology, and automation can help your firm develop a workflow that's best for your staff and clients.

So whether you're refining your current billing processes or building a system from the ground up, understanding the ins and outs of law firm billing is essential for your firm's success. This guide will walk you through the most common billing models, best practices for accurate and efficient billing, and the tools that modern firms are using to get paid faster and with less friction.

Main Takeaways

- Law firm billing structures vary by practice type and client needs, with hourly, flat fee, contingency, and retainer-based models being the most common. Each type offers various advantages depending on your practice area and client needs.
- Billing best practices, including detailed invoicing, automated time-tracking, and flexible payment options, can improve your billing efficiency and cash flow.
- Setting the right rates requires balancing market benchmarks with overhead costs and client expectations and reviewing your pricing strategy regularly.

- Legal invoices must meet compliance standards and be professionally presented to foster trust.
- [Technology can transform your firm's billing process](#) by automating time tracking, streamlining pre-bill reviews, and offering online payment options.

What Is Law Firm Billing?

[Law firm billing](#) is the structured processes and systems used to track, record, and charge clients for legal services rendered and expenses incurred. This includes time tracking, invoicing, payment collection, and ensuring compliance with ethical and regulatory guidelines. Done right, law firm billing goes beyond charging clients to enhance the entire client experience and provide the financial backbone of a law firm.

Types of Billing Structures Used by Law Firms

Different types of legal work call for different billing approaches. Law firms choose billing structures based on the nature of the case, the client's needs, and the predictability of the workload. Each structure has its own advantages and is better suited for certain practice areas or matter types.

Hourly Billing

Hourly billing is the most traditional and widely used model in the legal industry. Attorneys and staff track their time spent on client matters in increments (typically six-minute intervals) and charge clients based on predetermined hourly rates. This model works well for complex litigation, corporate matters, or cases where the scope of work is difficult to predict in advance. But, it can lead to client concerns about transparency or escalating costs.

Flat Fees

Flat fee billing involves charging a predetermined amount for a specific service, regardless of the time it takes to complete. This model is commonly used for routine, predictable legal matters like

drafting wills, forming LLCs, or handling uncontested divorces where the work involved is fairly standardized. Flat fee billing enhances pricing predictability for clients and reduces billing disputes.

Contingency Fees

Under contingency fee arrangements, clients pay only if the firm wins the case, typically as a percentage of the settlement or judgment amount in personal injury or other litigation cases. This structure aligns the attorney's and the client's interests, making legal services accessible to clients who couldn't otherwise afford representation; however, it also requires firms to bear the financial risk of the case.

Retainer-Based Billing

With retainer-based billing, clients make advance payments to secure legal services for ongoing or future work. These funds are typically held in a trust account and drawn against as services are performed. Retainer arrangements offer predictable revenue for firms and are often used for corporate clients or ongoing advisory relationships.

Best Practices for Law Firm Billing

Adopting [law firm billing best practices](#) increases operational efficiency, fosters client trust and reduces the chance of payment delays or disputes. The following can establish a strong billing practice for your firm.

Develop Transparent & Detailed Invoices

Clients expect clear, easy-to-understand invoices that reflect the value of the services provided. Each invoice should include itemized charges with descriptive time entries to ensure clients know exactly what they're paying for. This level of transparency reduces disputes, builds trust, reinforces your firm's brand, and increases the likelihood of your clients paying promptly.

Streamline the Billing Workflow

Automating manual billing processes through software that integrates with timekeeping, matter management, and accounting minimizes manual work and errors. Once you have a standardized workflow with clear responsibilities for time entry, pre-bill review, and invoice distribution, the [legal billing software](#) creates a seamless system from time entry to invoice generation to approvals and improves your firm's cash flow and profitability.

Optimize Tracking of Billable Hours

Accurate time tracking is crucial to capture all billable work, maximize revenue, and ensure fair billing. Implement user-friendly digital tools so attorneys can log time in the moment, which avoids delays in time entry, helps capture more billable hours, and improves the accuracy of invoices. Advanced technology solutions with automated time capture can even help attorneys reclaim previously unbilled time spent on emails, calls, and document preparation.

Ensure Compliance with Legal Billing Guidelines

Firms must adhere to industry regulations, client-specific billing rules, and jurisdictional requirements to maintain ethical billing practices. Legal billing guidelines, such as Uniform Task-Based Management System (UTBMS) codes and LEDES formats, ensure billing data is consistent and auditable. Audit your billing practices regularly to help identify compliance issues before they become problems with clients or regulatory bodies, because non-compliance can lead to rejected invoices and reputational damage for your firm.

Offer Flexible Payment Options

Clients today expect the same payment convenience from their law firm that they receive from other service providers. Offering multiple payment methods including credit card, ACH, and payment plans enhances this convenience for clients and accelerates your collection rate. And offering flexible payment options demonstrates your responsiveness to client needs and supports long-term client relationships.

How to Set Your Law Firm's Rates



Determining the right pricing structure for your legal services is key to maintaining profitability, competitiveness, and transparency. It's a process that requires balancing market expectations, firm costs, and value delivered to clients.

Understand Market Benchmarks

Start with a thorough analysis of what similar firms in your area and practice specialty (or specialties) are charging by reviewing industry surveys and reports and collecting data on your competitors. Benchmarking against local and national data gives you the context needed to help you avoid underpricing or overpricing your services and positions your firm strategically.

You should also review your firm's internal data to ensure billing rates are appropriate for different case types, attorneys' time is being used effectively, and each practice area is as profitable as possible.

Factor in Firm Overhead Costs

To set sustainable rates, firms must consider their cost structure, including rent, staff compensation, malpractice insurance, and software subscriptions. Understanding your overhead ensures your rates cover expenses while generating profit. Your billing rates must cover both direct attorney time and the proportional overhead expenses required to operate your firm.

Determine Hourly vs. Alternative Fee Arrangements

Evaluate whether to use hourly rates, flat fees, or contingency models based on the predictability and complexity of each matter type. Practice areas with highly variable scope (like complex litigation) may benefit from hourly billing, while routine matters (like estate planning) might be better suited for flat fees.

Customize Rates for Clients and Matters

Offering alternative fee arrangements can improve client satisfaction and differentiate your firm from competitors. Tailor your pricing based on the unique attributes of each matter or client. High-volume clients or long-term partnerships may warrant discounted rates, while complex litigation might justify premium pricing. This type of strategic pricing can optimize value for your clients and profitability for your firm.

Regularly Review and Adjust Rates

Rates shouldn't remain static. Monitor inflation, economic trends, and changes in your service delivery model. An annual review allows you to adjust pricing strategically and communicate value to clients.

Key Legal Invoice Requirements

Compliant and professional invoices help law firms get paid faster and reduce the risk of client dissatisfaction or audits. Consider the following best practices.

Essential Invoice Components

- Client and matter information

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- Service date(s)
 - Timekeeper name and role
 - Description of tasks performed
 - Time spent on each task
 - Hourly rates or agreed-upon fees
 - Subtotals and totals
 - Payment terms and due date

Compliance with Legal Billing Guidelines

Clear and consistent billing reduces the likelihood of disputes and ensures smoother payment processing.

Invoices should meet state bar regulations and client-specific requirements, including the use of approved task codes and formats and detailed activity descriptions. If you're working with insurance defense or corporate clients, familiarize yourself with their outside counsel guidelines, which may dictate specific formatting, coding systems, and billing practices.

Standardized Invoice Presentation

Using a consistent template across all invoices reinforces professionalism and brand identity and reduces confusion for clients. Create a standardized process for preparing and reviewing invoices to ensure all necessary elements are included and properly formatted before delivering them to clients. A uniform format helps clients understand and pay invoices more easily, decreasing administrative back-and-forth.

Common Legal Billing Challenges



Legal billing challenges commonly stem from overburdened staff who are pulled in multiple, non-revenue-generating directions. Here's a look at a few of the most common challenges related to law firm billing.

Inefficiency and Lost Time

Manual data entry, redundant workflows, and disconnected systems can easily drain staff time and reduce productivity. Re-entering information across spreadsheets, paper forms, and billing tools is tedious and increases the risk of errors and delays. But integrated software that syncs across systems eliminates double work and can help firms reclaim billable hours.

Poor Visibility and Communication of Write-Downs

Unclear billing practices and vague invoices confuse clients and can lead to disputes, prompting firms to issue write-downs to preserve relationships. You can avoid undervaluing your firm's services by communicating proactively about billing frequency and expectations. The more transparent you are about your billing process, cycles, and itemization, the more you foster client trust and reduce revenue loss.

Keeping Track of Law Firm Billing Codes

With the shift toward flat fees and subscription models, proper use of UTBMS billing codes has become essential. These codes standardize invoices, improve clarity for clients, and streamline internal approval processes. Firms that implement structured billing codes reduce confusion and align more efficiently across teams.

Billing Descriptions

Generic or vague billing entries can lead to client dissatisfaction and erode trust in your firm's transparency. Descriptions like "Call: 30 minutes" lack context and fail to convey value. Specific, date-tagged entries that explain the legal work performed enhance clients' understanding and demonstrate the impact of each service.

How to Improve the Law Firm Billing Process



Streamlining your billing processes frees up valuable time for higher-value, billable work while improving cash flow and client satisfaction. Here are practical ways to optimize billing productivity.

Automate Time Tracking & Invoicing

Implementing software that automates time tracking and integrates it with invoicing can ensure all billable time is captured and save hours of administrative work each month. Your billing cycles will be faster and contain fewer errors.

Set Up Recurring Payments & Payment Plans

Create automated billing arrangements for ongoing client relationships to ensure steady cash flow without requiring manual intervention. Payment plans can also make legal services more accessible to clients while providing predictable revenue for your firm.

Streamline the Pre-Bill Review Process

Pre-bill reviews don't need to be manual, time-consuming tasks. Implementing [electronic pre-bill reviews](#) with workflow automation tools allows attorneys to review, edit or approve time entries

before bills are created. This process eliminates the inefficiencies of paper-based reviews, ensures invoices are accurate, and keeps billing cycles on track.

Send Payment Reminders

Having an automated system for sending friendly payment reminders helps ensure clients don't overlook due dates. Consistent communication about outstanding balances can significantly improve collections, reduce outstanding accounts receivable, and maintain healthy client relationships.

Accept Credit Card Payments

Many clients prefer paying online, and accepting credit card payments makes it convenient for them to do so. Modern legal payment processors will automatically account for clients' online payments in your general ledger.

Transform Your Law Firm's Billing Process & Get Paid Faster with Centerbase

The billing practices we've discussed throughout this article represent significant opportunities for midsize law firms to improve efficiency, cash flow, and client satisfaction. By implementing transparent invoices, streamlining workflows, automating time tracking, and offering flexible payment options, your firm can transform billing from an administrative burden into a strategic advantage.

Centerbase empowers law firms to streamline their billing operations with powerful features like multi-matter billing, electronic pre-bill approvals, automated time capture, and online payments—all integrated with robust accounting and matter management capabilities. Our platform reduces administrative overhead and helps firms maintain a steady cash flow while delivering a polished, professional client experience.

Ready to modernize your billing? [Book a demo](#) to see how Centerbase can transform your billing process, or [learn more about our billing capabilities](#).

FAQs

What's the Most Efficient Law Firm Billing Approach?

While hourly billing remains common, many firms find that a mix of billing structures (hourly, flat fee, and retainer) allows them to match pricing to matter type and client needs. Efficient billing, regardless of your firm's fee structure, comes from implementing structured yet flexible processes that include automated time tracking, electronic pre-bill review, transparent and detailed invoices, and flexible payment options. By using legal billing software, firms can reduce administrative work, increase accuracy, and speed up the payment cycle.

How Much Do Law Firms Bill Per Hour?

Law firm hourly rates vary significantly based on location, practice area, attorney experience, and firm size. According to Thomson Reuters' research, law firms have seen record-setting growth in billing rates, with worked rates growing by an average of 6.5% in 2024 compared to the previous year. The largest firms (Am Law 100) led with 8.4% rate growth, while midsize firms averaged 5.6%. A Major, Lindsey & Africa survey found that average partner rates at large firms reached \$1,114 per hour in 2024, with top firms charging \$2,500+ for senior partners. For midsize firms, rates are generally lower but still rising steadily. When setting rates, firms should consider local market conditions, overhead costs, and perceived value rather than simply matching competitors' rates.

How Can Law Firms Get Paid Faster by Clients?

To [get paid faster](#), firms should send detailed invoices, automate payment reminders, and offer multiple payment methods. Electronic invoicing with detailed time narratives reduces client questions and disputes. Accepting credit cards and setting up online payments through billing software can significantly shorten the time to payment. And sending invoices within days of work being completed can significantly improve collection speed and overall cash flow.

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