

CHAPTER FOUR FINANCIAL CONSIDERATIONS

Public service certainly involves financial sacrifice. This should be kept in perspective; while I may earn less money than most of my classmates, government pays more than adequately. Yes, you can live very nicely on a lot less than Wall Street pays.

Leaving the private sector for public interest work will almost certainly mean taking a pay cut, sometimes a substantial one. Knowing your financial needs, as well as your potential income, can facilitate this transition. The more prepared you are for a change in salary, the better. Ideally, that means saving and investing a portion of your firm salary, paying down debt, and avoiding expensive spending habits. It also means making sure your family understands the change in spending. Ultimately, those attorneys who have made the switch feel overwhelmingly positive about trading a larger salary for more satisfying work.

Decide what you realistically can afford to do. It is important to be okay with your decision psychologically and not envious of others or regretful of your choice. If you do have to downscale your lifestyle to fit a public interest salary, you will need to be secure in the fact that you have made the appropriate choice based on your priorities. I have found that I am able to be positive, optimistic, and realistic about my financial situation.

To keep a positive outlook about a lower-paying job, consider your reasons for moving to that type of job in the first place. When calculating how your future wages will shrink your budget, factor in the ways that your new job might improve your lifestyle. A financial sacrifice is

often outweighed by substantial non-monetary benefits, such as job fulfillment or time for a personal life.

Our finances are more of an issue now than when I first left private practice in that my wife and I have since become parents and mortgagors. But I remind myself that, while I am grossly underpaid compared to lawyers in private practice, I am overpaid compared to ninety-nine percent of the rest of humanity. I remind myself as well of the incalculable value of feeling that what I do with most of my waking hours contributes to the greater good of others, and of having some waking hours left to spend with my wife and kids. And I remind myself that, in a society that values money above all else, learning what really matters to you is perhaps the best way to maximize your wealth.

Breaking Away

I kept expenses low while I was at a firm. I wanted to avoid golden handcuffs and being trapped in a job due to monetary commitments.

I took a fifteen to twenty percent pay cut when I left private practice, which was not too bad. Although I do spend less money on clothes and on going out, I only spent more before because it was part of the “firm culture,” which I do not miss.

Many lawyers find that their growing dependence on lucrative firm salaries makes them feel boxed in. The culture of firm life seems to demand a large expense account. Associates wear expensive suits, and their long hours make taking cabs, eating out, securing full-time childcare, and hiring a cleaning or laundry service a necessity. In addition, lawyers who feel unsatisfied

with their work tend to spend a substantial portion of their income on consumer goods or luxury vacations to compensate for working long hours in jobs they dislike. Rather than finding work that might pay less but offer more satisfaction, they become dependent on high salaries.

Just one month into firm life, I found myself flipping through a mail order catalog for mindless relief from my work and stumbled across an exquisite pine-columned bookcase. I had already fallen into a trap common among my fellow firm-ites that went something like: “make up for your unhappiness by spending the tons of money they are paying you to do all this tedious work.” To this day, the gorgeous bookcase that graces my daughter’s room serves as my tribute to corporate law and the level of dissatisfaction to which I had sunk.

The money held me back from making the decision to leave. I was so miserable doing what I was doing. My family life was screwed up; I had no time to see my wife or kids or to read a book. I decided the money wasn’t so important. Then I turned around and saw that the lifestyle we had built up required the income I was making. We had to start weaning off the lifestyle to which we had become accustomed. We realized we really didn’t need to have the two ski vacations a year, all three kids in private schools, and a big house in an exclusive neighborhood.

If you change your habits before you leave your firm job, you will not only find the transition easier but also may generate significant savings to rely upon later. Some law firm attorneys have a fixed amount deducted from their paychecks and deposited into an investment account. Others calculate how much they normally spend on luxury items and put that money

aside in savings or investment accounts. On a small scale, one attorney with whom we spoke quit smoking, continued to theoretically buy a pack of cigarettes a day, and invested the money he saved. If you can find a way to cut costs and put aside any money saved, you will create a financial cushion for accepting a lower paid job, and may even form the beginnings of a means to finance future expenses, such as a house or children's education.

Knowing I was going to take a pay cut helped me to save for it. I never fell into the two law firm vices—taking taxis and eating out—that consume huge amounts of take-home pay.

Several escapees suggest that you make the transition as early in your career as possible, noting that once you establish lifestyle patterns, they tend to become entrenched. The more you become used to a law firm salary, the more difficult the adjustment to a lower paid public interest job will prove. Other lawyers find that staying at a private firm for several years while diligently saving and investing money has been a practical way to subsidize future work in public interest.

Assessing Your Needs and Downscaling

Even the best philosophical outlook does not pay the mortgage.

No matter how well you save while at a firm, you will probably still have to reduce your expenses to live on a smaller salary. One former partner in a Seattle firm, now an environmental impact litigator, began downscaling long before finding a public interest job. He sold his expensive home to reduce his cost of living. Living “tighter but simpler” is not a problem for this

attorney. “I have acquired a taste for less expensive recreation, such as backpacking and bicycling, rather than more expensive sports, such as skiing and golf.”

I took a fifty percent pay cut, and I am convinced that planning a detailed family budget was the key behind the adjustment to a significantly downscaled lifestyle.

The first step in planning to live with a smaller salary is to evaluate how much you currently spend. Create a “fixed cost” budget for all planned expenses. After calculating fixed costs, add about ten percent more for unexpected expenses or emergencies. Consider the factors listed below when drawing up a rough estimate of your current expenses:

- Rent or mortgage
- Utilities (oil, gas, electric, phone)
- Student loan payments
- Car payments and repairs
- Local transportation (subway, bus, etc.)
- Medical insurance and costs
- Food (dining in)
- Other insurance (homeowner’s, life, or car)
- Childcare/schooling
- Clothing/dry cleaning
- Miscellaneous/entertainment
- Credit card interest

Project a range of possible public interest salaries: for example, what would you make if you became a legal services attorney, an Assistant U.S. Attorney, or a litigator for the ACLU?

For each job, calculate how much your current expenditures exceed your projected income in order to determine how dramatically you must cut back now.

After you have determined how much you may need to cut, decide which items you are willing to adjust or eliminate. Can you move to a cheaper apartment, take public transportation, eat in more often, or find a less expensive childcare situation?

I moved to a one bedroom apartment from a two bedroom. I had cheaper lunches and not as much dry cleaning. The transition in terms of my lifestyle was not as bad as I thought it would be.

Some of the most effective areas to cut back are in basic living expenses, such as housing. Moving to the suburbs, for instance, may save you more money over the long term than taking less extravagant vacations or eating in more often. If you have a significant amount of debt, consider consolidating your loans or refinancing your property. Try to pay off credit card debt right away, rather than allowing exorbitant finance charges to accrue, and avoid racking up debt on multiple credit cards.

It is just as important for you to determine what you cannot give up. Think through how a smaller salary will affect you and your family. If you have a spouse, partner, and/or children, discuss with them the potential ramifications of a substantial cut in pay. You need to factor into your decision the needs and expectations of those whom the change will affect. How other members of your family contribute to your income and expenses is an integral part of your budget. A dialogue with your family about developing a long-term budget and financial plan may eliminate unreasonable expectations and allow for a strategy that includes all members of the household. Together, you may be able address your needs and priorities creatively.

I feel lucky to have been supported in my 'downward' mobility by my husband and family who believe, like I do, that nothing is more important than job satisfaction.

Educational Debt

Many graduates these days are burdened with a debt load that would crush a small municipality.

Many lawyers allow law school and undergraduate debt to limit their career options and lifestyle choices. Contrary to their hope that a law degree would ensure more freedom in their lives, many lawyers find that the pressure to pay off their loans forces them to stay in private practice.

If law school loans led you to work at a firm, consider accelerating your loan payments in order to pay them off early. Diminishing debt ahead of schedule will allow you to jump into public interest work more easily.

Most loan repayment plans are stretched over a ten year period, which means that a lot of what you pay is interest on your loans. The earlier you pay down your principal, the less interest you will incur, so pay a little extra principal on student loans each month if you can. In addition, you may be able to consolidate your law school and undergraduate loans in order to streamline your payments, though some loan consolidation services carry higher interest rates than the original lenders.

Most government and student loan services charge low interest payments. Still, there is some variation in interest rates among these services. With a little research at your school's

financial aid office or at a library, you may find an organization that will buy your loans from your original creditors and allow you to pay off your debts at more reasonable rates. Also, look into the different loan payment options available from your creditors.

Law School Loan Assistance Programs

I went from making \$160,000 at the law firm to \$45,000 at the District Attorney's office. It was a painful cut in pay. My law school's loan forgiveness program made it possible, along with a very supportive husband.

Many lawyers simply don't know about their loan payment alternatives, which offer significant financial relief for lawyers in lower-paid jobs. A growing number of law schools offer plans geared toward giving graduates the flexibility to pursue low-paying legal careers. For example, some law schools offer special loan repayment programs for alumni/ae who enter public interest law and whose salaries fall below a certain income level.

Through loan repayment programs, you can apply a fixed percentage of your earnings toward your total annual loan repayment obligations. Your law school then covers the balance owed, either through grants or through interest-free loans. You can receive assistance in paying loans for the full length of loan repayment, stretching financial assistance over a ten to fifteen year period. These programs usually allow you the flexibility of signing up when your income level changes. Because qualification depends on income and/or the fact that you are doing public interest work, you may be able to join a program even if you graduated years ago.

A substantial reduction in monthly loan obligations can be the single most important factor in making your job transition possible. Some law schools do not cover certain types of debt, such as the amount your school assumed your parents would pay toward your tuition. Since

each law school's loan repayment assistance program differs, you need to learn the specifics of your own law school's program. These programs have enabled many lawyers to pursue work that they otherwise would be unable to sustain financially.

Augmenting Your Future Income

To expand your savings into an even bigger cushion, invest your money instead of keeping it in your savings account. You might want to seek the advice of a financial analyst and invest your current savings in stocks, bonds, mutual funds, or less traditional investments. Any investment venture, however, is only worth the trouble if it yields a greater net profit than the amount of interest you owe on outstanding loans. This fundamental financial principle is one many inexperienced budgeters overlook. An investment that yields a five percent profit is a net loss for someone who holds a loan with an interest rate greater than five percent. Credit card debt is the worst offender. Your dispensable income would be better used to pay off the loans first. In short, consider all your options before committing disposable income to a long-term investment.

Many lawyers who have made the move to public interest work increase their salaries by investing their time. Lawyers who moonlight often boost earnings substantially. Some public interest attorneys serve as adjunct faculty at law school clinics, write freelance articles, and teach LSAT prep and paralegal courses, to name a few options. Others have initiated entrepreneurial schemes.

I realized early on that I would not make a lot of money working for the Attorney General's office. Accordingly, I embarked on a conscious program to augment my income with outside investments. I borrowed and saved and initially tried some exotic strategies in the stock market. The results were less than spectacular—actually less than

mediocre. I then invested in several franchise deals. On one, I came out even after two years; on another, I lost \$5,000; on the third, I made \$40,000. I concluded that the volatility did not serve my long-term goal.

I next went into real estate as a limited partner with a friend who served as the general partner. This proved to be a wise decision. Over the years, we have formed a number of partnerships and gradually built up our inventory of apartments. The income generated by these partnerships now contributes a sum which equals about twenty-five percent of my total income. Coupled with my wife's earnings (she's a CPA with her own business), we do just fine. We can even afford to buy blueberries out of season and sit in the orchestra seats at the opera.

Negotiating Salary and Benefits Packages

I made the mistake of not negotiating salary aggressively enough at first. It didn't occur to me that city government could be negotiable.

Once you decide to make the commitment to a public sector job and have secured an offer, you are in a position to negotiate your salary. Most jobs have salary ranges, both to attract competitive applicants and to compensate for prior work experience. Familiarity with the reasonable salary range for someone with your background and experience puts you in a good position to obtain the salary you deserve. Remember that everything is negotiable, including your place on the federal government's GS scale. Find out what criteria the employer used to arrive at the salary offered, and use these criteria as a starting point for your negotiations. You may also want to do some research into what salaries are offered for comparable positions in comparable organizations. You may be able to enlist the assistance of your law school's career

services office in attempting to do this research; they may know some of the salary trends or may be able to put you in touch with other alumni/ae doing similar work. In addition, it is important to gain a clear understanding of what your salary increases will be in the future. If you intend to stay with the organization for several years, you should find out what lawyers make at the high end of the office pay scale. Having this information will help you to make financial decisions along the way.

Keep in mind your budget and the minimum income that you need to be happy. You may decide to accept a low offer and look for outside sources to subsidize your salary, or you may want to hold out for the position that will pay you what you need.

Assessing the Office's Financial and Political Stability

By accepting a position with a public interest employer, you are making an investment in that office. You should avoid being so preoccupied with the security of the job you are considering that you pass up a wonderful job opportunity. On the other hand, you want to feel confident that the organization is sufficiently stable, both economically and politically, to meet your personal needs for financial security. Be sure that you know enough about the organization to answer the following questions:

- How financially stable is the organization currently?
- What is its financial track record?
- Where does the funding come from?
- Are these sources reliable?
- If this is a government agency, has it been targeted for budget cutbacks?

Evaluating the Benefits

It is important to look beyond the salary offer itself to the benefits offered by an employer. Remember that a good benefits packages—health insurance, vacation, sick time, and a generous retirement plan—can be worth a cash equivalent of up to twenty percent of your salary. Government positions often offer great benefits packages. Additionally, some public interest organizations recognize that in order to keep top quality attorneys and staff for a long period of time, they must offer good savings and retirement plans and extensive health benefits. Consider the value of the benefits package when negotiating a salary. You may want to ask about the following:

- Medical benefit plan
- Does it cover your current and anticipated medical needs fully?
- What does it cover in terms of hospital stays, emergency services, mental health treatment, pregnancy-related services, ophthalmologic services and dental services?
- Does it cover prescription drugs and preventive care at little to no additional cost?
- What is the deductible?
- Do you have the flexibility to choose your own doctors?
- What are the “co-payments”—the amount you pay out-of-pocket when you go to a doctor?
- Is there an out-of-pocket maximum?
- Vacation leave
- Sick leave
- Maternity or paternity leave
- What paid leave is available?
- What is the unpaid leave policy?

- How many staff members have taken advantage of maternity and paternity leave policies?
- Disability coverage
- Sabbaticals
- Part-time schedule/flex time
- Retirement/pension plan
- What, if any, is the employer's contribution?
- What provisions, if any, are there for employee contributions?

Keep in mind, however, that you should save questions about benefits until you already have a job offer in hand.

Taking the Plunge

Besides trial experience at a District Attorney's office, here's the most important thing I learned: forget the budgets, forget the calculators. My wife and I got by on her moderate salary in the business world and on my Assistant District Attorney salary. It's an invaluable lesson. I've left the DA's office (although I still prosecute), and my wife and I have a baby girl now. My wife asked if we could afford her working only three or four days a week. If I had gotten out a calculator and figured out a budget, the answer would have been no. But immediately I said, "Yes."

Some of the issues you need to consider when contemplating a move to a lower-paying job are summarized below:

- What is the minimum salary that you feel you need to earn in your next position?

Does the job for which you are looking offer a salary of this size?

- Does the benefits package offered help offset the potential pay cut?
- What are your financial priorities? What are the obligations which you cannot adjust?
- Do you have a spouse or other family members who can help subsidize a potential drop in income?
- Can you reduce your debt load through consolidation or a loan repayment assistance program for educational debt?
- What other sources of funding, such as second jobs, investments, or inheritance are available to help subsidize your salary?
- How will this transition affect others? What are the consequences?
- Will your personal financial sacrifices be offset by a job that you find more fulfilling?

While each escapee develops a different strategy to overcome a salary reduction, attorneys who have made successful transitions have common strategies: they educated themselves about all the options available to them, they carefully analyzed their own circumstances, and then they chose alternatives that best fit their personal financial situations.

Financial considerations often loom larger when your work otherwise is unfulfilling, just as they can magically recede once you find work that engages you more meaningfully. Given the complexity and uniqueness of each person's situation, perhaps the best advice for a rewarding legal career is to gain the perspective and control over your finances that will give you the freedom to choose the work you want.