

LEGAL MANAGEMENT

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How Leasing Aligns Finance, Operations and Tech Needs for Your Firm

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The top three concerns of chief legal officers, according to the Association of Corporate Counsel, relate to law firms' cybersecurity abilities and governance over their data. Technology adoption, not surprisingly, has become a central strategy that firms leverage to meet client demands — but few people were likely to forecast just how large the legal tech market would become in such a short period of time. Legal tech investment reached \$1 billion in 2018, as reported by AI legal tech startup, LawGeex.

Despite this investment in technology, the actual adoption of it hasn't been easy, let alone a cure-all. In this way, legal is no different than any other vertical — selecting and owning a technology are very different from its successful implementation and adoption to improve operations. That's why we see ILTA's 2018 Technology Survey listed cybersecurity and technology updates as the second and third most recurrent concerns for firms.

As technology continues to become an imperative function for firms, security concerns increase and data protection is essential. In the past three years, data breaches have become commonplace, and firms have had to up their games to protect client data.

We have seen major global players like DLA Piper become a victim of a cyberattack that led to a complete shutdown of its digital operations. Firms are making drastic changes to ensure they are secure; this requires an operational transformation as well as a financial plan. For many firms, the move to the cloud allows for increased security and reduced liability. According to the 2018 Enterprise Cloud Trends Report, organizations — including law firms — are investing more in the cloud, with nearly every organization planning to increase enterprise spend in the areas of cloud and Software as a Service (SaaS) over the short- and long-term.

IS LEASING RIGHT FOR YOUR FIRM?

The changing landscape demands maximum flexibility and requires applying your resources in a smart and efficient manner. New tools, products and solutions are developed every day, creating a marketplace cluttered with options that cater to every business need.

Leasing delivers that agility. Equipment leasing and financing is a strategic solution law firms can take advantage of to face the intricate challenges of technology and embrace the countless opportunities and security benefits it offers.

Let's delve deeper into some of these opportunities:

1. **Investment in top-of-line hardware:** The purchase of technology such as desktops, laptops, tablets, printers and servers is a massive commitment. As law firms look for operational efficiency, funds locked in depreciating assets do not appear favorably on the books. With an equipment lessor, firms only have to identify their needs and find the right options.

Equipment leasing, unlike purchasing, is not a capital expenditure and does not affect a firm's debt covenant. Even in the updated 2019 lease accounting tax law, leases will be categorized as nondebt, making this a rational option for law firms.
2. **Flexibility:** 2018 was the year of law firm mergers and acquisitions, with numbers exceeding historical averages with a total of 72 mergers — a 10 percent increase over 2017 as reported by *The American Lawyer*. In such uncertain times, instead of securing equipment for teams that may not be with the firm six months from the date of purchase, firms can choose to lease equipment per their evolving needs. Leasing agreements can be drawn for the short- and long-term and are a great way to bring agility to a law firms' operations.
3. **Security:** In the era of enhanced cyberwarfare, firms are expected to offer the highest level of security for all the confidential data they hold. When new upgrades are released, a firm will need to protect itself and its clients with the most up-to-date versions of security technology available and, therefore, firms may not want to purchase the technology or software outright. In this case, financing is an intelligent option, both financially and for security reasons.
4. **Cloud migration:** Law firms have become more dynamic in the way they serve clients. They are increasingly leveraging the flexibility of cloud solutions for various aspects of their operations, including document management systems (DMS), deal rooms, extranets, e-discovery, litigation support, and of course the rampant adoption of Microsoft Office 365. Moving to the cloud is a two- to three-year decision. During that time, it does not make sense to purchase your firm's

hardware. Rather your firm should consider leasing to match the IT hardware expense to the asset's useful life.

5. **Easy maintenance:** Once you sign a lease for your equipment, maintenance becomes the responsibility of the lessor. So instead of paying an in-house tech support team and bearing the cost of salaries and benefits, firms can ask for round-the-clock support from the lessor.
6. **Customized offering:** Hardware-software combinations that best suit different roles have led organizations to reject the notion of one-size-fits-all in their technology choices. While original equipment manufacturers (OEMs) offer corporate deals for firms with sizeable orders, a lessor can truly understand your firm's requirements and build a custom package that offers variety and matches each role's unique needs.
7. **End of lease options:** At the end of lease period, leasing contracts offer firms a variety of options — from disposal to refinance along with system upgrades to outright purchases at a discounted price.
8. **100 percent financing options:** A zero-down-payment structure with custom payment schedules can make a world of difference in a law firm's accounting. Equipment lessors function on a vast pan-industry scale and can offer favorable deals to firms that banks or corporations might not be able to.
9. **Inflation protection:** Equipment leases follow fixed monthly payments (in dollar amounts or in percentages), shielding law firms from currency fluctuations as well as market inflation.

In conclusion, the days when firms could succeed through traditional relationships and ever-growing demand are over. Instead, firms need to provide their lawyers with top-of-the-line equipment, along with the mobility, speed and flexibility of the cloud. They need to manage their cash flow and spending carefully, as well as have the flexibility to change their strategic direction on a dime. Leasing can help them do that. ■

ABOUT THE AUTHOR

Scott McFeters is Founder and President of CoreTech Leasing, an independent technology and equipment lessor servicing more than 100 of the nation's most distinguished law firms. McFeters speaks widely on best practices in technology and equipment finance; his articles have been published in *Legal Management*, *Legal IT Professionals*, *Forefront* and *Law Journal Newsletters' Accounting & Financial Planning for Law Firms*. CoreTech proudly provides year-over-year sponsorships of key industry events such as the ALA Annual Conference & Expo and ILTA, among others.

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