



Why Did Alexis Neely File Bankruptcy?

1 Comment / By Alexis Neely



This really is the elephant in the room, isn't it?

If my law practice was so successful and I was making more than a million dollars a year in revenue, and only working a few days a week...

Why in the world did I file bankruptcy?

I'm by no means a person of 'victim' mentality, but the facts are the facts, and I'm going to share them with you. I'm going to be totally transparent with you so you can learn from my experiences.

It's a long story, so settle in and keep an open mind because **there are many lessons everyone can learn about life, business, money, and that you can learn about how to operate your law practice.**

Before I dive in, I'll say this ... if I had played it safe and stayed a practicing lawyer in my hometown community of Redondo Beach, I'd be rolling in the dough right now, a pillar of the community, loved by all.

doing estate planning in a new way, hosting our annual Christmas shindig and the kids' birthday parties, and bringing in more than a million a year, with over a third of that as pure profit.

That all sounds really nice, doesn't it? *It was.* But something was propelling me on.

As it turns out, this was only a stop on my life's path.

You see, I had mastered the art of attracting, engaging, and serving estate and business planning clients in a whole new way.

And, once I had mastered it, I wanted to teach it. That's just my nature. I love to share and inspire and help others. Doing law in the one to one method was satisfying, but once I mastered it, I wanted to share it with all the lawyers that needed to replace the old model with the new, one that helped bring the word "humanity" into play, and one that wasn't just about transacting.

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So there's quite a lot between that happened along the way and I want to give you the whole story, so *stay with me, if you want to learn.*

Going Against The Grain: It's My Nature (And It's Cost Me Millions I'm Happy to Have Invested — And You Get to Learn From My Mistake)

The first time I tried to sell my practice was in mid to late 2007. I had just created and launched the Client Engagement System — my second information product, but my first to succeed — to a raging success and quickly after that I had begun to offer the **Personal Family Lawyer** training for the first time.

I was running the Family Wealth Planning Institute AND my law practice, Martin Neely & Associates AND I was a single mom, with two little ones at home.

I had hit the million in revenue mark at Martin Neely & Associates the year before, for the first time. And, thanks to the law practice systems I had created in my office, I was able to go into the office just a few days a week with a team and of-counsel attorneys doing most of the work necessary to serve the clients.

But I knew something was amiss. While I knew how to market my law practice, and sell legal services, and serve clients in a new way that left them raving about our services, I did not know how to run a law practice, or any business, really — and now I had two.

For example, I had no idea how to manage the financials of my business. I just knew how to make money.

I made my first million in revenue in 2006, and then ended up \$100,000 in debt when I couldn't pay the unexpected tax bill that came along in April of 2007.

I was wholly unprepared to handle things like financial systems and taxes.

On top of that, 2007 was also the year I got the dreaded letter in the mail from the IRS that my 2005 tax return was audited.

Back in 2005, just two years into my practice, I had still been a sole proprietor because my CPA at the time told me there would be no benefit to incorporating my law practice.

This was horrible advice, for many reasons:

- Being a sole proprietor makes you 7-9 times more likely to be audited.
- Incorporating your law practice does provide you with liability protection, not from malpractice claims (*you'll need malpractice insurance for that*), but from any claims by employees and other non-professional liabilities.
- You actually can save on your taxes by incorporating your law practice, if you get taxed as an S-Corp, and make yourself an employee of your corporation.

For some reason, my CPA told me I didn't need to incorporate. I don't think she believed I was building a real business. *Please note: your job as the trusted advisor to your clients is to understand their big vision, to believe in them, and help them to get there.*

So, instead, I got to learn the hard way.

And, I'm grateful I did because today I teach these lessons to other entrepreneurs as part of my LIFT Foundation System, and teach other lawyers how to better advise their clients, and themselves with it

too.

Adding to my lack of understanding of tax and financial systems, I also had no real knowledge of the legal and human aspects of building a business.

Even though I had been a lawyer I had no idea how to hire, train and properly manage a team. I thought I was the best boss ever, but, in truth, I was likely the worst, as are many lawyers. Yes, I had control issues. And an inability to truly understand how to set boundaries and expectations properly.

I knew how to get shit done, inspire team members to follow my lead (*even if they hated me as they did it*), and pull off feats they never imagined possible.

And while Steve Jobs was able to build those kinds of abilities into the creation of Apple and the iPhone, I couldn't maintain it.

I was dying inside. **I knew that I was not being the kind of woman I wanted to be in my role as a business owner**, but I also didn't know how to lead, as I'd never really seen any examples of leadership I wanted to model.

I would find myself frequently daydreaming about writing a book, imagining myself with a call-in radio/tv show, and a popular blog or column. I believed that if I could create those things, it would be truly on purpose.

What I didn't realize at the time was that to do those things, I'd have to become the leader I didn't have any idea how to be. I thought somehow if I could "get famous," all my difficulties in managing my financials and the people who worked for me would magically resolve. (*Ha, that was the exact opposite of what happened — it all only got worse, and way more public.*)

All I knew, at the time, is that I needed to be on the road, making TV appearances, and going to events, not operating the day to day pieces of a law practice, even if I had a team of counsel attorneys doing all the work in the practice.

So I decided to sell my law practice.

Now, knowing me (*or getting to know me*), you probably know I don't do anything the conventional way. And if you don't know that about me yet, you will. *Keep reading.*

Another HUGE Mistake: How I Ended Up in \$250,000 in Debt, Got Sued and Failed at Selling My Law Practice

Since I didn't know how to sell a law practice and I had generated a big list of lawyers who were eager to work with me, I decided that the best way to sell my law practice would be to have a contest!

It all seemed to be going perfectly. I sent details of the contest to buy my law practice and work closely with me to take things over to my whole list. About 20 lawyers applied.

I carefully sifted through and sorted the applications. It was so exciting. It was happening.

I had no idea what I was doing, but that didn't matter because I was figuring it out as I went along.

I didn't think to hire a business broker.

I didn't think to upgrade my accountant relationship to someone who had experience buying or selling

didn't think to upgrade my accountant relationship to someone who had experience buying or selling businesses.

I didn't have the correct guidance any step of the way, mostly because I didn't know what questions I should even be asking.

I thought to myself, "I can figure it out" because I always had — *up until then*.

But what I had forgotten is that every time I had figured it out in the past, I had asked for and received guidance. I'd hired this coach, that mentor, that person who had succeeded already doing what I wanted to do.

This time? Nope. I probably thought "my business is too small to be handled professionally. I'm not worth all that. This isn't a big deal."

Frankly, it was my insecurity and lack of understanding about what I had created and how much of a big deal and awesome thing it was that had me make this error.

When it came to picking my buyer, I made a very, very, very, very bad choice.

I'll say it plainly — no beating around the bush. I got snookered.

A woman came forward through the contest who had worked in my office, previously. She was a lawyer, and she had worked with us after my office manager left to provide some HR services and I had always hoped she would want to run the office.

Her step-daughter was a key employee on my team.

Even though she had left her prior engagement with us without notice, with poor communication and an incomplete job, when she entered the contest, she pulled me in with a story of spiritual awakening and rebirth.

I've always been a sucker for transformation.

She made a strong case, and I so wanted it to be true, so I said yes. I turned down the other prospects and moved forward with her.

As soon as we got into the numbers, and it was time for her CPA to talk to my CPA, things started to go off the rails.

Her accountant never did contact my accountant. I didn't understand what happened or why it all fell apart until about six months later when I got into her step-daughters office email account after an incident in the office and discovered the whole family had it out for me.

To make a long story short, this team member ended up suing me — with this same woman I was going to sell my law practice to providing pro bono legal counsel to her (*remember, she was my team member's stepmother*).

I ended up having to settle for a 5-figure settlement because I couldn't afford to fight the lawsuit without the right insurance policy in place to pay for my legal counsel.

Yep, it turns out I didn't have the right insurance to protect me against an employee lawsuit. And that meant that I had to go out of pocket \$10,000 to get a lawyer to look at my case, and then to fight the lawsuit would have been so much more.

And, of course, I didn't have the right records to defend myself anyway. Remember how I thought I was the best boss ever? That meant I let my employees come and go whenever they wanted, didn't make

them document their working hours or breaks. And when I got sued for failing to pay for overtime, I had no way to prove that my team member didn't work overtime.

After the pain of getting sued by someone I had cared for (*I had paid for her son to go to summer camp and was even in the process of starting a business with her when I fired her because of the betrayal I discovered*), I was more committed than ever to sell my law practice.

But even after choosing the wrong candidate in the “buy my law practice contest,” I still didn't ask for help.

Instead, I decided I'd sell my law practice to a man who I had trained in my Personal Family Lawyer programs, who lived nearby and seemed like a sweet old lawyer who would treat my clients right.

I was oh so wrong. Again.

There were several mistakes I made when I entered into the relationship to sell my law practice. I'll write a whole other piece about that, so if you are interested in selling your law practice, you can read it first and avoid the mistakes.

But here, I'll cut to the chase.

Because I didn't understand how to read the financials of my practice, I didn't even look at his financials.

If I had, I would have seen that he wasn't going to be able to manage a million dollar law practice.

The number one requirement to have a million dollar business is to have a million dollar mindset. And this lawyer did not have that. Most people don't. It's something we grow into over time as we build the business.

But again, I didn't know that at the time because I didn't have a million dollar mindset myself. I knew how to do sales and marketing and serve clients in a new way, but I was still years away from having a million dollar business owner mindset. That would require me to learn how to lead, and manage my legal, insurance, financial and tax (*LIFT*) systems.

So, this 70-year old lawyer who had never run a million dollar law practice bought my practice in the Summer of 2008, paying on an installment plan.

I figured he would be able to pay the payments because all he needed to do was run the systems I had created, pay the team, and serve the clients.

What I didn't understand is that the first thing he would do is fire the marketing director (*because he thought she was too expensive*) and stop running the ads and marketing campaigns I had put in place (*because, again, he thought they were too expensive*). Oy.

As if that wasn't enough, he seriously pissed off a client with a \$28,000 account payable on a trust administration, so he wasn't going to be able to collect on that – I would end up writing off most of that due to his lack of finesse with serving the client.

On December 31st of that year, he called me into the office to tell me he was out of money and he would either close the practice or I could take it back.

I was shocked. How could he have run the practice into the ground so quickly? What about the team? Weren't they running the systems I had put in place? What about the clients? Were they being served to the standards I had created?

The answers were all ugly. The team was intact but leaderless. The buyer did not well serve the clients,

and the systems were running, but once he stopped running the marketing campaigns and fired the marketing director, there was little new business coming in the door.

The \$9,000 per month in recurring revenue from existing clients on our estate planning membership wasn't going to cut it to support a million dollar business.

I was stuck with two bad choices.

I could close the firm down that day, let the staff go on the spot, and leave the clients hanging. Or I could do the right thing, and keep the doors open while not taking on any new clients (*because my model was based on lifetime relationship that I could no longer offer*) and get the existing clients notified and served by other lawyers I had trained as Personal Family Lawyers in the area.

I decided to do what I knew was the right thing, even though it would cost me a pretty penny.

I couldn't take on any new clients because I knew I wasn't going to keep serving clients. So I had to move my existing clients to new counsel I trusted who would provide planning to our standards — with regular updating, ensuring assets were owned properly, passing on more than just money and Kids Protection Planning (*because most lawyers do none of these things*).

Fortunately, I had already started training other lawyers in these methodologies, and there were some in and around town who had begun to learn. Now I just had to keep paying my staff while we made the transition. It was an expensive choice, but I couldn't make any other choice.

I was going to make the best of a bad situation. And I would use my savings and credit to do it.

It cost me \$250,000 to keep the doors open for six months, pay my staff, inform the clients and transition them to their new lawyers.

About \$100,000 of that came via credit. So now, between the unexpected 6-figure tax bill, the lawsuit I settled for 5-figures, and the abrupt closure of the law practice, I was about \$250,000 in debt.

And I had more available to invest.

Investing All I Had to Learn Expensive Lessons

2009 was all about closing down my law practice with integrity while at the same time building my second business training lawyers and families on how to do estate planning for families with young children.

Plus, that year I launched another business based on the learnings I had gained about the importance of having solid legal, insurance, financial and tax systems. And it would quickly become a mid-6 figure business of its own.

My debt was high, but I was making plenty of money.

Note: I did not begin as someone fearless about leveraging debt; the first time I filled out a loan app when I was starting my law practice and ready to have a gorgeous office, I took out the minimum the banker would let me, \$50,000. I was full of shame, fear, and guilt that I needed to borrow money, back then. Fortunately, I didn't let that stop me because I could never have built what I did if I had.

On top of all that, I was also doing a lot of TV appearances to talk about legal planning for families, had published the best-selling book on legal planning for parents, and was living in a house by the ocean, with my kids in private school.

From the outside looking in, I was living the dream.

Except that dream was turning into my nightmare.

I felt trapped, stifled, and I had lost sight of why I was doing what I was doing.

The first question I asked myself was “do I even want to serve lawyers?” Many people in the legal community had been downright mean to me, and even the ones I knew were having success with my resources didn’t seem that grateful.

I began to wonder if the legal community was the right outlet for my gifts.

Then, I began to notice how much conflict existed in my life and how I was contributing to that conflict.

Finally, one day I found myself on the soundstage of the Nancy Grace show (*I was there to gossip about Tiger Woods divorce*) **and I realized at that moment that I had become a person I wasn’t proud of being**, contributing to the world negative 1,000 at least, by gossiping about other people on public television.

I swore that day I would never do TV again until it was the transformational kind of programming that made a real difference in people’s lives, and I left the studio resolute.

Within three months, we would leave L.A. for good and move East, to Colorado.

I needed to find a path that felt sustainable. And good. And right. And true. And beautiful.

Unfortunately (or fortunately depending on how you look at what I learned from it), I had to let go of everything to find that path.

At this point, I was around \$350,000 in debt.

On top of the tax bill (*\$100,000*), the lawsuit settlement (*\$50,000+*), and the law practice closing abruptly (*\$100,000 from credit*), I also invested \$87,000 in a mastermind (*it was \$100,000, but I paid in full using credit and got a \$13,000 discount for doing so*). So I was loaded down.

But, I took on more, because, at that point, I was already in so deep that I figured I might as well take on more debt with the hope that I could build a business I would want to keep working in and pay off the debt I had taken on.

I decided to invest all the remaining credit I had access to into creating a community on a farm I had bought.

I gave a friend of mine from California (*who would be the caretaker of the property*) my credit card info and said: “go for it – create something awesome here.”

I stayed focus on running both businesses, trying to be in a relationship and be a mom.

\$150,000 later, we had a beautiful garden, retreat center, sand volleyball court, two Mongolian yurts, and a budding community.

The farm was beautiful from the outside. But like everything else I created before I truly understood the meaning of leadership, the foundation was severely cracked.

I hadn't yet learned my lesson about how important the foundation was. This would be the final straw.

By August of 2011, I had another big choice to make:

- Keep going as I was (working way too much, miserable, not able to get along with anyone on my team because I didn't know how to manage my emotions or lead other people, let alone myself).
- Figure out a way to get the farm turned into a revenue-generating business that could support itself and my family, or...
- Move to the farm and cut all my expenses and live for a year doing only what I would do for free. And only managing what I honestly could: focus on my kids, laundry, groceries, cooking, drive the kids to school, etc. No assistant, just a bare-bones team to support the clients that wouldn't go anywhere even if we told them to leave.

I chose the latter route.

I moved to the farm. The funny part is that I swore up and down when I bought the farm that I would never live there. But maybe some part of me knew I would. Knew I needed to live there, to spend a year taking money off the table and, yes, ultimately to make the decision to file bankruptcy.

Making the Decision to File Bankruptcy

Now, you can imagine (or maybe you can't), deciding to go bankrupt was not an easy decision.

I knew I would be giving up so much more than just my credit score. I'd be giving up my reputation. Most famous people who file bankruptcy (other than Trump), did it before they had built a name for themselves (Brendon Burchard, Jack Canfield, Walt Disney).

But I already had a brand and an image as a successful lawyer, and I was teaching other lawyers who I knew might not trust me as a teacher anymore when they found out about my bankruptcy.

I decided to do it anyway. *Why?*

Because it was the best of three options:

1. **Negotiate down and pay off the debt.** Pros: good for the brand/image (people love debt pay off stories). Cons: would have a massive tax bill for portions of the loan forgiven, would take a long, long time, would require me to continue to serve under a not ideal business model that was not doing the most good possible for the most people and that was sucking my life force energy.
2. **Do nothing.** *I could no longer do nothing.* The debt payments were sucking my creative energy and requiring me to compromise daily to pay them. I jeopardized my health, my relationship with my kids and I could feel the desire to compromise my ethics and sell things to people I didn't think needed them. That was not something I was willing to do, ever. My dad had been a con artist, and I swore I would never compromise and use my natural-born sales ability to something I didn't believe in.
3. **File bankruptcy.** Pros: Immediate fresh start, debt is totally clear, no tax bill, reasonably easy to rebuild credit, and I would learn a considerable amount about the process so I could help others make smart decisions about money and credit and business. Cons: I would have to face my biggest fear and let myself run out of money.

To qualify to file bankruptcy, I could not earn more than \$5,000 per month for a year before I filed.

The only way I could afford to live on so little was to move to the farm and stop paying any bills, other than the most essential.

I feel ashamed to say this because so many are living on so much less, but I **felt afraid more than a few times that year** when I went to the grocery store that I wouldn't have enough to buy all of what we

needed to feed my family.

But with two kids, no money from the ex-husband, and just \$5,000 per month, it was tight (*I'm sure you know*).

That was a year of learning, growth, and evolution. Maybe my biggest.

For the first time in my adult life, I got to discover who I was and what I really would choose to do, if I weren't doing it for the money. I only did what I would be willing to do for free.

I came to love living the simple life at the farm. There were times I thought I would never make it back from there and that maybe I could (*and should*) surrender to a quiet life with kids and simple work.

While that sounded nice in one respect, I knew that too was not my path. Sure, it would be comfortable and sweet. But, that wasn't what I came here for, and I couldn't just settle in there. Not yet.

So, on August 27th, 2011, I filed bankruptcy.

And then, it was time to ask myself what's next.

Now that I had a fresh start, what did I want to do with the rest of my life?

I took an inventory of the things I chose to do when I couldn't earn money and was doing them for free, and I discovered a few surprising things.

First and foremost, **there was a group of lawyers who had been in my training program since 2007 and they stuck with me** through the time when I had nothing new to give them.

These lawyers **happily paid for the work I had already created that they got to use**, even though it was not the easiest to access, and I was not available to offer one to one support, as I had been in the past.

They didn't care. **They loved the resources I had created, and they kept paying the company so they could use those resources.** I began to realize that I truly had something of value for these lawyers. I wasn't just a good salesman, as I had feared. They were benefiting tremendously from the work I had created.

On top of that, when I moved to Colorado, my close friend, Martha Hartney, was graduating from law school.

In fact, I had moved out to Colorado after speaking at Martha's graduating law school class in Denver law.

And Martha wasn't sure what area to choose to start her law practice. She was considering possibly being a public guardian or working in the children's court, and I knew that if she did that, she would not end up happy in her work or her life.

She needed to earn a great income to be able to support her kids. She wanted to make a difference in people's lives. She wanted to work for herself, on her own schedule so she could still be there for her kids, as she had been as a stay at home mom.

I suggested to Martha that she try the Personal Family Lawyer® systems and become an estate planning lawyer for families in her community. She said no. She was sure she didn't like estate planning in law school. Thought it was just for old, rich white guys and she wanted to serve people she cared about. And she thought it would be dull and boring.

I persuaded her to give it a try and see if she liked it – because really, would I choose a practice area that

was dull or boring? No. And after quite a bit of consideration, she dove in.

Watching Martha apply the Personal Family Lawyer systems and not only fall in love with her practice, but also build an income she could count on, straight out of law school, was a game-changer.

Finally, I knew for sure that what I had created was genuinely needed in the world.

I couldn't abandon it; it was worthy of my full investment of time and energy.

I would then and there incorporate the New Law Business Model, originally a partnership between Martha and me to create the Estate Planning Bootcamp (*showing lawyers the bare minimum they'd need to know to start counseling clients on legal life planning matters*).

Little by little I rebuilt what I had killed off.

New Law Business Model licensed the resources from the Family Wealth Planning Institute and began the process of updating and upgrading them.

I took everything I had learned and all the mistakes I had made in building the Family Wealth Planning Institute (and my law practice) and built New Law Business Model on the solid foundation of rock bottom.

I still had a lot to learn about leadership, managing my financials, and managing my time.

The journey post-bankruptcy has been illuminating.

I am now able to see exactly where I didn't have the million dollar mindset (*or business systems*) needed to sustain what I had created.

I taught myself (*and now thousands of other people*) **a new way of looking at money** that allows me to make wise choices about how I use my resources, not from a place of fear and scarcity, but a place of clarity and truth, knowing that there is always actually enough.

And I've identified a "dis-ease" many of us have that causes us to make poor decisions about our how we use our time, energy, attention, and money called Money Dysmorphia, which I am now writing a book about.

By facing my own inner (*and outer*) conflicts, **I've discovered the root cause of a significant amount of conflict** in marriages, business partnerships, and families and I am working 1:1 with people again to resolve these conflicts, so I can begin to document the methodology and teach it to other lawyers.

And now, I can offer the lawyers we serve (*lawyers who serve families and business owners and want to make a substantial positive impact with their law degrees, not just create form documents*), not just sales and marketing guidance, but **the tools to build sustainable law practices on an entirely new law business model**.

My bankruptcy is behind me, and the lessons I learned about life and business along the way have been invaluable.

The lawyers, families, and business owners I serve benefit today from those lessons without having to make the same mistakes I did.

Sadly, some people judge me for having filed bankruptcy.

I'm not sure what to say about that other than that it can serve as a good filter for who I want to work with and who I don't.

Those that judge me or blindly believe the hate mongers out there without investigating further themselves, miss out on the benefit of the work I've created.

Those who can see that mistakes are our greatest opportunities to learn and are willing to learn from my mistakes benefit the most.

If you are in this latter group, you can read the results and success stories of the people who have applied my systems, learned from my mistakes and are creating their success as a result.

And join us... we welcome you into the fold of happy lawyers who are loved by their clients and love what they do.

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1 thought on “Why Did Alexis Neely File Bankruptcy?”



JOYCE WILSON

APRIL 17, 2019 AT 3:33 PM

Alexis, your story is much like a lot of us who are pure of heart and tend to see the good in people. I appreciate your help with our family's estate planning. You and your associates took the time to ask about our family's needs and personal preferences. It is a model that my husband and I have adopted for our own Insurance Agency.

Not sure if you will remember me, but I would love to chat with you and catch up.

Joyce Wilson

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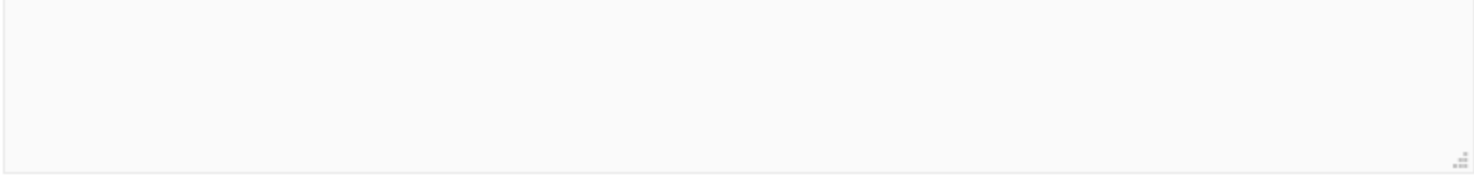
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