

DIRECT COMPENSATION ALLOCATION

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How is partner compensation allocated over the year? How much do other firms have in their year-end distribution? How much of compensation is represented by benefits and tax draws? The *Altman Weil 2003 Survey of Compensation Systems* provides answers to these often asked questions. This survey of private U.S. law firms examines compensation methodology for partners, associates, paralegals and staff.

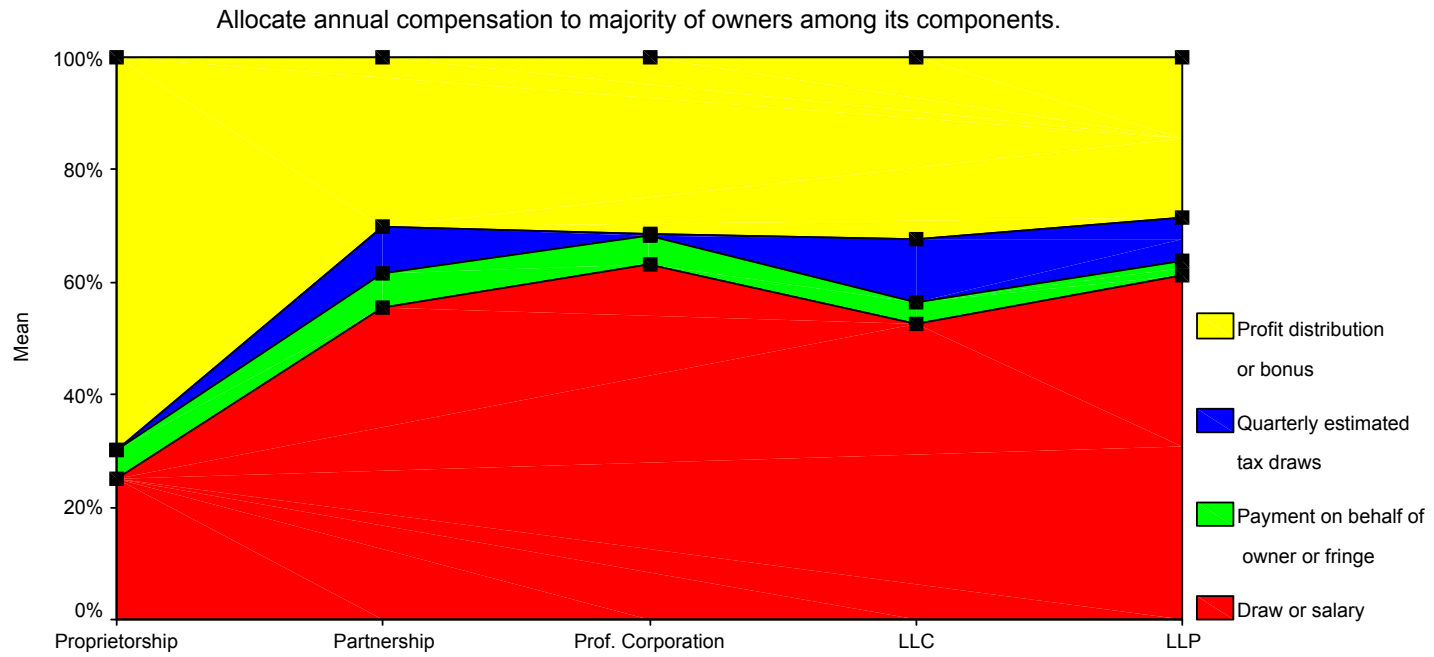
A new topic for the 2003 study is how partner compensation is allocated among the components of: salary/draw, benefits, tax draws and year-end profit distribution. The average for all firms surveyed was reported as follows:

- 60% of total compensation is paid out in a regular draw or salary.
- Another 9% is consumed by benefits and tax draws.
- This leaves 31% to be distributed at year-end.

Obviously the form of organization will have some influence on this data as professional corporations will not have tax draws (because taxes are withheld with each paycheck). But if you look only at year-end profit distribution versus all other payments (draw/salary, benefits, tax draws) combined, there is an insignificant variance among the firms. PC's distribute 31.4% of total compensation at year-end compared to the 30.2% for partnerships. LLPs distributed slightly less profit at year-end and more during the year. LLCs did the reverse. Proprietorships were the most conservative in balancing compensation during the year versus year-end profit distribution. Then again, they don't have any risk about who is going to get the year-end money!

The following charts from the *Altman Weil 2003 Survey of Compensation Systems in Private Law Firms* illustrate the compensation allocation numbers by law firm organizational type and by size of firm.

ALLOCATION BY TYPE OF ORGANIZATION



ALLOCATION BY SIZE OF ORGANIZATION

