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### Where Does All That Associate Money Go?

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Kathryn Cole, a 25-year-old who earned her J.D. last year from the University of Michigan Law School, accepted a position at Quinn Emanuel Urquhart Oliver & Hedges in Silicon Valley. Her starting pay was \$135,000, but before she even began working she got a \$10,000 raise. Then in January, just a few months into the job, her salary went up another \$15,000.

Cole, who grew up in rural South Carolina, said she makes more than both her parents combined. On learning about her salary hike, she headed to Cost Plus World Market and bought a new couch for \$500. "It was off-white," she said. "But having gotten that second raise, I spent the extra \$60 for the dark green slipcover that I really wanted."

That was the extent of her splurge. She and her husband rent a townhouse in Redwood Shores, and dine at home most nights. The raise will allow Cole to pay off her law school loans faster, she says, so that they can start saving to buy a house somewhere on the Peninsula.

Like many of her contemporaries, Cole has been the beneficiary of increased competition for legal talent. Quinn Emanuel; Fish & Richardson; Skadden, Arps, Slate, Meagher & Flom; Sullivan & Cromwell; and Weil, Gotshal & Manges are among the firms that have raised California first-year associate salaries to \$160,000 this year, nearly double the median salary for all San Francisco Bay Area lawyers.

According to online compensation provider Payscale.com, the median San Francisco attorney makes \$89,827. Meanwhile, a software developer earns about \$75,800 and an architect around \$62,300.

Although the little green bills appear to be raining down on fresh graduates like on no generation before, several young lawyers interviewed for this story seemed more concerned with the practical items in life than with spending their earnings lavishly. None said they felt particularly wealthy and none admitted to a big celebratory splurge.

Still, most said their lifestyle is comfortable -- if not luxurious -- and several admitted under the cloak of anonymity to driving shiny BMWs and paying higher rent to live without roommates in expensive neighborhoods.

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## **TO BE OR NOT TO BE WEALTHY**

When John Edwards, another Michigan law school alum, agreed to work at the San Francisco office of Kirkland & Ellis, starting pay at the firm was \$125,000.

Like Cole, he watched his salary swell to \$160,000 earlier this year as Kirkland kept pace with the competition. Edwards, a patent litigator and Idaho native, said he's now making about twice as much as his friends in smaller markets. His disposable income, however, isn't double theirs.

"It's a lot," Edwards, 30, said, "but so much tax goes out of the realized money that I'm receiving -- and the cost of living -- it still feels like I'm not wealthy," he added. "Some friends in smaller markets like Phoenix are already buying houses."

Edwards, who has two small children under the age of five, rents a two-bedroom house in Millbrae, Calif., and drives a 1995 Toyota Tercel.

Mymy Henderson and her husband have gone ahead and bought their first house, and the salary boost she received at Fish & Richardson helped. Henderson, a first-year patent prosecutor at the Boston-based firm, moved to the Bay Area a few years ago from Chicago, where she worked as an engineer at Motorola. She received her J.D. last year from Hastings College of the Law.

Henderson said the salary jumps to \$160,000 took her by surprise. "I wasn't aware of the salary wars," she said. "I wasn't expecting it at all." But it was a pleasant change, the 34-year-old said, one that allowed her to spend a little more on property than she and her husband had planned.

Originally, the couple had looked at townhouses and condos, she said. They ended up buying a new house in Menlo Park, Calif., even as Henderson continues to make payments on her student loans.

Loan payments can run more than \$10,000 a year. According to the nonprofit Law School Admission Council, best known for administering the LSAT, the average debt for graduates who took out both federal and private loans is about \$90,000. That amounts to payments of almost \$1,100 per month on a 10-year plan.

Then there is Uncle Sam and his relatives. Federal and state income taxes combined shave nearly \$50,000 off annual compensation of \$160,000 if you're single, according to Chris Kollaja, an accountant with A.L. Nella & Co.

And don't forget about clothes, dining out, booze, entertainment, cars and rent. One first-year associate who spoke on condition of anonymity said he drives a BMW and pays \$2,200 per month for his Los Altos, Calif., apartment, roommate-free.

## **PAY AS YOU GO**

But situations and lifestyles vary. Some young lawyers clawed their way through school without taking on debt, like Joan Shreffler. The first-year associate at Skadden Arps bartended while studying at the University of North Carolina, Chapel Hill. She also put away money she earned in her summer associate jobs.

The \$160,000 annual salary Shreffler now makes at Skadden allows her to live in the Russian Hill neighborhood of San Francisco and still have money to pump into savings for a house. She used a salary advance to pay off her 2002 Ford pickup.

On the flip side, associates note the obvious tradeoff inherent in their brand of comfortable living. Billable-hour expectations range from 1,900 at Fish to more than 2,000 at Kirkland and Quinn Emanuel. Quinn Emanuel's Cole said she is a little ahead of the 2,000 hours at her current pace, which means she and other associates strive to bill at least eight hours each day.

"I see the salary as being generous relative to what I was making as an engineer," Fish & Richardson's Henderson said. "But I'm working more hours, so maybe in the long run it balances out. I definitely have more stress than I did in engineering."

Matthew Einbinder, a second-year Simpson Thacher & Bartlett associate who benefited from the first round of associate salary increases when he was a first-year, today makes an annual \$170,000. The majority of his paycheck goes toward the nearly \$125,000 in student loans he acquired from undergraduate studies at Columbia University and law school.

A self-dubbed minimalist, the 28-year-old shares an apartment in Palo Alto, Calif., with two housemates and drives a Volvo S40 that he bought from his mother when he graduated from University of Virginia School of Law in 2005.

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While some get happy buying a Lexus -- or a couch -- Einbinder said he prefers the frugal lifestyle. His idea of a great vacation is bicycling through Oregon and Idaho with a close friend, sleeping in parks and on the floors of churches.

"We can get by with pretty little and be pretty happy," he said. "Almost everything you have at some point becomes a liability. It's just so nice to pick up and go somewhere new, and not have to drag a couch."