

Appropriate Trading Structures for the brave new world

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Agenda

- Issues and drivers
- Trading structure options
- Implications

⇒ Interaction



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Issues and drivers

- Economy
- Legal aid reform
- Personal injury reform
- Regulatory reform
- Demographics
- Succession
- Legal Services Act



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Trading Structure Options

- Partnership
- LLP
- Limited Company
- Corporate Partner
- Partnership of Corporates
- Hybrid
- Joint Venture



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Implications

- The Legal Services Act
 - External Investment
 - Spouse Investment
- Liability
- Image
- Financing
- Impact on Partners
- Conversion issues/simplicity
- Public disclosure
- Accounting
- Tax Savings



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Case Study

- 5 partner firm with £3m fee income and £500k profit
- Issues
 - Declining profitability
 - Increasing lock-up
 - Pressure on drawings
 - Pressure from bank
- Solution
 - Conversion to partnership of corporates
 - Tax saving £228k over 4 years including capital gains tax and maintenance costs
 - Incentive not to over-draw
 - Goodwill valuation and associated tax savings in addition
 - Buy in from the bank



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