

Starting Strong Series

Episode 4: Trust Account Compliance Resources

Trust Account Compliance Checklist

Initial Setup

- Open IOLTA account at bank experienced with lawyer trust accounts
- Ensure account earns interest for IOLTA program
- Set up completely separate bank from operating account if possible
- Install specialized legal trust account software
- Create three-ledger system:
 - Individual client ledgers
 - Master trust account ledger
 - Operating account ledger for comparison
- Establish monthly reconciliation schedule
- Create document filing system for trust account records

The Six Core Rules Compliance

Rule 1: Segregation

- Client funds completely separate from personal/business funds
- Never "borrow" from trust account, even temporarily
- Never deposit personal money to cover shortfalls

Rule 2: Record-keeping

- Maintain separate ledger for each client
- Keep master ledger of all trust account activity
- Preserve all bank statements and cancelled checks
- Document every deposit and withdrawal

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Rule 3: Timely Deposits

- Know your state's deadline (typically 1-5 business days)
- Calendar system for deposit deadlines
- Deposit client funds promptly upon receipt

Rule 4: Proper Withdrawals

- Only withdraw for authorized purposes:
 - Paying the client
 - Paying expenses on client's behalf (with authorization)
 - Transferring earned fees to operating account
 - Correcting deposit errors

Rule 5: Regular Reconciliation

- Monthly reconciliation completed
- Bank balance equals sum of individual client balances
- Discrepancies resolved immediately

Rule 6: Safekeeping

- Protect funds from loss, theft, or misuse
- Secure access to account
- Proper authorization procedures

The Seven System Approach

System 1: Separate Everything

- Different bank for trust account
- Impossible to accidentally transfer between accounts

System 2: Trust Account Software

- Specialized legal software (not basic accounting)
- Automatic client ledger maintenance
- Built-in reconciliation tools

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System 3: Three-Ledger System

- Individual client ledgers
- Master trust account ledger
- Operating account ledger

System 4: Monthly Reconciliation Ritual

- Same day each month scheduled
- Print bank statement
- Reconcile to records
- Resolve discrepancies immediately

System 5: Document Everything

- Source document for every deposit
- Authorization for every withdrawal
- Copies of all checks and deposit slips
- Transfer documentation

System 6: "Never" Rules

- Never deposit personal funds in trust account
- Never withdraw more than client's balance
- Never use trust account for business expenses
- Never make withdrawals without documentation

System 7: Get Help When Needed

- Know your state bar's trust account assistance programs
- Get help immediately if problems discovered
- Don't try to fix violations yourself

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Monthly Trust Account Reconciliation Template

Reconciliation Date: _____ Bank Statement Date: _____ Performed by: _____

Bank Reconciliation

Item	Amount
Bank statement ending balance	\$ _____
Add: Deposits in transit	\$ _____
Less: Outstanding checks	\$(_____)
Adjusted bank balance	\$ _____

Outstanding Checks

Check #	Date	Payee	Amount
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
Total Outstanding			\$ _____

Client Balance Reconciliation

Client Name	Ledger Balance
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
Total Client Balances	\$ _____

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Verification

Adjusted bank balance: \$ _____ Total client balances: \$ _____ Difference: \$ _____
(Should be \$0.00)

Discrepancy Resolution

If difference is not \$0.00:

- Check for math errors in ledgers
- Verify all deposits recorded correctly
- Confirm all withdrawals authorized and recorded
- Review bank statement for errors
- Check for unrecorded transactions

Resolution notes:

Monthly Review Checklist

- All client payments deposited timely
- All fee transfers properly documented
- No negative client balances
- All withdrawals properly authorized
- Bank statement reviewed for unusual activity
- Client ledgers updated and accurate
- Filing system current

Reconciliation completed

by: _____ Date: _____ Signature: _____

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State-Specific Requirements Reminder

- Review your state's specific trust account rules
- Verify deposit timing requirements for your jurisdiction
- Confirm reconciliation frequency requirements
- Check for additional reporting obligations
- Ensure compliance with IOLTA interest requirements

Notes:
