KAR Wealth Advisors

KayneInsights

Crossing the Threshold: Financial Planning for New Law Firm Partners

Making partner is one of the most significant milestones in a lawyer's career. After years of long hours, relentless client work, and steady performance under pressure, an offer to join the partnership reflects the confidence your firm and your peers place in you. Whether the transition is newly underway or approaching, it represents more than a change in title and marks an important shift in both your professional and financial life.

> The transition to partnership marks an important inflection point in both professional and financial life.

From Paycheck to Ownership

Becoming a partner can fundamentally change your financial picture. Instead of simply collecting a salary and bonus, you are now acquiring an ownership stake in the firm, often through a significant buy-in commitment that may be funded from savings, bank financing, or other means. Your take-home income may rise meaningfully, but it will likely arrive in new forms such as draws, capital distributions, and variable compensation tied to firm performance. Elevated compensation carries with it higher expectations, from carrying appropriate insurance to meeting capital calls and other partnership obligations. Partnership elevates both your opportunities and your responsibilities, which we believe makes it important to approach your finances with the same rigor you bring to your legal work.

Early Planning Matters

From our perspective, it is wise to be intentional about financial planning early in your partnership years. Especially in a status-conscious profession like law, it is easy for lifestyle creep to divert more of your new income toward short-term upgrades instead of the long-term goals that matter most. In our experience, a structured plan can help you to decide in advance what you want your money to accomplish, so that you can channel each new dollar toward those priorities.

Putting the Pieces of Your Plan in Place

A well-constructed partner-level financial plan can turn good intentions into concrete steps. At a minimum, we believe it should address taxes, cash flow, major life events, estate basics, major purchases, and debt, so that your financial life supports your key long-term goals.

- **Tax Planning at Higher Income Levels**
  As partnership income pushes you into higher tax brackets, small decisions may have outsized consequences. Building a tax strategy early can help you retain more of what you earn over time. Steps such as planning and managing your required quarterly tax payments, making thoughtful use of deductions and charitable giving, and placing investments in appropriate taxable or tax-advantaged accounts can reduce tax drag and improve long-term outcomes for you and your family.

- **Creating a Cash-Flow Framework**
  Irregular draws and distributions can make it harder to know what you can comfortably spend in a given month. By creating a cash-flow framework, it is possible to channel variable inflows into a steady income stream that brings predictability to your household budget.

- **Preparing for Major Life Events**
  For many attorneys, the partnership years bring big personal changes such as marriage (or divorce) and the growth of families. Preparing for such events by revisiting benefits and insurance, calculating housing and childcare costs, and setting up education savings, for example, can help you to build a durable financial foundation.

- **Updating Core Estate Documents**
  As your income and responsibilities increase, outdated or boilerplate estate documents may no longer reflect your wishes. Reviewing and updating your will, powers of attorney, healthcare

directives, and beneficiary designations as needed can help ensure that if something happens to you, your assets and decision-making authority will pass to others according to your wishes.

- **Right-Sizing Big Purchases**
  Partnership can make larger homes, new cars, and upgraded vacations feel suddenly within reach. Looking at those decisions alongside your capital commitments, liquidity, and long term goals can help you strike the proper balance between making meaningful upgrades today and preserving flexibility for tomorrow.

- **Managing Debt as Income Rises**
  Higher earnings also create an opportunity to get ahead of debt, even as you fund your savings and investment goals. We believe building a strategy for paying down student loans, lines of credit, and any financing used for your buy-in can help accelerate the shift from high earnings to long-term financial security.

Partnering With KAR on Your Plan

Becoming a partner adds financial complexity alongside increased opportunity and responsibility. Managing irregular income, ownership obligations, and longer-term priorities can make financial planning feel more consequential at this stage. This is where we believe working with an experienced financial advisor can help bring structure and clarity to the process.

Kayne Anderson Rudnick (KAR) works with law firm partners to help organize the complex mix of income, obligations, and goals that come with partnership. Planning often begins by mapping buy-in terms, partnership compensation, tax exposure, savings, and family objectives into a single, integrated framework. From there, decisions around saving, investing, debt management, and major purchases can be evaluated in context, with an eye toward long-term financial stability.

As partnership economics, tax rules, and personal circumstances evolve, that framework can be revisited. The objective is not a static plan, but an approach that supports informed decision-making as responsibilities and opportunities continue to expand.

The transition to partnership marks an important inflection point in both your professional and financial life. Thoughtful planning early in your partnership years can help ensure that increased income, ownership obligations, and long-term goals remain aligned. Approached with intention, this stage of your career can serve as a strong foundation for long-term financial stability and flexibility.

Kayne Anderson Rudnick is an investment firm specializing in high-quality investment and wealth management strategies. The firm has an over 40-year history serving a diverse client base that includes high-net-worth individuals, corporations, endowments, foundations, public entities, taft-hartley clients, and mutual funds. Kayne Anderson Rudnick is known for its commitment to high-quality investment strategies and business practices. For more information, please visit www.kayne.com.

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