A FIELD GUIDE
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Antheros

How to Form a Modern Law Firm

A working map of everything between "we've decided to do this" and "we're a functioning firm"

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AT A CONFERENCE last year, an IP litigator told aspiring firm founders that starting a law firm requires three things: a checking account, a legal research subscription, and malpractice insurance.

Those are real needs, but they do not begin to capture the 100 other considerations required to run a functioning law firm. You will need to become an employer, build technology and banking infrastructure from scratch, design compensation that holds up under real first-year revenue, and convince clients that "smaller and more attentive" beats "big and established." We built a boutique intellectual property firm from scratch, and the operational reality dwarfed that three-item checklist.

We built the playbook as we went, because nobody had documented what actually happens in between. Here is the map we built along the way.

01

Decide Who You Are Before You File Anything

Every founding partner needs a clear answer to one question before any paperwork is filed: what is this firm's business, and who is it for? "We'll do what we did at our old firm, just smaller" isn't a business thesis — it's the absence of one, and a lack of identity later surfaces as confusion in pricing, marketing, and hiring.

Entity structure comes next. A P.C. and an LLP handle individual taxes differently, and that difference has cash-flow consequences in a year when cash is already tight. Your choice can also affect individual state tax exposure. Talk to a tax professional.

Naming the firm may seem simple, but it isn't. We chose a trade name rather than a traditional naming convention. Whatever you choose, run a name search, even if you're confident, and clear the name before you build anything on top of it: website, letterhead, insurance applications, bank accounts. Every one of those has to be redone if the name changes later.

Get a business address that isn't a partner's home. Several formation documents require a public business address, and a home address then lives in permanent public filings.

> CALIFORNIA · SB 37 (2025)
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> Effective January 1, 2026, amended Bus. & Prof. Code § 6157.2 requires your website to disclose "the city, town, or county of at least one bona fide office location or the address of record listed with the State Bar." Register with your home address and part of it must appear on your site.

Two registration tracks must finish before you can operate: state formation and a federal EIN. Nothing can be set up without an EIN — no bank account, no payroll provider, no malpractice policy. Treat obtaining one as the first task.

02

Design the Tech Stack

Start with the unglamorous baseline. Microsoft 365 licenses, business phone lines, Adobe Acrobat, and DocuSign are day-one requirements. Layer in accounting software, an expense-and-travel tool, a dedicated fax line (still required by some agencies and vendors), and document tools for metadata scrubbing and version comparison.

Every firm needs secure document management and a matter-management and billing system. That part isn't optional and isn't practice-specific. Build outward from that baseline according to what your practice actually requires, and begin early: the systems that carry the most operational weight need the most time to stand up.

AI requires careful thought and governance. Use only AI tools you pay for, and only after you verify in writing how each vendor handles your data. A free consumer tool that trains on the input you feed it is not a shortcut worth taking when that input is confidential client information. Your duties of competence, confidentiality, supervision, and candor apply whether a junior lawyer, a nonlawyer assistant, or AI produced the work. Someone competent must review it before it goes out the door.

Make sure you have an expert to help with IT. A managed service provider handles day-to-day support and can help you set up your systems. We hired our MSP before we had a single employee. They created email addresses, configured Microsoft 365, and set up phone lines before anyone's first day. An MSP is not the same as a fractional CIO or CTO, who sets strategy, evaluates systems, and makes architecture decisions. Most MSPs offer that service as a separate engagement; but you will need that support.

Security is not optional overhead. Treat it as a priority. You should have someone running continuous monitoring and endpoint security, and delivering recurring phishing training. Draft a written incident-response policy in advance, including who gets notified in the event of a breach and how containment is handled. Do not try to figure out how to respond as an incident unfolds.

03

Plan for the Gap Between Model and Reality

Every new firm builds a financial model, and every model rests on an assumption about how much business arrives on day one. That number is the most consequential in any business plan, because compensation, hiring, and spending all get built on it. It is the least reliable number in your business plan. Some clients will move with you; some won't. Those that do move, move at their own pace. Budget for a meaningful gap between clients who say they'll follow you and those who generate revenue in month one.

Fixed costs determine how much you can pay the partners and how you can grow. Salaries are typically the highest, running every month no matter what revenue looks like. You can't skip payroll because revenue hasn't caught up. Software, insurance, and core infrastructure are close behind. Keep in mind, you may want to size software and infrastructure to the headcount and client volume you're planning for, not the volume you have in month one. Further, many software programs have minimum seats that may exceed your actual headcount.

$600,000+

What our setup and first two months of payroll cost the founding partners before the firm collected its first dollar — driven by launching with a full team and the entire technology stack beneath them. Know exactly where that money comes from before you need it.

Billing models and pricing have the most significant impact on what you actually collect, alongside client intake. Decide your model at the outset — hourly, fixed fees, subscription, or a mix. Pricing from scratch deserves significant consideration. Your rates tell clients how to place you in the market and how you value your work.

04

Hire Experts Early

Get outside counsel involved early, and don't try to draft your partnership agreement. It is complicated and controls nearly everything: compensation mechanics, decision-making authority, how disputes between partners are resolved, and what happens if a partner leaves or is incapacitated. Everyone starts with the best intentions; having outside counsel draft it injects reality into the document. Ours also handles legal ethics work; they reviewed our engagement letters, pitch collateral, and website for Bar compliance.

Decide early how you'll handle HR and payroll. You can run it in-house; use a payroll-only service that processes paychecks and taxes while leaving compliance and benefits to you; or use a full Professional Employer Organization (PEO), which co-employs your staff and assumes compliance, benefits administration, and most multi-state employer obligations.

Modern firms are financially complex. You need to understand tax and accounting, forecast cash flow to support partner distributions and expenses, and comply with trust-account regulations such as three-way reconciliation and rules against commingling. These quickly outgrow what practicing lawyers can manage on their own. A fractional CFO will make your life so much easier.

Budget for a branding firm. You will have to build these from scratch and, like pricing, send signals to clients and potential clients. Clean, consistent presentation is itself a trust signal: clients reason from how a website or pitch deck looks to how much they trust you and your work. Consider whether you also want an outside marketing and PR firm for press, awards and directory submissions, and positioning.

05

Set Up Banking and Insurance Around Your Practice

Choose a bank account with your actual client base in mind. If any part of your practice involves international clients or foreign counsel, you need an account that can pay foreign vendors directly. Alternatively, you can utilize a bill payment service. Make sure your bank offers trust accounts; not all do. And remember: opening or changing a trust account is a bar-reporting event for individual attorneys, not just an accounting event. Trust-account requirements vary by state; verify them.

Budget for three distinct types of insurance: malpractice, cyber, and general business liability. Each is underwritten separately, by different carriers, and often on different timelines. Finding a broker who specializes in law firms is a must — we found ours through the ABA's directory of lawyers' professional liability insurers.

> IP MALPRACTICE COVER
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> If your practice involves intellectual property, budget extra time and money, because the market is narrow. Many malpractice carriers exclude IP work entirely, and the ones that don't tend to price it above general commercial liability coverage.

06

Billing and Collections

Invoicing and collections are among the most stressful parts of running a firm, and you'll need defined systems for both, not improvised ones. Establish clear procedures for time entry, prebill review, and invoice mailing. Describe items and matters consistently across your firm. You will also need a way to describe your work without solely relying on your matter numbering. Internal numbers mean something internally; they don't mean much to the client. Costs and disbursements need enough detail that a client can tell what they're paying for. You also need to decide whether providing backups for disbursements is part of regular invoicing. Speaking of - you will also need a process for reviewing outside invoices. Your client relies on you to confirm a vendor's invoice is correct before it becomes part of your invoice.

If you bill monthly, expect roughly a month and a half between the close of a billing period and when revenue actually arrives. That gap could be longer if your systems don't communicate cleanly. This means you likely won't get any revenue in the door until between two and two and a half months after your open your doors. Plan for monthly communication with clients about aging receivables rather than letting balances build quietly.

> Accounts receivable is like milk, not wine; it doesn't get better with age.

07

The Day-to-Day Machinery

Every aspect of operations needs a clear owner: someone to design and own processes and systems, manage vendor relationships, and coordinate closely with your accountants and tax advisors. You'll also need to make sure that the various owners of your operation systems talk. You don't want operational and financial decisions pulling in different directions. Exemplary ops areas include conflicts, intake, client communications, and business development.

Build a conflicts-checking system before you take your first matter. Your system should support running a check against every current client, former client, and named adverse party before a new matter opens. The efficacy of your conflicts check is only as good as the data entered into it. Make sure to log every party completely and immediately, from day one. Conflicts check should also be done on potential clients - there is no point pitching a target if you ultimately can't represent them.

Client intake also deserves intentional design, not a workflow that emerges. Even when a client is eager to get started, make sure you proceed linearly: conflict clearance, engagement letter execution, client record creation, matter opening, and finally opening the client/matter in your billing system.

Reporting to clients needs a single firm-wide standard: what triggers a formal email, how quickly reporting is sent out and with what information. Clients read predictability as competence. An erratic cadence or varying disclosures leaves clients guessing about where a matter stands even when the underlying work is strong.

> Clients read predictability as competence.

Business development requires research into what works, not intuition, and one firmwide system rather than each attorney improvising. The uncomfortable truth is that real business development requires people to step outside their comfort zone: making a call they'd rather not make, asking for an introduction, publishing something under their own name. Left alone, most people default to what's comfortable. Someone has to own pushing past that default, deliberately and consistently, or it never happens.

08

Data, Privacy, and Bar Compliance

Decide your file retention and destruction policy before your first closed matter, not after. State guidance ranges from roughly five to ten years for ordinary closed files; some states, including California, have no fixed rule, only bar association guidance suggesting a floor. Set an email retention policy; decide how long to keep email and where to store it before your inbox becomes a liability. Don't forget to set up regular backups for all your data. Cloud-based vendors will backup your data, but you need to ensure backup of anything on your hard drives.

Privacy laws often prohibit retaining personal data longer than necessary for the purpose it was collected for. A retention policy needs a ceiling as much as a floor. Whatever number you land on for each category, write it down and follow it consistently.

Side-note: As of this writing, California requires employers to keep job applications and personnel records for at least four years, longer if a complaint is filed.

Privacy regulations apply to law firms like any other business. For your website, you will need a cookie consent banner and a privacy statement; the latter may need periodic updates. If any of the data you have is from individuals in the EU, you may need to comply with the GDPR by employing an EU Representative under Article 27, executing Data Processing Agreements with your vendors, executing Standard Contractual Clauses with any vendor handling EU personal data from a jurisdiction not deemed "adequate" for transfers (the U.S. is one such jurisdiction, though an SCC is not needed if the vendor is currently certified under the EU-U.S. Data Privacy Framework).

Every state has individual attorney reporting requirements, and annual entity-level requirements. The latter may include partner and non-partner details, registration renewals, and fee payments. Look into whether your state lets you centralize bar administration firmwide rather than leaving each partner to manage their own. California, for instance, offers an agency billing arrangement that lets the firm pay dues and manage each partner's compliance directly.

Decide how your team will earn CLE credit: through PLI or in-house delivery. If in-house, you likely will want to become an approved provider. Each state sets its own bar for becoming an approved provider. New York requires a multi-year track record of individually approved programs before granting Accredited Provider status; California's threshold is lower, but its Multiple Activity Provider status lasts a shorter term and requires a new set of qualifying activities at renewal.

09

Building Culture Without a Building

We are a fully remote firm. This absolutely affects what law firm culture means. With partners and staff spread across several cities and no shared office, culture has to be built deliberately rather than absorbed by osmosis in a hallway.

We deliberately planned touchpoints so everyone gets face time and training: presentations on a regular cadence covering recent case law, professional development, and substantive legal skills; monthly firm-wide get-togethers; weekly small-group meetings organized by practice group and client; a running firm-wide chat supplemented by topic- and team-specific groups. These touchpoints are how a distributed firm's culture accumulates.

REMOTE CULTURE

In-person time still matters. Plan for it and budget for it. In-person time is not a nice-to-have. The effort shows up in retention and cohesion.

Culture is also a chance to rethink inherited norms. We dropped internal minimum-hours requirements entirely, which removed a source of constant, low-grade stress and let people focus on the client in front of them rather than a monthly number. Building from scratch is also a chance to take lawyer and staff well-being seriously from the start.

Building your culture is also an opportunity to design career-advancement for your associates. We built an actual, transparent advancement path rather than leaving people to guess at it. Associates and agents lead client calls early and take ownership of client relationships well before they would at a larger firm, and get real coaching on how to pitch new work.

10

Would We Do It Again?

We would. Every one of us is happier than we have been in years, because we are building something rather than managing someone else's institution. Our people are happier too, in part because we made choices a larger firm never would: no internal hours quota, a more flexible billing model, and a workplace that feels human-scaled rather than corporate.

The work is real, and the financial cost is not trivial. But what you get in return is freedom: freedom to build something you believe in, make decisions without asking permission, and practice law in a way that reflects your judgment.

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