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Interest on Lawyer Trust Accounts (IOLTA)



At the county public defender's office I did not need to know how to handle client funds. I think the systems laid out in the Washington State Rules of Professional Conduct (RPC) are well thought out to avoid conflicts with clients.

RULE: RPC 1.15A(c)(1) requires a lawyer to deposit and hold in a trust account any funds belonging to a client or third person. This includes, among other things, fee advancements and settlement amounts. If the amount of interest on client's funds would create a "positive net return" (i.e. interest > setup costs) then the lawyer needs to set up an interest-bearing trust account for the client. If you do not arrange an interest-bearing trust account then get client's written acknowledgment and document the reasons (i.e. no "positive net return")

POLICY: A trust account protects client funds from a lawyer's creditors and personal financial problems. Also, clients have time to dispute their bill statement before paying the attorney.

EXAMPLE: Client sends a check that contains both earned fees and a fee and cost advance.

1. First the check must be deposited "intact" into trust account.
2. Record information in check register.
3. Disburse funds earned by:
 - a. Having written evidence supporting issuance of each check.
 - i. "Lawyer may withdraw earned fees only after giving reasonable notice to the client...through a billing statement."
 - ii. Provide client with written accounting after distribution or upon request.
 - iii. Withdrawals to pay costs do not require you to give prior notice to client.
4. Leave unearned funds in trust and return to client at close of representation.

RECORDS: Records must include the following nine items.

1. Checkbook Register
 - a. Deposit information including the date, payor and amount.
 - b. Checks issued information including date, check number, payee, description, client reference, and amount.
 - c. Record all other disbursements
2. Individual client register showing all receipts, disbursements, or transfers by client.
3. Copies of any fee or cost agreements
4. Copies of any accounting statements showing disbursements to them or from them.
5. Copies of bills for legal fees and expenses rendered to clients
6. Copies of invoice, bills, or other supporting documents.
7. Bank statements, copies of deposit slips and cancelled checks
8. Copies of all reconciliations
9. Copies of the portions of clients' files that are reasonably necessary for a complete understanding of the financial transaction.

FINAL TIPS: Disputed funds must remain in the trust account. Lawyers are required to take "reasonable action to resolve [a dispute]...including, when appropriate, interpleading the disputed funds."

To avoid confusing accounts, order checks and deposit slips that are a different color than your normal business account checks and deposit slips. Additionally, put the words "IOLTA Account" in the address information area of the check. I think clients will be very pleased to know how professionally their attorney handles their money.