CLIENT TRUST ACCOUNT HANDBOOK
(Rev. April 2018)
A Guide to Creating and Maintaining Client Trust Accounts

Table of Contents

I. INTRODUCTION - THE IMPORTANCE OF CLIENT TRUST ACCOUNTING.. 1
   A. A Lawyer's Ethical Obligations ................................................................. 1
   B. Disciplinary Treatment of Management of Trust Property and Funds .......... 2

II. OVERVIEW OF A LAWYER’S DUTIES IN HOLDING PROPERTY IN TRUST 3
   A. General Duties Under Rule 1.15 ................................................................. 3
   B. Definitions ................................................................................................... 4

III. IDENTIFYING AND PROTECTING TRUST PROPERTY ....................... 6
   A. Key Characteristics of Holding Trust Funds and Property ......................... 6
   B. Funds to be Held in the Client Trust Account .............................................. 8
   C. Trust Property Other Than Cash ................................................................ 9

IV. BASICS OF OPENING AND OPERATING A CLIENT TRUST ACCOUNT .... 10
   A. Determining the Kind of Client Trust Account ........................................... 10
   B. IOLTA Client Trust Accounts ..................................................................... 11
   C. Opening the Client Trust Account ............................................................... 12
   D. Handling Certain Types of Funds and Property .......................................... 14

V. CLIENT TRUST ACCOUNTING ................................................................ 24
   A. Establishing Accountability ....................................................................... 24
   B. Essential Accounting Systems ................................................................. 28
   C. Tracking Client Trust Account Funds: Record Entries ............................... 32

VI. SAMPLE CLIENT TRUST ACCOUNT TRANSACTIONS, TRUST ACCOUNT
    TRIAL BALANCES AND TRUST ACCOUNT RECONCILIATION .................. 37
   A. Sample Client Trust Account Transactions ............................................... 37
   B. Sample Client Trust Account Trial Balances ............................................. 44
   C. Sample Monthly Client Trust Account Reconciliation ................................ 47
   D. Sample Trust Account Record Forms ...................................................... 50
VII. WHERE TO FIND HELP ........................................................................................................ 50
    IOLTA Enrollment Forms and Instructions .................................................................... 65

APPENDIX .................................................................................................................................. 1
    Suggested Sources for Researching Ethics Issues .......................................................... 1
    Trust Accounting Software Resources ........................................................................ 2
    Generic Accounting Programs ..................................................................................... 2
    Stand-Alone Programs .................................................................................................... 2
    Trust Account Programs for Integrated Systems ............................................................ 2

Written by Mary F. Andreoni, Education Counsel, ARDC.

The Client Trust Account Handbook is intended solely for educational and informational purposes and nothing contained in this book is to be considered as providing legal advice or advisory opinion and is not a substitute for doing independent legal research or seeking the advice of legal counsel with respect to specific legal problems.

For additional copies of the Handbook, copies of the Illinois Rules of Professional Conduct and procedural rules governing attorney admission and discipline, or other information on any other ARDC publications, please visit the ARDC website at www.iardc.org or contact the ARDC, One Prudential Plaza, 130 East Randolph Drive, Suite 1500, Chicago, IL 60601-6219, 312/565-2600 or 800/826-8625.
I. Introduction - The Importance of Client Trust Accounting.

A. A Lawyer's Ethical Obligations

The ethical importance of the creation and maintenance of the client trust account is rooted in the general principle that a lawyer who holds the funds or property of a client or third person in trust, even if for a brief time or intermittently, has the duty as a fiduciary to safeguard and segregate those assets from the lawyer's personal and business assets.

Rule 1.15 sets forth the ethical duties a lawyer must fulfill in holding the funds of clients or third persons that are received by the lawyer in connection with a representation. The duties set forth in Rule 1.15 are intended to eliminate not only the actual loss of client or third person funds but also their risk of loss while in the lawyer's possession. See In re Bizar, 97 Ill. 2d 127, 132, 454 N.E.2d 271, 273 (1983). To fulfill the duties set forth in Rule 1.15, a lawyer's handling of trust funds must be: (1) separate, i.e., client or third person funds must be segregated from the lawyer's own property; (2) accountable, i.e., the lawyer must be easily able to account to the client or third person through updated and accurate records of the funds being held in trust; and (3) identifiable, i.e., the funds being held in trust must be readily recognized as the property of others.

Holding property in trust is a non-delegable, personal fiduciary responsibility as long as that property remains in the lawyer’s possession. This responsibility cannot be transferred and is not excused by ignorance, inattention, incompetence or dishonesty of the lawyer or by the lawyer’s associates or non-lawyer employees. Although a lawyer may employ others, through adequate training and supervision, to assist the lawyer in fulfilling his or her duties under Rule 1.15, the lawyer is solely responsible for ensuring that the duties imposed by Rule 1.15 are being met.

The need to handle with scrupulous care funds entrusted to a lawyer by a client or third person should be self-evident. Nonetheless, cases continue to arise where practicing lawyers, either inadvertently or intentionally, mishandle trust funds, subjecting clients and third persons to the risk of economic hardship and undermining public confidence in the legal profession. The purpose of this Handbook is three-fold:

1. To describe the rules for handling trust funds and property;

2. To provide a practical guide to the basics of opening and maintaining the client trust account; and

3. To give guidance on certain unresolved questions concerning the handling of trust funds.

The Handbook will serve its purpose if it promotes better safeguarding of trust funds, facilitates greater accountability and reduces the number of complaints annually received relating to the maintenance of trust funds. It is not intended to address all the ethical issues that might arise when handling client or third person property. To help you find answers to these and other professional responsibility questions, you may call the ARDC Ethics Inquiry
Program at either the Chicago office at: 312/565-2600 or 800/826-8625 or the Springfield office at: 217/522-6838 or 800/252-8048. The program provides general research and guidance on hypothetical questions regarding ethics issues and the Rules of Professional Conduct. We encourage your input regarding this Handbook or any of its provisions by contacting the ARDC at one of the above telephone numbers.

**B. Disciplinary Treatment of Management of Trust Property and Funds**

The primary objectives of the disciplinary system are to safeguard the public and to maintain the integrity of the legal profession. *In re Neff*, 83 Ill. 2d 20, 413 N.E.2d 1282 (1980).

With regard to client trust accounts, the Illinois Supreme Court in *In re Clayter*, 78 Ill. 2d 276, 278, 399 N.E.2d 1318, 1319 (1980), admonished lawyers of the importance in properly safeguarding trust funds:

> This case presents this court with an opportunity to admonish the bar of the State that it is absolutely impermissible for an attorney to commingle his funds with those of his client or with money he holds as a fiduciary. Unfortunately, many attorneys are either unaware of, or indifferent to, this proscription.

Despite the Court's admonition in *Clayter*, the mishandling of client funds continues to be a problem. The improper handling of client funds is consistently one of the most frequently alleged type of misconduct found in formal complaints filed before the Hearing Board.

In a disciplinary case involving Rule 1.15 violations, the Hearing Board observed:

> Fourteen years after [the Supreme Court's admonition in *Clayter*], we are still contending with attorneys who are either ignorant or scornful of the rule. At some point, something must be done to get the Bar's attention . . . . We hope we are beyond having to discuss the seriousness of commingling, but it bears repeating that the harm to the public is no less if the attorney who commingles does so with a pure heart. The Court observed in *In re Enstrom*, 104 Ill. 2d 410, 417, 472 N.E.2d 446, 449 (1984) that commingled funds may become subject to the claims of an attorney's creditors or otherwise encumbered by operation of law. A tax lien, insolvency, a dissolution of marriage proceeding, or the death or incapacity of the attorney are just a few events that can tie up a client's assets for years, if not permanently deprive him or her of those assets. As the Court said in *In re Enstrom*, 104 Ill. 2d 410, 417, 472 N.E.2d 446, 449 (1984): "The rule is intended to guard not only against the actual loss of the funds but also against the risk of loss." Citing *In re Bizar*, 97 Ill. 2d 127, 132, 454 N.E.2d 271, 273 (1983).

Respondent's assertion that the nature of his practice did not require him to have a client trust account does not excuse his failure to comply with Rule 1.15(a). Had Respondent deposited the check into a separate, identifiable trust account and then disbursed the proceeds promptly upon the written direction of the parties, this case would never have occurred and the funds would have been safe. The risk of loss of client funds strongly
militates in favor of strictly enforcing the rules regarding their safekeeping. *(In re Van Beek, 93CH 34 (4/15/94 HB Report at p. 16).*

The ARDC investigative staff approach every complaint that suggests the mishandling of client funds as a potentially serious case meriting close scrutiny. Such complaints usually require inspection of a lawyer's account records, related client files, and bank records to assure that no impropriety has occurred.

Where the evidence shows misuse of funds, formal charges will be pursued whether or not the client has ultimately been reimbursed. Sanctions for improper handling of client funds range from censure to disbarment. In cases where the evidence suggests dishonest motives or reckless disregard for the client's or third person's property, disbarment or a lengthy suspension will usually be sought.

II. Overview of a Lawyer’s Duties in Holding Property in Trust

Whenever a lawyer holds the property of a client or third person in connection with a representation, Rule 1.15 applies. Rule 1.15 governs the requirements and procedures a lawyer must follow while holding that property. Entitled "Safekeeping Property," Rule 1.15 applies to both funds and tangible property. Since lawyers are most frequently holding funds on behalf of a client, this Handbook will discuss the requirements of Rule 1.15 mainly in the context of holding client funds, i.e., any form of money. See definition of "funds" in Rule 1.15(j)(1). Nevertheless, Rule 1.15(a) is clear that the requirements and duties expressed in Rule 1.15 apply with equal force to tangible property held in trust by the lawyer. All property that is the property of clients or third persons, including prospective clients, held by the lawyer should be held with the care required of a professional fiduciary. See Comment [1] to Rule 1.15. Also, by using the word “safekeeping” in its title, Rule 1.15 requires the lawyer to do more than just hold property, the lawyer must take adequate precautions to “safekeep” or protect the property from actual or potential loss.

A. General Duties Under Rule 1.15

Rule 1.15 imposes several affirmative duties upon lawyers governing their handling of property held in trust for clients or third persons in connection with a representation. Those duties include:

1. **Duty to Notify Promptly**

   A lawyer has a duty to notify clients or third persons promptly upon the receipt of funds or other property in which the client or third person has an interest. The rationale for this duty is that since the funds belong to the client or third person, the client or third person must make necessary decisions about what to do with their property. See Rule 1.15(d).

2. **Duty to Segregate**

   A lawyer has a duty to keep client or third person funds or property separate from the lawyer's own property, so that the property is protected from actual or potential loss. See Rule 1.15(a).
3. **Duty to Maintain Complete Records**

A lawyer has a duty to properly maintain complete records of client trust account funds and other property held in trust pursuant to Rule 1.15 for a period of no less than seven years after the end of the representation. See Rule 1.15(a). In addition, Rule 1.15(a) specifics what complete records of client trust account funds a lawyer must prepare and maintain. Also, Supreme Court Rule 756(d) requires all Illinois lawyers, as part of the annual registration process, to disclose whether the lawyer or the lawyer’s law firm maintained a client trust account during the preceding year.

4. **Duty to Account to Client**

A lawyer has a duty to promptly render a full accounting, upon request, to the client or third person regarding the funds or property held or distributed by the lawyer. See Rule 1.15(d).

5. **Duty of Prompt Payment or Delivery of Client or Third Person Property**

A lawyer has a duty to promptly pay over or deliver to the client or third person any funds or property that the client or third person is entitled to receive. See Rule 1.15(d).

6. **Duty to Preserve the Integrity of Trust Property**

The single most important duty in handling trust property is the duty to refrain from using that trust property for any purpose whatsoever, other than as directed by the client or third person on whose behalf the lawyer is holding property in trust. This includes any unauthorized use by the lawyer of the client's or third person’s funds entrusted to the lawyer, including not only stealing, but also unauthorized temporary use for the lawyer's own purpose, whether or not the lawyer derives any personal gain or benefit. Misappropriation occurs not only when the lawyer uses the trust funds to pay the lawyer's own personal obligations, but also, for example, when the lawyer disburses trust funds to one client before the deposits, which are the source of the disbursement, have either cleared or are at least available for withdrawal, thereby using one client's funds to pay another client. *In re Elias*, 114 Ill. 2d 321, 499 N.E.2d 1327 (1986).

**B. Definitions**

1. **"Trust" Account**

The word "trust" is used to reflect the fiduciary role in which a lawyer receives or holds property in connection with a representation on behalf of a client or a third person. See Comment [1] to Rule 1.15. When such property takes the form of funds, the word “trust” is an important label to distinguish those accounts where funds are being held in trust from the accounts containing the lawyer's own property. *Gurnett v. Mutual Life Insurance Co. of New York*, 356 Ill. 612, 191 N.E. 250 (1934).

2. **Commingling**

Commingling occurs when a lawyer either deposits trust funds belonging to a client or third person into the lawyer's own personal or business account or when the lawyer
maintains the lawyer’s own personal funds in the client trust account, other than as permitted by Rule 1.15(b), such as where the lawyer does not withdraw promptly from the client trust account his earned fees. See In re Clayter, 78 Ill. 2d 276, 399 N.E.2d 1318 (1980). The Illinois Supreme Court has frequently warned that commingling of a lawyer’s funds with trust funds is often the “first step” toward conversion of trust funds. See Dowling v. Chicago Options Associates, Inc., 226 Ill. 2d 277, 293-94, 875 N.E.2d 1012, 1022 (2007).

3. Conversion

Conversion, a common law tort, has been defined by the Illinois Supreme Court in the context of attorney disciplinary proceedings as "any unauthorized act, which deprives a man of his property permanently or for an indefinite time." In re Thebus, 108 Ill. 2d 255, 259, 483 N.E.2d 1258 (1985), quoting Union Stock Yard & Transit Co. v. Mallory, Son & Zimmerman Co., 157 Ill. 554, 563 (1895). Conversion of trust funds occurs when a lawyer uses those funds for a purpose other than that for which they were delivered. Conversion is typically proven when the client trust account is either overdrawn or when the lawyer allows the balance in the client trust account to become less than the sum total of all client and/or third person funds the lawyer is required to maintain in trust. In re Ushijima, 119 Ill. 2d 51, 58, 518 N.E.2d 73, 76 (1987); In re Cheronis, 114 Ill. 2d 527, 502 N.E.2d 722 (1986).

4. "Client Trust Account"

A "client trust account" is defined under Rule 1.15(a) as "an IOLTA account as defined in Paragraph (i)(2), or a separate, interest-bearing non-IOLTA client trust account established to hold the funds of a client or third person as provided in paragraph (f)." It is a "special" bank account, usually a checking or savings account, that is a depository for all funds belonging to clients and other persons coming into the lawyer's possession in connection with a representation. Under Rule 1.15(a), it will be either a separate and identifiable interest- or dividend-bearing client trust account opened on behalf of one client or matter (usually in situations where there is a large amount of money being held for a long period of time), where the interest earned on the account can be calculated and remitted to the individual client or third person or it will be a pooled account where the moneys of several clients are held (usually nominal or short-term funds), where the interest earned on the account may go is remitted to the IOLTA program (see discussion of IOLTA accounts below). A lawyer may have one or more client trust accounts depending on need. Rule 1.15(a) prohibits funds of clients or third persons from being deposited in non-interest or non-dividend-bearing accounts.

Rule 1.15(g) provides that in determining the type of account to deposit funds for a client, the lawyer or law firm must take into consideration the amount of interest that the funds would earn for a client during the period they are expected to be held, the cost of establishing and maintaining the account, and the capability of the financial institution, through subaccounting, to calculate and pay interest earned by each client’s funds, net of any transaction costs, to the individual client. Rule 1.15(g) also makes clear that the decision as to the type of client trust account appropriate under the circumstances rests within the reasonable judgment of lawyer or law firm and "no
charge of ethical impropriety or other breach of professional conduct shall attend to a lawyer’s or law firm’s exercise of reasonable judgment under this rule or decision to place client funds in an IOLTA account or a non-IOLTA client trust account on the basis of that determination”. Regardless of the type of account the lawyer decides to deposit funds, it is axiomatic that a lawyer cannot take the interest earned on the funds held in trust. See In re Kitsos, 127 Ill. 2d 1, 535 N.E.2d 792 (1989).

5. IOLTA Trust Accounts

Rule 1.15(j)(2) defines “IOLTA account” as “an interest- or dividend-bearing client trust account benefitting the Lawyers Trust Fund of Illinois, established in an eligible institution for the deposit of nominal or short-term funds of clients or third persons as defined in paragraph (f) and from which funds may be withdrawn upon request as soon as permitted by law.”

6. Eligible financial institution

Funds held in the client trust account must be maintained at an "eligible financial institution" selected by the lawyer in the exercise of ordinary prudence. See Rule 1.15(a).

Rule 1.15(j)(3) defines an "eligible financial institution" as "a bank or a savings bank insured by the Federal Deposit Insurance Corporation or an open-end investment company registered with the Securities and Exchange Commission that agrees to provide dishonored instrument notification regarding any type of client trust account as provided in paragraph (h) of this Rule; and that with respect to IOLTA accounts, offers IOLTA accounts within the requirements of paragraph (f) of this Rule." For a list of eligible financial institutions, please consult the Lawyers Trust Fund of Illinois website at www.ltf.org.

III. Identifying and Protecting Trust Property

A. Key Characteristics of Holding Trust Funds and Property

To understand and fulfill the requirements of Rule 1.15, property held in trust must have all of the following three distinct and essential characteristics: 1) separate; 2) accountable; and 3) identifiable. A lawyer cannot discharge those duties unless the way in which the property is held in trust can satisfy all of these requirements. See Rule 1.15(a).

1. Separate

Under Rule 1.15(a), property of clients or third persons that is in a lawyer’s possession in connection with a representation must be kept separate from the lawyer’s own property. A lawyer holding property of clients or third persons in trust should exercise the care required of a professional fiduciary. See Comment [1] to Rule 1.15. For funds, the monies must be maintained in an interest- or dividend-bearing account that is separate and identifiable from the lawyer's personal and business accounts. Holding client or third person funds in a safety deposit box, file cabinet or desk drawer is usually not an acceptable way of safekeeping trust funds and has been condemned by the
Supreme Court, which has stated that "such a covert method of handling a client's funds is highly unprofessional and one which can only create suspicion and harmful inference." In re Lingle, 27 Ill. 2d 459, 463-64, 189 N.E.2d 342 (1963); In re Ashbach, 13 Ill. 2d 411, 419, 150 N.E.2d 119 (1958). Due to the danger of conversion or other risk of loss, "it is essential that a client's money be held in such a manner that there can be no doubt that the lawyer is holding it only for another and that the money does not belong to him personally." In re Johnson, 133 Ill. 2d 516, 531, 552 N.E.2d 703, 710 (1989).

Separation:

- protects the funds from levy by the lawyer's or law firm's creditors, including levy by the IRS (see In re Enstrom, 104 Ill. 2d 410, 415, 472 N.E.2d 446, 449 (1984));
- allows the account to be found in the event the lawyer becomes ill, incompetent or dies;
- protects the funds from being considered part of the lawyer's estate in the event the lawyer files for bankruptcy, is going through a marital dissolution proceedings or dies; and
- discourages the lawyer from recklessly or intentionally misappropriating client funds for the lawyer's own personal use.

2. Accountable

The lawyer must be able to make a full and accurate accounting at any time to the client or third person of the funds or property held in trust. This is done through updated and accurate record keeping and Rule 1.15(a)(1)-(7) specifies what lawyers must prepare and maintain to fulfill this duty. For trust funds, the lawyer MUST be able to tell the client or third person the following:

- exactly how much monies were deposited;
- how monies were disbursed; and
- how much remains in the account for each client or third person on whose behalf the funds are being held.

3. Identifiable

The account must be clearly labeled as a client trust account and should use such designations as "client trust account," "client funds account" or similar words that would indicate the fiduciary nature of the account. See Comment [1] to Rule 1.15. Therefore, the account must be opened as a client trust account, with the checks and deposit slips imprinted with that title. Merely opening an account in the lawyer’s or law firm’s name and treating the account as a client trust account is not enough. See In re
Clayter, 78 Ill. 2d 276, 281, 399 N.E.2d 1318 (1980) (savings account, which was in the name of respondent who testified that he kept clients' funds in this account and that he had written "clients trust account" on the face of the passbook, was not a separate and identifiable client trust account).

Identifying the account as a client trust account serves as notice to the world that the funds in this account are not the lawyer's or law firm's personal or business assets and further safeguards the trust funds from any attempts to get at the lawyer's or law firm's assets through the trust fund account.

B. Funds to be Held in the Client Trust Account

1. What MUST be held in a Client Trust Account?

   a. All funds or property belonging to a client or third person entrusted to the lawyer in connection with a representation, regardless of whether the lawyer regularly handles trust funds. See Rule 1.15(a). E.g., advances for filing fees or costs of retaining an investigator or expert; money to pay the client's creditors; rents collected on behalf of the client.

   b. Funds to secure payment of legal fees and expenses to be withdrawn by the lawyer only as fees are earned and expenses incurred and are not received as a fixed fee, a general retainer, or an advance payment retainer as provided in Rule 1.15(c). See discussion infra part IV.D.6.

   c. All funds or property in the lawyer’s possession in which a client or third person has an interest. See Rule 1.15(a). E.g., escrow funds held back in a real estate closing; escrow funds held pending the disposition of property in a dissolution of marriage proceeding.

   d. Those funds or property being held by the lawyer or law firm in which two or more persons (one of whom may be the lawyer or law firm) have competing claims to the funds or property and ownership claims that are unresolved. See Rule 1.15(e) and Comments [3] & [4] to Rule 1.15. E.g., amounts in dispute where the lawyer is holding funds as an escrowee; a dispute over the amount of a lien asserted by a medical provider on settlement funds; a dispute with a client over the lawyer’s fees or expenses.

   e. All nominal or short-term funds of clients or third persons held by the lawyer or law firm, including advances for costs and expenses, and funds belonging in part to a client or third person and in part, presently or potentially, to the lawyer or law firm. See Rule 1.15(f). E.g., settlement funds; bond refund checks.

2. What funds MAY be held in a Client Trust Account?

Funds of the lawyer necessary to pay bank services charges such as the bank's minimum balance requirements to open or maintain the client trust account. See Rule 1.15(b).
3. **What funds MUST NOT be held in a Client Trust Account?**
   a. Lawyer's own personal funds.
   b. Lawyer's business and investment monies.
   c. Fees that have been earned and funds received as a fixed fee, a general retainer or an advance payment retainer under Rule 1.15(c). See infra part IV.D.6, at p. 22.

4. **What MUST go into an IOLTA Client Trust Account?**

Client funds that are nominal in amount or expected to be held for a short period of time shall be deposited into one or more "pooled" interest-bearing client trust accounts with the interest paid to the Lawyers Trust Fund of Illinois under Rule 1.15(f). E.g., most settlement funds are typically considered short-term since they must be promptly paid to the client once the settlement check has cleared.

Rule 1.15(g) provides that the decision as to whether funds are long-term or short-term, substantial or nominal, rests in the sound judgment of the depositing lawyer or law firm and no charge of ethical impropriety or other breach of professional conduct shall arise out of the lawyer's reasonable judgment on what is nominal or short-term.

In determining whether funds must be deposited into an IOLTA or non-IOLTA client trust account, Rule 1.15(g) sets forth the following factors that ordinarily the lawyer or law firm would take into consideration:

   a. the amount of interest which the funds would earn during the period they are expected to be deposited;
   b. the cost of establishing and administering the account, including the cost of the lawyer's services;
   c. the capability of the financial institution, through subaccounting, to calculate and pay interest earned by each client's funds, net of any transaction costs, to the individual client.

**C. Trust Property Other Than Cash**

The duties of safekeeping property under Rule 1.15 apply both to funds and tangible trust property. See Rule 1.15(a). As funds must be kept in a separate, identifiable and interest- or dividend-bearing client trust account, other property must also be appropriately identified as trust property and adequately safeguarded. See Rule 1.15(a). When the lawyer receives tangible trust property, as with money held in trust, the lawyer must (1) clearly identify or label it as trust property; (2) keep trust property separate from the lawyer's own property; and (3) take appropriate safeguards to protect and preserve trust property. This means that the lawyer should identify and label the trust property promptly upon receipt and place it in a safe deposit box or other place of safekeeping as soon as possible. The safe deposit box, like the client trust account, should bear a label that clearly identifies it as the repository of
property not belonging to the lawyer but property held in trust on behalf of clients, such as “Clients’ Safe Deposit Box,” and must not contain any of the lawyer’s property. See Comment [1] to Rule 1.15.

The lawyer must also keep records that sufficiently describe the items that are being held in trust, for whose benefit, and where they are being held. Below is an example of the type of record that could be made with respect to items being held in a safe deposit box:

**Trust Safe Deposit Receipt**

Received this ____ day of ___________, 20 ____, by ____________________________

(Description of item(s) being placed into safe deposit box – if items are numbered such as stocks or bonds, specify numbers.)

Item(s) being held in trust for: ________________________________

Firm Name: ________________________________________________

Client Name: ________________________________________________

Item(s) being placed into safe deposit box by: __________________________

Any questions regarding contents should be addressed to:

Name and Address of bank where Safe Deposit located:

Safe Deposit Box ID Number: ________________________________

Anticipated period of time item(s) will be held: __________________

**IV. Basics of Opening and Operating a Client Trust Account**

**A. Determining the Kind of Client Trust Account**

Under Rule 1.15(a), there are two types of client trust accounts: an account opened on behalf of one client or client matter (usually in situations where there is a large amount of money being held for a long period of time, such as an estate matter) where the interest earned on the account can be calculated and remitted to the individual client or an account where the funds of several clients are held (usually nominal or short-term funds), where the interest earned on the account goes to the IOLTA program. A lawyer may have one or more client trust accounts depending on need. Rule 1.15(a) explicitely prohibits depositing funds of clients or third persons into a non-interest or non-dividend-bearing account.

In determining the type of account to deposit funds for a client, the lawyer or law firm in the exercise of reasonable judgment would ordinarily take into consideration the amount of interest that the funds would earn during the period they are expected to be held, the cost of
establishing and maintaining the account, and the capability of the financial institution, through subaccounting, to calculate and pay interest net of any transaction costs. See Rule 1.15(g).

B.  IOLTA Client Trust Accounts

Rule 1.15(f) requires that all funds of clients or third persons which are nominal in amount or are expected to be held for a short period of time, must be deposited in one or more IOLTA client trust accounts. An IOLTA client trust account is defined in Rule 1.15(j)(2) as "a pooled interest- or dividend-bearing client trust account, established with an eligible financial institution with the Lawyers Trust Fund of Illinois designated as income beneficiary," where nominal or short-term funds of clients or third person are being held. “IOLTA” is the acronym for the "Interest on Lawyer Trust Accounts" program run by the Lawyers Trust Fund of Illinois, a non-profit corporation incorporated in 1981 by the Illinois State Bar and Chicago Bar associations.

The IOLTA account is operationally different from a non-IOLTA client trust account in two respects, one, that the taxpayer identification number (TIN) on the account is the Lawyers Trust Fund of Illinois' and not the client's or third person’s, the lawyer's or the law firm's and, second, the interest earned on the account is collected by the bank, and is sent, along with the remittance report, to the Lawyers Trust Fund of Illinois.

The net interest or dividends earned on IOLTA client trust accounts is paid directly to the Lawyers Trust Fund of Illinois, which uses the money to fund legal assistance and other programs benefiting the public throughout the state, as approved by the Supreme Court of Illinois.

The Lawyers Trust Fund of Illinois is located at Two Prudential Plaza, 180 North Stetson Avenue, Suite 820, Chicago, IL 60601 (312) 938-2906 [Main Phone] (312) 938-3091 [Fax] 1-800-624-8962 [Toll Free]. Inquiries concerning the IOLTA program may be directed to Ruth Ann Schmitt, Executive Director, Lawyers Trust Fund of Illinois, at the above address or phone number or you may visit the Lawyers Trust Fund of Illinois website at www.ltf.org.

The decision as to whether funds are nominal in amount or are expected to be held for a short period of time rests within the reasonable judgment of the lawyer or law firm and no charge of ethical impropriety or breach of professional conduct will result from the lawyer’s or law firm’s exercise of reasonable judgment on what is nominal or short term. See Rule 1.15(g).

All IOLTA and non-IOLTA client trust accounts must be maintained only at an "eligible financial institution." An "eligible financial institution" is a bank or savings bank insured by the FDIC, as well as an open-end investment company registered with the Securities and Exchange Commission, which offers IOLTA accounts within the requirements of the Rule 1.15(f) as administered by the Lawyers Trust Fund and has agreed to provide dishonored instrument notification regarding any type of client trust account as provided in Rule 1.15(h). The Lawyers Trust Fund website (www.ltf.org) has a listing of those institutions. To contact the Lawyers Trust Fund of Illinois by phone, please call (800) 624-8962 or (312) 938-2906.
C. Opening the Client Trust Account

1. Form

Rule 1.15(a) sets forth the general requirements of all client trust accounts, IOLTA and non-IOLTA which must be 1) separate and identifiable as a client trust account; 2) interest- or dividend-bearing with the income beneficiary for IOLTA client trust accounts being the Lawyers Trust Fund of Illinois and for non-IOLTA client trust accounts the client designated as income beneficiary; and 3) maintained at an eligible financial institution in the state where the lawyer's office is situated, or elsewhere with the informed consent of the client or third person. Generally, the client trust account can be a savings account, checking account or certificate of deposit at a federally insured bank or savings and loan. For IOLTA client trust accounts, the account must also meet the requirements as set forth in Rule 1.15(f) and be subject to withdrawal promptly upon request (e.g., a corporate/business checking account, such as a NOW account). See Rule 1.15(f) & (i)(2).

2. Location

The account must be maintained in the state where the lawyer’s office is located or elsewhere with the consent of the client or third person as provided in Rule 1.15(a). For an IOLTA client trust account located in Illinois, it must be established at an eligible financial institution authorized by federal or state law to do business in the state of Illinois. See Rule 1.15(f)(1). If the client trust account is located outside of Illinois either because the lawyer is licensed and practices in that other jurisdiction or because the client or third person has otherwise directed the lawyer, care must taken that the client trust account complies with that state’s trust accounting rules. See also ILRPC Rule 8.5(b) (Choice of Law).

In situations where the client or third person wants the client trust account opened in another state, it is advisable to get the consent of the client or third person in writing.

3. Eligible Financial Institution

All client trust accounts, IOLTA and non-IOLTA, must be maintained at an "eligible" financial institution. Rule 1.15(j)(3) defines "eligible financial institution" as "a bank or a savings bank insured by the Federal Deposit Insurance Corporation or an open-end investment company registered with the Securities and Exchange Commission that agrees to provide dishonored instrument notification regarding any type of client trust account as provided in paragraph (h) of this Rule; and that with respect to IOLTA accounts, offers IOLTA accounts within the requirements of paragraph (f) of this Rule."

For a list of eligible financial institutions, please consult the Lawyers Trust Fund of Illinois website at www.ltf.org.

4. Know Your Financial Institution

Know the financial institution’s charges and fees for maintaining such accounts and obtain a copy of the account agreement with the financial institution. Know the
financial institution’s schedules for posting and crediting deposits. Know what the federally insured limits are on deposits. At the end of 2010, unlimited FDIC deposit insurance coverage of IOLTA trust accounts was extended to December 31, 2012. Under the FDIC’s program, IOLTA accounts are fully guaranteed by the FDIC for the entire amount in the account over and above the $250,000/per client/third person coverage available under the FDIC’s general deposit insurance rules. To receive pass-through coverage, (1) the deposit account records generally must indicate the account's custodial or fiduciary nature and (2) the details of the relationship and the interests of other parties in the account must be ascertainable from the deposit account records or from records maintained in good faith and in the regular course of business by the depositor or by some person or entity that maintains such records for the depositor. If the account receives pass-through coverage, then each owner of funds in the account is insured for his or her share in the account up to $250,000 including any other funds held by or for the owner at the same insured institution. The final rule is available at: http://www.fdic.gov/news/board/2011Janno2.pdf. Investigate the financial institution's requirements for opening and maintaining a client trust account such as the minimum balance to earn interest, bank charges to handle the account, check printing charges, and the collection process to clear intrastate and interstate checks and other instruments. The Lawyers Trust Fund website (www.ltf.org) has a section on its site with information for financial institutions describing the IOLTA program, how a financial institution can become certified by the Lawyers Trust Fund, the forms necessary to set up an IOLTA account and how interest is to be reported and remitted.

5. Naming the Client Trust Account

The client trust account must bear the lawyer or law firm's name and include such designations as "Client Trust Account," "Client Escrow Account," "Attorney Trust Account" or "Real Estate Funds Account" or any other name which would clearly identify it as a client trust account. Illinois does not require a particular form of identification on the client trust account but the name of the account must be sufficiently clear to serve as notice to the world that it is a client trust account and not an account belonging to the attorney. See Comment [1] to Rule 1.15(a). Also, it is important for FDIC insurance coverage of the trust property that the fiduciary nature of the account can be ascertained from the bank’s deposit account records. For IOLTA accounts, do not identify the Lawyers Trust Fund of Illinois as designee, trustee or owner of the account. For non-IOLTA client trust accounts, which are opened for the benefit of a particular client or third person, the name of the account would include that fact.

6. Opening an IOLTA Client Trust Account

For an IOLTA account, the lawyer or firm enrolls in the IOLTA program by completing the sign-up forms (Notice to Financial Institution to Establish IOLTA Account and Notice of Enrollment in the IOLTA Program) and submitting the forms to the bank. The enrollment forms instruct the bank to establish an IOLTA account. The taxpayer identification number (TIN) on the account is the Lawyers Trust Fund of Illinois. The IOLTA enrollment forms may be submitted electronically or downloaded from the
Select Client Trust Account Checks that are Distinguishable from Business Account Checks

Select checks that have the client trust account name on them and are of a different color than those of the operating account so that checks written on the client trust account can be more easily distinguished from checks written on the attorney's operating account. Also, some lawyers maintain their business and personal accounts at a different financial institution from where they have their client trust accounts so that no client trust account moneys will be inadvertently accessed.

Select Signatories with Care

Illinois does not prohibit a lawyer from delegating check-signing authority to someone other than the lawyer. However, the lawyer has a non-delegable duty to protect and preserve the funds in the client trust account (see In re Vrodolyk, 137 Ill. 2d 407, 560 N.E.2d 840 (1990)) and can be disciplined for failure to supervise subordinates. See In re Waddy, M.R. 13084, 95 CH 686 (Ill. 1997).

D. Handling Certain Types of Funds and Property

1. Litigation Expenses

If a client advances to the lawyer money for litigation costs and expenses to be incurred in the future, the money shall be deposited and maintained in the client trust account until the expense has been incurred. See Rule 1.15(c) & (f). If a lawyer advances the court costs and expenses of litigation on behalf of a client, which is permitted under Rule 1.8(e), and bills the client for the expense, the funds received by the lawyer would not be deposited in the client trust account since the client is reimbursing the lawyer. Expenses must be reasonable as governed by Rule 1.5.

2. Handling Settlement Checks

Settlement checks in contingent fee matters typically will have as payees the client, the lawyer or lawyer’s law firm and any third persons who have served a notice of a lien on the proceeds (often a medical provider). The settlement check must be deposited in the client trust account. Some lawyers may be tempted to deposit the settlement check into the lawyer’s business account and write the client’s portion of the proceeds from the lawyer’s own business account. This is a violation of rule which requires that funds belonging, in whole or in part, to a client shall be deposited in the client trust account. See In re Elias, 114 Ill. 2d 321, 333, 449 N.E.2d 1327, 1331 (1986).

When disbursing the funds the proper procedure is to secure the signatures of all the payees and deposit the settlement check into the client trust account. A deposit in the client trust account may not be disbursed until the funds are at least available for withdrawal as determined by the account agreement with the financial institution. If a lawyer writes a check to the client or others for settlement proceeds before the
settlement has been credited to the account on the theory that there is other money in the client trust account, if the check is honored it will be drawing on the funds of other clients. This is conversion because it is the unauthorized use of one client’s money to pay another client. See In re Thebus, 108 Ill. 2d 255, 260, 483 N.E.2d 1258, 1260 (1985).

3. Real Estate Transactions

Lawyers who act as closing agents for real estate transactions face the dilemma of the commercial necessity of immediately issuing checks from the client trust account on funds that have not even been deposited, much less cleared the banking process. Rule 1.15(k) was added in late 1998 (previously Rule 1.15(g)), to permit lawyers in the closing of a real estate transaction to disburse funds deposited, but not yet collected, so long as the lawyer deposited the funds into a segregated Rule Estate Funds Account (REFA), established prior to the closing and maintained solely for the receipt and disbursement of such funds, and the lawyer was either acting as a closing agent as prescribed by Rule 1.15(k)(1) or the instrument for deposit meets the “good-funds” requirements set forth in Rule 1.15(k)(2). However, while the rule protects a lawyer from any disciplinary consequences in this context, Rule 1.15(k)(2) states that the disbursing lawyer is responsible for reimbursing the client trust account for such funds that are not collected and for any fees, charges and interest assessed by the paying bank on account of such funds being uncollected.

4. Non-Client and Third Person Claims

The duties of prompt notification, delivery and accounting of trust property may also extend to third persons. Medical providers who have perfected their lien on the settlement funds or a lawyer who has agreed to hold earnest money as an escrowee in a real estate transaction are common examples in which a lawyer has a fiduciary duty to non-clients to protect and preserve funds the non-client is presently or potentially entitled.

5. Disputed Amounts

When there is a dispute over property held in trust, whether it be between the client and a third person or between the client and lawyer, Rule 1.15(e) requires the lawyer to maintain the disputed portion of the funds in the client trust account until the dispute is resolved. Typical examples arise in connection with amounts the lawyer is holding as an escrowee in a real estate transaction or when there is a dispute over the amount of lien asserted by a medical provider or when the client disputes the amount of the fees the lawyer claims are earned. For fee disputes with the client, Comment [3] of Rule 1.15 instructs:

[3] Lawyers often receive funds from which the lawyer’s fee will be paid. The lawyer is not required to remit to the client funds that the lawyer reasonably believes represent fees owed. However, a lawyer may not hold funds to coerce a client into accepting the lawyer’s contention. The disputed portion of the funds must be kept in a client trust account and the lawyer should suggest means for
prompt resolution of the dispute, such as arbitration. The undisputed portion of the funds shall be promptly distributed…

For third parties that may have lawful claims to the funds, Comment [4] of Rule 1.15 gives the following guidance:

[4] Paragraph (e) also recognizes that third parties may have lawful claims against specific funds or other property in a lawyer’s custody, such as a client’s creditor who has a lien on funds recovered in a personal injury action. A lawyer may have a duty under applicable law to protect such third-party claims against wrongful interference by the client. In such cases, when the third-party claim is not frivolous under applicable law, the lawyer must refuse to surrender the property to the client until the claims are resolved. A lawyer should not unilaterally assume to arbitrate a dispute between the client and the third party, but, when there are substantial grounds for dispute as to the person entitled to the funds, the lawyer may file an action to have a court resolve the dispute.

6. Retainers and Advances for Fees

Effective January 1, 2010, Rule 1.15(c) governs how legal fees and expenses received in advance are to be handled. Funds advanced by a client to secure payment of legal fees and expenses, to be withdrawn as fees are earned and expenses incurred, also referred to as a “security” retainer, shall be deposited in the lawyer’s client trust account. Funds received as a fixed fee, a general retainer, or an advance payment retainer shall be deposited in the lawyer’s own personal or business account and not in the client trust account.

The attributes of these types of fee arrangements and the principles guiding their drafting and interpretation were first articulated by the Supreme Court in *Dowling v. Chicago Options Associates, Inc.*, 226 Ill. 2d 277, 875 N.E.2d 1012 (2007) and are now incorporated in Rule 1.15(c) and Comments [3A] through [3C]. *Dowling* was not a disciplinary case but a civil matter involving a dispute over whether a retainer paid by a client to his lawyers remained the property of the client and could be subject to a turnover order to the client’s creditor. The Court addressed the issue not covered by prior Rule 1.15: the ownership to funds advanced by a client for lawyer’s fees and where those funds must be deposited. Based on *Dowling*, Rule 1.15(c) sets forth the different types of retainers permissible in Illinois and where those funds must be deposited as follows:

*Classic Retainer.* Also referred to as a “true,” “engagement,” or “general” retainer, funds are paid by a client to the lawyer in order to secure the lawyer’s availability during a specified period of time or for a specified matter. This type of retainer is earned when paid and immediately becomes property of the lawyer, regardless of whether the lawyer ever actually performs any services for the client and, therefore, is not deposited in the client trust account. See Comment [3B] to Rule 1.15; *Dowling*, 226 Ill. 2d 277, 287, 875 N.E.2d 1012, 1019 (2007).
Security Retainer. Under this type of retainer, funds paid to the lawyer are not considered present payment for future services but are intended to secure payment of fees for the future services the lawyer is expected to perform. This type of retainer remains the property of the client and, therefore, must be deposited in a client trust account and kept separate from the lawyer’s own property until the lawyer applies it to charges for services that are actually rendered. If the lawyer and client agree that the client will pay a security retainer, that term should be used in any written agreement. Any unused portion of the retainer is refunded to the client under Rules 1.15(b) and 1.16(d) of the Illinois Rules of Professional Conduct. See Comment [3B] to Rule 1.15; Dowling, 226 Ill. 2d 277, 287, 875 N.E.2d 1012, 1019 (2007).

Advance Payment Retainer. In contrast to the security retainer, the funds paid to the lawyer under this retainer are intended by the client to be present payment to the lawyer in exchange for the commitment to provide legal services in the future. Ownership of this retainer passes to the lawyer immediately upon payment and is generally the lawyer’s property and, therefore, may not be deposited in the client trust account. In a case of first impression regarding the disgorgement of an attorney's retainer in a divorce action, however, the Illinois Supreme Court held that under Section 501(c-1)(3) of the Illinois Marriage Act a party to a dissolution case cannot use an advance payment retainer to shield attorney fees from being turned over to opposing counsel. “To hold otherwise would defeat the express purpose of the Act and render the ‘leveling of the playing field’ provisions powerless.” Slip Op. at p. 9. The Court concluded that Section 501(c-1)(1) contemplates that retainers paid “on behalf of” a spouse may be disgorged. The Court found that there was no conflict between ILRPC 1.15 and Section 501(c-1). In re Marriage of Earlywine, Ill.S.Ct. Docket No. 114779 (Oct. 3, 2013). Any portion of an advance payment retainer that is not earned must be refunded to the client.

An advance payment retainer is utilized only “sparingly,” in other words, when necessary to accomplish a purpose for the client that is appropriate under the circumstances of the matter such as in the Dowling case where a debtor wants to ensure that he has sufficient funds beyond the reach of judgment creditors in order to secure legal counsel. See Comment [3C] to Rule 1.15. Other examples the Court gave in Dowling of the limited circumstances in which the use of an advance payment retainer is appropriate are in a bankruptcy case where, before filing a petition, a debtor’s attorney receives a retainer for services to be rendered in connection with the debtor’s bankruptcy case (see Dowling, 226 Ill. 2d at 289, 875 N.E.2d at 1020) or where a criminal defendant whose property may be subject to forfeiture may wish to use an advance payment retainer to ensure that the client has sufficient funds to secure legal representation. See Dowling, 226 Ill. 2d at 294, 875 N.E.2d at 1023. In the “vast majority of cases,” the funds paid to retain a lawyer will be considered a security retainer and placed in the client trust account. See Comment [3C] to Rule 1.15; Dowling, 226 Ill. 2d 277, 288, 875 N.E.2d 1012, 1019 (2007).
Rule 1.15(c) further proscribes the terms of an advance payment retainer. An advance payment retainer must be in writing, signed by the client, must use the term "advance payment retainer" to describe the retainer and must include in the agreement **all** of the following provisions:

1. The special purpose for the advance payment retainer and an explanation why it is advantageous to the client;
2. That the retainer will not be held in a client trust account, that it will become the property of the lawyer upon payment, and that it will be deposited in the lawyer’s general account;
3. The manner in which the retainer will be applied for services rendered and expenses incurred;
4. That any portion of the retainer that is not earned or required for expenses will be refunded to the client *(see Comments [3B] through [3D] to Rule 1.15 and Rule 1.16(d))*; and
5. That the client has the option to employ a security retainer, provided, however, that if the lawyer is unwilling to represent the client without receiving an advance payment retainer, the agreement must so state and provide the lawyer’s reasons for that condition.

**Fixed/Flat Fee Agreements.** In addition to the three types of retainers described above, Rule 1.15 recognizes fixed fee agreements, also referred to as a “flat” or “lump-sum” fee, where the lawyer agrees to provide a specific service (e.g., defense of a criminal charge, a real estate closing, or preparation of a will or trust) for a fixed amount paid by the client to engage a lawyer at the outset of a matter. Unlike an advance payment retainer, a fixed fee is generally not subject to the obligation to refund any portion to the client; however, a fixed fee is subject, like all fees, to scrutiny and the fee charged must reasonable under the circumstances as set forth in Rule 1.5(a) and any portion of the fee must be refunded to the client under Rule 1.16(d) if retention of the entire fee would be unreasonable and excessive under the circumstances. *(See Comments [3B] through [3D] to Rule 1.15 and Comment [10] to Rule 1.16(d); see also In re Serritella, M.R. 21655, 03 SH 115 (Ill. 2007) (retention of $10,000 flat fee for only three hours of work was unreasonable under Rule 1.5(a) and unearned fees must be refunded under Rule 1.16).*

**General Considerations for All Fee Agreements.** While Illinois recognizes the general rule of freedom of contract between lawyers and clients with respect to fee agreements, the “guiding principle” is what is in the best interests of the client. The type of retainer that is in the client’s best interests will depend on the circumstances of each case and the reasonableness, structure, and division of legal fees governed by Rule 1.5 and other applicable law. *(See Comments [3A], [3C]*
& [3D] to Rule 1.15. The Court in Dowling provided guidance to the profession in determining which types of retainers are appropriate. The Court counseled:

The guiding principle, however, should be the protection of the client’s interests. In the vast majority of cases, this will dictate that funds paid to retain a lawyer will be considered a security retainer and placed in a client trust account, pursuant to Rule 1.15. Separating a client’s funds from that of the lawyer protects the client’s retainer from the lawyer’s creditors. See In re Lewis, 118 Ill. 2d 357, 362-63 (1987). Commingling of a lawyer’s funds with those of a client has often been the first step toward conversion of a client’s funds. In addition, commingling of a client’s and the lawyer’s funds presents a risk of loss in the event of the lawyer’s death. In re Clayter, 78 Ill. 2d 276, 281 (1980). Thus, advance payment retainers should be used only sparingly, when necessary to accomplish some purpose for the client that cannot be accomplished by using a security retainer. Dowling, 226 Ill. 2d at 289, 875 N.E.2d at 1020.

Also, a client has an unqualified right to discharge a lawyer and, if discharged, the lawyer may retain only a sum that is reasonable in light of the services the lawyer performed prior to being discharged. All fee agreements are subject to the requirement of Rule 1.5(a) that a lawyer may not charge or collect an unreasonable fee and any fees that have not been earned must be refunded to the client. See Comments [3B] through [3D] to Rule 1.15 and Comment [10] to Rule 1.16(d).

**Practice Pointer** – All retainer agreements should:

1. be in writing, signed by the client;
2. clearly disclose to the client the nature of the retainer; and
3. indicate where the money will be deposited and how withdrawals will be handled.

For an advance retainer agreement (deposit in the lawyer’s business account), the agreement must include provisions #1, 2 and 3 above, and additionally **must**:

1. advise the client of the option of using a security retainer; and
2. state why the lawyer believes that an advance retainer is advantageous to the client.

Other considerations:

1. If there are any ambiguities in the parties’ intent, the retainer will be construed as a security retainer and the funds must be deposited in the client trust account.
2. Advance payment retainers are to be used sparingly (those circumstances in which it is in the client’s best interests as it relates to the representation)

3. The appropriate amount of the retainer advanced will be determined by what is considered a reasonable fee under Rule 1.5(a).

7. Handling Credit Card Payments for Legal Fees and Expenses

The use of credit cards by clients to pay for legal fees and/or expenses has become increasingly common in the last few years. While the general consensus of authority is that lawyers may use such forms of payment (see ABA Formal Ethics Op. 00-419 (approved the use of credit cards to pay legal fees); ABA/BNA Lawyers’ Manual on Professional Conduct, sec. 41:601-606), when credit cards are taken for unearned fees and expenses which must be deposited in the client trust account, the lawyer’s duties to protect trust property are triggered. According to ISBA Ethics Opinion 14-01 (May 2014), when a lawyer accepts credit card payments for both earned fees (the lawyer's property) and security retainers (the client's property), the lawyer must designate two accounts - a trust account and a business account - with the credit card company. Some lawyer-friendly credit card processors like LawPay (www.lawpay.com/isba), an ISBA partner vendor, have the ability to direct funds separately into lawyers’ business and trust accounts thereby avoiding commingling. A lawyer also must carefully consider how credit card service fees and chargebacks will be addressed, and take adequate precautions to protect what the lawyer is required to maintain in trust. A lawyer may charge service fees to clients, according to ISBS Op. 14-01, so long as the "fee is reasonable and…is disclosed to the client, preferably in writing, before or within a reasonable time after commencing the representation, such as in the engagement agreement." Before accepting credit card payments, a lawyer should have a thorough understanding of the agreement with the credit card company.

7a. Handling E-Filing Electronic Payments

Lawyers often pay filing fees from funds advanced by their clients. Since these funds belong to the client, they may be held only in an IOLTA account or a non-IOLTA client trust account established for the benefit of the client. Traditionally lawyers used paper checks to pay filing fees and other court costs from IOLTA accounts and other client trust accounts. Mandatory e-filing renders that practice obsolete and presents the question of which methods of electronic payment may be made from an IOLTA or client trust account. The Illinois Supreme Court ordered the implementation of mandatory e-filing in all Illinois civil cases effective January 1, 2018. Documents in civil cases must be filed electronically through a centralized manager called eFileIL. In addition, filing fees will need to be paid electronically. **Permitted E-filing payment methods are** credit cards, debit cards, and E-checks, which are paperless transactions that are cleared through the ACH (Automated Clearinghouse) network. Using these methods of payment from the client trust account is consistent with Rule 1.15. Unlike paper checks, however, electronic payments usually contain less information than a paper check; therefore, lawyers need to be conscientious about make clear contemporaneous record of the date, purpose and payee on each transaction. Also, lawyers need to account for fees for e-filing transactions, including any payment and provider service fees. Further guidance can be found in *Guide to E-filing and IOLTA Accounts, prepared by the Lawyers Trust Fund of Illinois (LTF)*
collaboration with the ARDC, available on the LTF website (www.ltf.org) or ARDC website. This guide responds to some of the common questions and concerns of lawyers as they make the transition to electronic payment of filing fees.

8. **Withdrawing Earned Fees**

A lawyer must promptly withdraw funds held in the client trust account from which the lawyer’s fees are to be withdrawn once the fees have been earned and there is no dispute over the amount of funds to be withdrawn. However, before fees can be withdrawn the lawyer must apprise the client of the withdrawal and give the client a reasonable opportunity to raise any objection. While a lawyer is not required to remit to the client funds that the lawyer reasonably believes represent fees owed, a lawyer may not hold funds to coerce a client into accepting the lawyer’s contention. Therefore, any disputed portion of the funds must be kept in a client trust account until there is a prompt resolution of the dispute, such as arbitration. The undisputed portion should be promptly distributed. See Comment [3] to Rule 1.15. For contingent fee matters, this is accomplished in the settlement statement required by Rule 1.5(c), which shows the amount that will go to the lawyer. For hourly-fee agreements, where the lawyer has received a security retainer and the funds are being held in the client trust account, the lawyer would send a billing statement indicating the services rendered and the amount the lawyer intends to withdraw from the client trust account unless the lawyer hears otherwise from the client within a reasonable period of time.

In withdrawing the undisputed portion, the lawyer should promptly write a check, payable to the lawyer’s law firm, for the full amount of the fee earned. The lawyer must not let earned fees accumulate in the client trust account and withdraw fees on an “as needed” basis; otherwise, commingling occurs, and consequently, the trust funds are put at risk. Also, the appearance may be created that the lawyer is hiding money in the account to avoid creditors or income taxes thereby exposing the client trust account to possible attachment or levy by the lawyer’s creditors.

In withdrawing earned fees, the lawyer should make the trust check payable to the lawyer’s law firm and indicate in the memo portion of the check the purpose of the payment and the client matter, as well as make the appropriate entries in the checkbook register, client ledger and disbursement journal.

*Practice Pointer* – The payee on a trust check for earned fees should be made payable to the lawyer’s law firm. Trust checks for earned fees made payable to the lawyer’s own creditors or made out to cash make it difficult to trace the source and purpose of the payment and could create the appearance that the lawyer is using the client trust account as a personal account, thereby endangering the account’s status as a client trust account, or that the lawyer is using client funds for personal purposes.

9. **Dealing with Unclaimed or Unidentified Funds**

Situations may arise where there is an unclaimed or unidentified amount of funds in the client trust account due to (1) the disappearance of a client or third person before a
client trust account check could have been issued; (2) the fact that the client trust account check has yet to be cashed; or (3) there is an unexplained amount of money that cannot be traced as belonging to either a client, a third person or the lawyer. Whatever the situation, the bottom line is that the lawyer is not entitled to take the money.

a. Unclaimed Funds

When the person to whom trust funds are being held disappears before the lawyer has issued a check to that person, the lawyer must first take all reasonable steps to locate that person. See In re Walner, 119 Ill.2d 511, 519 N.E.2d 903 (1988). How much effort a lawyer must undertake to find the missing client or third person will vary in each case. Typically, a lawyer would check with the post office to see if the client or third person left a forwarding address. The lawyer would then send a letter to the person’s last known address by regular mail and by certified return receipt advising that person that the lawyer is holding their funds and asking that person for direction in disbursing the money. The lawyer may attempt to contact the person’s relatives, employers, neighbors and friends, publish notice in places where that person might frequent, use an investigator or check with the Social Security Administration. See Michigan State Bar Opinion RI-38 (November 20, 1989).

If the client or third person cannot be located and the funds have remained unclaimed for three years, under the Revised Disposition of Unclaimed Property Act, 765 ILCS secs. 1026/1 et seq. (eff. 1/1/18), the funds are presumed unclaimed and the lawyer will remit the funds to the Illinois State Treasurer thru the “I Cash” program on the Illinois State Treasurer website at http://illinoistreasurer.gov/.

The same analysis applies if a client trust account check was issued but had not been cashed. The lawyer should contact the person to whom the check is made payable at the person’s last known address, advising that person that the client trust account check has not been cashed and that unless that person advises the lawyer to issue a replacement check, the funds will be presumed to be unclaimed in accordance with the Revised Disposition of Unclaimed Property Act and the funds will be remitted to the Illinois State Treasurer.

b. Unidentified Funds

Sometimes ownership of the funds cannot be traced to either a client, a third person or the lawyer. This could be typically due to mathematical error, faulty bookkeeping or the lawyer failure to withdraw past earned legal fees and now lacks sufficient records to claim. In these situations, the lawyer must proceed under Rule 1.15(i), added on April 7, 2015, effective July 1, 2015. Rule 1.15(i) provides:

A lawyer who learns of unidentified funds in an IOLTA account must make periodic efforts to identify and return the funds to the rightful owner. If after 12
months of the discovery of the unidentified funds the lawyer determines that ascertaining the ownership or securing the return of the funds will not succeed, the lawyer must remit the funds to the Lawyers Trust Fund of Illinois. No charge of ethical impropriety or other breach of professional conduct shall attend to a lawyer’s exercise of reasonable judgment under this paragraph (i).

A lawyer who either remits funds in error or later ascertains the ownership of remitted funds may make a claim to the Lawyers Trust Fund, which after verification of the claim will return the funds to the lawyer.

Rule 1.15(i) establishes a procedure by which lawyers remit unidentified trust funds to the Lawyers Trust Fund when, in the lawyer’s reasonable judgment, further efforts to account for them after a period of 12 months are not likely to be successful. Instruction on remitting unidentified trust funds to the Lawyers Trust Fund are on the Lawyer Trust Fund website (www.ltf.org) at http://ltf.org/lawyers/unidentified-funds/. Rule 1.15(i) applies only to trust funds for which no owner can be ascertained. Trust funds where the owner is known but the funds have not been claimed should be handled according to the Revised Disposition of Unclaimed Property Act. See RPC 1.15, Comment [8] and discussion at IV.D.9.a., supra.

“Unidentified funds” are defined in Rule 1.15(j)(9) as “amounts accumulated in an IOLTA account that cannot be documented as belonging to a client, a third person, or the lawyer or law firm.”

10. **Bank Charges and Fees**

Rule 1.15(b) specifically provides that “[a] lawyer may deposit the lawyer's own funds in the client trust account for the sole purpose of paying bank service charges on that account, but only in an amount necessary for that purpose.” For an IOLTA account, the Lawyers Trust Fund of Illinois will pay certain "[a]llowable reasonable fees," defined in Rule 1.15(j)(8) as “per check charges, per deposit charges, a fee in lieu of a minimum balance, federal deposit insurance fees, automated investment ("sweep") fees, and a reasonable maintenance fee, if those fees are charged on comparable bank accounts maintained by non-IOLTA depositors. All other fees [e.g., NSF, stop payment or bank reconciliation or “special” services such as wire transfers] are the responsibility of, and may be charged to, the lawyer or law firm maintaining the IOLTA account.”

*Practice Pointer* - Any deposits of the lawyer’s own funds to cover bank charges and fees must be entered into and accounted for in the trust accounting records that must be maintained. See Rule 1.15(a); Comment [2] to Rule 1.15.
V. Client Trust Accounting

A. Establishing Accountability

A lawyer has the duty to give an accurate and complete accounting to the client or third person. See Rule 1.15(d). In order to fulfill that duty, Rule 1.15(a) also requires that all complete records of all client trust account funds and other property held pursuant to Rule 1.15 are kept for seven years after the end of the representation. For client trust account funds, the "complete records" that must be prepared and maintained are set forth in some detail in Rule 1.15(a)(1)-(7). There are various manual and automated accounting systems that are available. In the first instance, many lawyers will consult with an accountant to set up an appropriate accounting system. Whichever accounting method or system is used, it must be one that the lawyer understands, puts into practice, and follows (and that others auditing the lawyer’s account can follow).

In establishing an accounting system that meets the requirements of Rule 1.15, the following accounting principles and the specific account and recordkeeping requirements of Rule 1.15 should be kept in mind:

1. Separate Clients Should Be Thought of as Separate Accounts

With an IOLTA client trust account, where the funds of more than one client or third person are being held at any given time (a/k/a pooled), it is important to keep in mind that while funds deposited in the client trust account belong to more than one person, the lawyer must know and account for each client or third person's funds as if each client or third person had a separate account. Client A's funds have nothing to do with Client B's funds. NEVER allow the funds being held for one client or third person to be used, even momentarily, to satisfy the obligations of another client or third person. Separation is obtained by maintaining a separate log or subsidiary ledger sheet for each client or third person. In this way, the lawyer will be able to account exactly for all money received or paid out on behalf of each client or third person at any given time as well as know the total balance of all client and third person funds the lawyer is required to maintain in the client trust account. Also, for FDIC insurance to cover each client or third person’s funds in the pooled client trust account up to the federally insured limits, the name and ownership interest of each client or third person must be ascertainable from the client trust account records maintained by the lawyer. See www.fdic.gov.

Recordkeeping Requirement: Rule 1.15(a)(2) requires that for all client trust accounts contemporaneous ledger records must be prepared and maintained for each separate trust client or beneficiary whose funds are being held in trust. The ledger records must show for each separate trust client or beneficiary the source of all funds deposited, the date of each deposit, the names of all persons for whom the funds are or were held, the amount of such funds, the dates, descriptions and amounts of charges or withdrawals, and the names of all persons to whom such funds were disbursed.
2. You Can't Spend What You Don't Have or Timing is Everything

A deposit in the client trust account cannot be disbursed until the deposited item has cleared the banking process and been credited to the client trust account. The funds in the client trust account cannot be used by anyone other than the client or third person who owns them, and the lawyer is responsible for assuring that the funds are not, even inadvertently, diverted to another. The rule of uncollected funds is simply: if you write a check from the client trust account after you have deposited a check or draft on behalf of a particular client, but before the deposited monies have cleared the banking process and have been credited to the client trust account, if the check is presented, either it will bounce or you will be drawing on funds belonging to other clients or third persons. This is considered conversion even if the lawyer has no dishonest motive and no client or third person is ultimately harmed. In re Clayter, 78 Ill. 2d 276, 283, 399 N.E.2d 1318 (1980) Conversion is defined as any unauthorized use of trust funds that deprives the client or third person of the use of those funds even temporarily. See In re Lenz, 108 Ill. 2d 445, 484 N.E.2d 1093 (1985).

For example, do not be tempted to do your client a favor by writing a check to the client for settlement proceeds before the settlement check has cleared on the theory that there is other money in the client trust account. By doing so, you are putting at risk the funds of other clients or third persons. See In re Reeves, M.R. 11056, 93 SH 599 (Ill. 1995) (lawyer suspended for, inter alia, conversion of client funds where the lawyer would often issue a client a check drawn on the client trust account prior to the deposited settlement check clearing and its proceeds being posted to the client trust account. His clients would frequently cash their checks on the same day the client trust account check was issued and the lawyer's bank would pay out on the check from the funds currently in the account belonging to other clients).

Therefore, it is important to know the financial institution’s check clearing procedures and schedules of when funds can be withdrawn. The time it takes for funds to become available after deposit can vary between a day to several weeks depending on the form in which the money is deposited. Ask your financial institution for their schedule of when deposits are posted to the account. Many banks have automated account information systems where you can check the activity on an account.

**Automatic Overdraft Notification Rule:** Rule 1.15(h) requires all IOLTA and non-IOLTA client trust accounts be established at financial institutions that have agreed to notify the Attorney Registration and Disciplinary Commission (ARDC) when a client trust account is overdrawn, irrespective of whether or not the instrument is honored. Effective September 1, 2011, Illinois joins 42 other jurisdictions that have an overdraft notification law in place. A bounced check drawn on a client trust account can be an early warning that a lawyer is engaging in conduct that could injure clients. Experience in other states demonstrates, however, that most lawyer regulatory action under an overdraft notification rule does not result in lawyer disciplinary charges. Instead, the rule helps identify those lawyers who simply need education on managing their client trust accounts.
**Practice Tip:** Normally, checks will be presumed good and many financial institutions will automatically honor and credit a deposit a certain number of banking days after deposit without actually having received verification from the drawee bank that the funds have been paid. In such cases, the lawyer can safely disburse funds against the check when the lawyer’s bank credits the deposit to the account. However, even after an item has been posted to an account, it still may be returned due to insufficient funds, stop payment or improper endorsement and a lawyer may not learn of the dishonor until several days after the item was posted. When a lawyer has any concerns that a check might be dishonored, the safest way to determine that an item has cleared is to call the bank upon which it is drawn to find out if the item has been honored.

**Real Estate Transactions:** Lawyers who act as the closing agents for real estate transactions face the dilemma of the commercial necessity of immediately issuing checks from the client trust account on funds that have not even been deposited, much less cleared the banking process. Rule 1.15(j) permits lawyers in the closing of a real estate transaction to disburse funds deposited, but not yet collected, so long as the lawyer deposited the funds into a segregated Real Estate Funds Account (REFA), established prior to the closing and maintained solely for the receipt and disbursement of such funds. Also, the lawyer must either be acting as a closing agent as prescribed in subparagraph (j)(1) or the instrument for deposit must meet the "good-funds" requirements set forth in subparagraph (j)(2). However, while the rule protects a lawyer from any disciplinary consequences in this context, the rule may not affect the lawyer’s civil liability if any deposit does not clear. See Rule 1.15(j)(2).

3. **Always Maintain a Paper Trail**

Accountability requires that all aspects of the transaction be traceable from the time of receipt of the funds, up to and including the disbursement of the funds by check, proper negotiation of that check by the payee and clearance through the banking process. In the typical transaction, where the client gives money to the lawyer, who then deposits it in the client trust account and pays the money out at the direction of the client, the following documents would provide a paper trail for the lawyer of what actions were taken:

- the initial deposit slip or copy of a bank receipt, which would show the date of deposit, the amount of deposit, the name of the client or third person on whose behalf the money has been received, the source of the funds and the date stamp showing the date the deposit was received by the bank;
- the bank statement, which would show that the bank credited the deposit and when it was credited;
- the checkbook stub, which would show when disbursements were made and to whom;
- the disbursement check, which would show the date it was drawn, the amount and the name of the payee, the purpose of the check, the order of negotiation (from the endorsements) and the date deposited for collection;
• the bank statement, which would show the date the client trust account was actually charged for the check; and

• any file documentation that would explain the deposit or the authority for how the money should be distributed, such as a closing statement, a court order or a signed authorization by the client for the disbursement of funds.

Each deposit and disbursement should describe the client or third person and the matter to which it relates.

**Recordkeeping Requirement**: Rule 1.15(a)(1)-(8) requires specific recordkeeping requirements for all IOLTA and non-IOLTA client trust accounts. Rule 1.15(a) proscribes the following records:

Maintenance of complete records of client trust accounts shall require that a lawyer:

(1) prepare and maintain receipt and disbursement journals for all client trust accounts required by this Rule containing a record of deposits and withdrawals from client trust accounts specifically identifying the date, source, and description of each item deposited, and the date, payee and purpose of each disbursement;

(2) prepare and maintain contemporaneous ledger records for all client trust accounts showing, for each separate trust client or beneficiary, the source of all funds deposited, the date of each deposit, the names of all persons for whom the funds are or were held, the amount of such funds, the dates, descriptions and amounts of charges or withdrawals, and the names of all persons to whom such funds were disbursed;

(3) maintain copies of all accountings, to clients or third persons showing the disbursement of funds to them or on their behalf, along with copies of those portions of clients’ files that are reasonably necessary for a complete understanding of the financial transactions pertaining to them;

(4) maintain all client trust account checkbook registers, check stubs, bank statements, records of deposit, and checks or other records of debits;

(5) maintain copies of all retainer and compensation agreements with clients;

(6) maintain copies of all bills rendered to clients for legal fees and expenses;

(7) prepare and maintain reconciliation reports of all client trust accounts, on at least a quarterly basis, including reconciliations of ledger balances with client trust account balances;

(8) make appropriate arrangements for the maintenance of the records in the event of the closing, sale, dissolution, or merger of a law practice.
Those records may be maintained by electronic, photographic, or other media provided that printed copies can be produced and the records are readily accessible to the lawyer.

4. There is No Such Thing as a Negative Balance

All balances are either positive (while monies are being held for clients) or zero (when the matter is closed and no monies remain in the client trust account). The balance in the client trust account should always equal the aggregate balance due all clients. In re Young, 111 Ill. 2d 98, 488 N.E.2d 1014 (1986). If a negative balance occurs, it is, at best, a sign of negligence and, at worst, a sign of theft.

B. Essential Accounting Systems

Rule 1.15 requires lawyers to do more than just deposit client or third person funds into a separate and identifiable client trust account. The lawyer also has the duty to give an accurate and complete accounting to the client or third person concerning how their property was handled by the lawyer. Rule 1.15(a)(1) through (7) sets forth the accounting records or books listed below that must be maintained for funds held in the client trust account. Trust account records required under the rule can be kept manually or electronically through some type of accounting software program so long as printed copies can be produced and the records are readily accessible to the lawyer. See Rule 1.15(a).

There are various manual and automated accounting systems that are available. In the first instance, many lawyers will consult with an accountant to set up an appropriate accounting system. Basic accounting journals and forms that can be used as guides, as well as a form reconciliation report can be downloaded from the ARDC website at https://www.iardc.org/SampleRecordkeeping Forms.html. For records kept manually, the lawyer must record each trust account transaction a number of different times. For example, for a trust account check, the lawyer would have to prepare the check, enter the check into the check register, enter the check in the subsidiary client ledger, and enter the check in the disbursement journal.

In comparison, the use of computer software for trust accounting permits the lawyer to only make one computer entry and the software will enter the information into the correct ledgers and journals assuming the software is properly setup that way. This ensures that all the required journal entries are up-to-date and saves time for the lawyer. While a lawyer can purchase software specifically designed for attorney trust accounting, two commonly used, generic accounting programs that can be modified to provide the necessary trust account records are Quicken® and QuickBooks. The Minnesota State Bar Association has a publication explaining how to set up attorney trust accounting records on QuickBooks: https://www.mnbar.org/resources/publications/msba-iolta-guide---quickbooks-online. Additional common trust accounting software resources can be found on the ARDC website at https://www.iardc.org/Trust Account Software Resources.htm.

Whichever accounting system is used it must be one that the lawyer understands, puts into practice, and follows (and that others auditing the lawyer’s account can follow).
Required Journals:  Rule 1.15(a) requires the following journals must be prepared and maintained, either manually or computerized, for all IOLTA and non-IOLTA client trust accounts:

1. Receipts and Disbursement Journals - Rule 1.15(a)(1).
These journals lists all receipts and disbursements chronologically for all amounts being held in trust that sufficiently identifies the date, source and purpose of each transaction.

<table>
<thead>
<tr>
<th>TRUST ACCOUNT RECEIPTS JOURNAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRUST ACCOUNT NO. ____________</td>
</tr>
<tr>
<td>ACCOUNT NAME: __________________</td>
</tr>
<tr>
<td>FINANCIAL INSTITUTION __________</td>
</tr>
<tr>
<td>DATE</td>
</tr>
<tr>
<td>____</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TRUST ACCOUNT DISBURSEMENTS JOURNAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRUST ACCOUNT NO. ____________</td>
</tr>
<tr>
<td>ACCOUNT NAME: __________________</td>
</tr>
<tr>
<td>FINANCIAL INSTITUTION __________</td>
</tr>
<tr>
<td>DATE</td>
</tr>
<tr>
<td>____</td>
</tr>
</tbody>
</table>

2. Client Ledger Pages - Rule 1.15(a)(2).
This ledger records chronologically for each client or third person for whom funds are held in trust all receipts, disbursements and balances. Without a subsidiary ledger the lawyer would likely be unable to know the amount of funds that must be maintained for a given client or third person and to provide an accurate and complete accounting on request. Also, the FDIC insurance rules require that to fully insure each client’s or third person’s funds being held in the IOLTA client trust account, each client and third person’s interests must be ascertainable from the client trust account records. See discussion on Pages 17-18. Each subsidiary ledger would include:
- Separate subsidiary ledger pages for each client or third person for whom funds are held in trust.
- Posting transactions (receipts and disbursements) by date, purpose and amount.
- If the client trust account is opened for the benefit of one client or third person or if the account allocates interest to each client or third person, any net interest (accrued interest less service charges) credited to the client or third person.

**TRUST ACCOUNT CLIENT LEDGER PAGE**

<table>
<thead>
<tr>
<th>DATE</th>
<th>DESCRIPTION OF TRANSACTION</th>
<th>PAYOR/PAYEE</th>
<th>CHECK NO.</th>
<th>FUNDS PAID</th>
<th>FUNDS RECEIVED</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


A client trust account checkbook register is like any other checkbook register. It is used to record deposits and client trust account checks in sequential order and is also used to maintain a running balance. To properly maintain the checkbook register, check stubs, bank statements, records of deposit, and checks or other records of debits must also be maintained.

**TRUST ACCOUNT CHECKBOOK REGISTER**

<table>
<thead>
<tr>
<th>DATE</th>
<th>CHECK NO.</th>
<th>PAYEE OR DEPOSIT SOURCE</th>
<th>CASE/FIELD NO.</th>
<th>AMOUNT OF CHECK</th>
<th>AMOUNT OF DEPOSIT</th>
<th>TOTAL DAILY BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Prepare and maintain reconciliation reports of all client trust accounts preferably on at least a monthly basis but not less than on a quarterly basis, including reconciliations of
ledger balances with client trust account balances. The following three balances should be the same and equal to the bank statement (less for outstanding checks & net interest for IOLTA accounts, plus in-transit deposits).

TRUST ACCOUNT RECONCILIATION REPORT

PERIOD OF ________________ to ________________

TRUST ACCOUNT NO.: ________________________
ACCOUNT NAME: ____________________________
FINANCIAL INSTITUTION: _____________________

Checkbook Balance: $ __________
Receipts Minus Disbursement Journals Balance: ( __________ )
Subsidiary Ledger Pages Balance: __________

Bank Statement
Balance on ________________ $ __________
Plus outstanding deposits __________
Less net interest accrued ( __________ )
Less outstanding checks ( __________ )

Adjusted Bank Statement Balance: __________

**Required Copies of Account Records:** In addition to preparing and maintaining the above journals, Rule 1.15(a) requires that copies of the following records generated in operating the client trust account be maintained:

- copies of all accounting, to clients or third persons showing the disbursement of funds to them or on their behalf, along with copies of those portions of clients’ files that are reasonably necessary for a complete understanding of the financial transactions pertaining to them - Rule 1.15(a)(3);

- copies of all retainer and compensation agreements with clients - Rule 1.15(a)(5); and

- copies of all bills rendered to clients for legal fees and expenses - Rule 1.15(a)(6).

All of the books and records required by Rule 1.15(a) must be maintained for a period of seven years after termination of the representation. The records can be maintained by electronic, photographic or other media provided that printed copies can be produced and the records are readily accessible to the lawyer.
In addition, Rule 1.15(a)(8) requires a lawyer to make "appropriate arrangements" for the maintenance of the records in the event of the closing, sale, dissolution, or merger of a law practice. See also Comment [5] to Rule 1.3 (duty of diligence may require sole practitioner to a successor plan in place in the event of death or disability).

C. Tracking Client Trust Account Funds: Record Entries

1. Depositing Client Trust Account Funds
Deposit client funds in the client trust account promptly upon receipt. Generate the following:

a. Deposit slip (receipt for cash), which identifies client or file for whom deposit is being made;
b. Checkbook register deposit entry;
c. Subsidiary ledger entry; and
d. Cash receipts journal entry.

Checks payable jointly to the client and the lawyer should be deposited in the client trust account and not endorsed over to the client.

2. Disbursing Client Trust Account Funds
Disbursements to the client or on behalf of the client must be made promptly after the deposit has been credited. Generate the following:

a. Check made payable to the client or third party, with notation of the client matter and purpose in memo portion of the check;
b. Checkbook register disbursement entry;
c. Subsidiary ledger entry; and
d. Cash disbursements journal entry.

3. Proper Methods For Withdrawing Legal Fees
Before an earned legal fee may properly be withdrawn from a client trust account, the client should be given notice of the nature of the services rendered and the amount of the legal fee proposed to be paid to the lawyer. See In re Smith, 63 Ill. 2d 250, 347 N.E.2d 133 (1976). If no objection is received within a reasonable time, the lawyer may withdraw the fee from the client trust account.

Moreover, if no dispute over the fee exists, the lawyer’s fees which are justly due and owing, may not remain in the client trust account, but MUST be promptly withdrawn. See Comment [3] to Rule 1.15. If not, the lawyer is commingling his or her own funds.
with the clients' funds and, as a consequence, is endangering the integrity of the client trust account. *See In re Enstrom*, 104 Ill. 2d 410, 472 N.E.2d 446 (1984).

Disbursements out of the client trust account for earned legal fees should be made payable to the lawyer and not to a third party creditor of the lawyer. Otherwise, a lawyer creates the appearance of using the client trust account for the lawyer's own personal or business expenses. This could potentially subject the client trust account to attachment by the lawyer's creditors, thereby endangering existing client funds and the status of the account as a client trust account.

4. **Reconciling Account Records with Monthly Bank Statements**

Rule 1.15(a)(7) requires that reconciliations must be made for all IOLTA and non-IOLTA client trust accounts, on at least a quarterly basis, including reconciliations of ledger balances with client trust account balances.

Before a client trust account can be reconciled with the monthly bank statement, the balances of:

- the cash receipts and cash disbursement journals;
- the subsidiary ledger pages; and
- the checkbook register must equal one another.

**Step 1:** Add together the monthly ending balances of all subsidiary ledger pages.

**Step 2:** Take the figure you arrived at the previous month when you reconciled your cash receipts and cash disbursements journals. Add the cash receipts journal balance for the month in question and subtract the cash disbursements journal balance for that month.

**Step 3:** Take the balance in the checkbook register at the end of the month in question.

The figures for Step 1, 2, and 3 must be equal. If they are not, look for entries that do not match or addition or subtraction errors, until all three figures are the same.

5. **Interest and Bank Costs**

a. For IOLTA accounts, interest credits are paid by the financial institution directly to the Lawyers Trust Fund of Illinois, and certain legitimate and reasonable bank costs are paid by the Lawyers Trust Fund directly to the bank. If your monthly bank statement reflects interest credited but not yet paid out to the Lawyers Trust Fund or bank charges not yet paid by the Lawyers Trust Fund, you should adjust the balance shown on the monthly bank statement accordingly. The interest and the charges should not be entered on your ledgers, cash journals, or checkbook register.
b. For non-IOLTA client trust accounts, where the interest is credited to individual clients or beneficiaries, after bank costs are deducted, you will not adjust the balance shown on the bank statement, but you must add the net interest to your subsidiary ledger pages, your cash receipts journal, and your checkbook register.


The bank statement balance must reconcile with the other ledger balances as follows:

a. Take the balance shown on the monthly bank statement. (For IOLTA accounts, that balance may have to be adjusted as discussed in (5)(a) above.)

b. Add any deposits not credited on the bank statements.

c. Subtract checks not debited on the bank statement.

d. The balance should be equal to the three balances described in Step 1, 2 and 3 on Page 45 -- the subsidiary ledger pages balance, the cash disbursements and receipts journals balance, and the checkbook register balance.

Practice Tips:

- **Have an Accounting System** - You must have a way of accounting to a client or third persons as to how their funds were handled. Rule 1.15 does not prescribe any particular accounting system or method but does mandate that specific recordkeeping be performed and specific records be maintained as set forth in Rule 1.15(a)(1)-(8). Some common accounting record systems are discussed below. However, you must have a system that you and anyone else looking at your records can understand. If you don’t know how to set up an accounting system, consult with an accountant. See *In re Sebela*, M.R. 10859, 92 CH 577 (Ill. 1995) (conversion of client funds occurred because lawyer had no accounting system, withdrew his fees on an "as needed" basis based on his memory and, consequently, paid himself more than what he was entitled).

- **Reconcile Monthly** - You should have a practice where you reconcile all of your accounts on a monthly basis, regardless of whether you do your own accounting or you have someone assisting you. Rule 1.15(a)(7) requires that reconciliations for IOLTA and non-IOLTA client trust accounts be performed at least on a quarterly basis and that records of those reconciliations be maintained. If you fail to reconcile, you may not be aware of bank errors, miscalculations and employee embezzlement. See discussion on Page 45.

- **Don’t Share Client Trust Accounts With Lawyers Not in the Same Firm** - A lawyer has a non-delegable fiduciary duty to safeguard client or third person property entrusted to the lawyer during a representation. If you
are in a law firm, each lawyer in the law firm need not open up a separate client trust account for each lawyer in the firm. However, you must not allow lawyers that are not in your law firm to deposit trust funds into the law firm’s client trust account; you are responsible for those funds. Conversely, if you deposit funds entrusted to you by a client or third person for safekeeping, you cannot deposit those funds into another lawyer’s client trust account.

- **Do Not Withdraw Your Fees in the Form of Trust Checks Payable for Your Own Personal Expenses** - Only client related charges, such as court costs, expert witness fees or lawyers’ fees, may be paid out of the client trust account. The lawyer should not withdraw earned fees from the client trust account in the form of trust checks payable to the lawyer’s own creditors. An earned fee must be withdrawn promptly from the client trust account and deposited in the lawyer’s own personal or business account. For example, a trust check made payable to the gas or electric company to pay the lawyer's gas or electric bill creates the appearance that the lawyer is using the client trust account as a personal account and thereby endanger its status as a client trust account, or that the lawyer is using client funds for personal purposes.

- **Withdraw Your Fees Promptly from the Client Trust Account Once You have Earned Them** - When a fee has been earned, the lawyer must promptly write a check, payable to the lawyer or the lawyer's law firm, for the full amount of the fee earned. The lawyer must not let earned fees accumulate in the client trust account and withdraw fees on an "as needed" basis; otherwise, commingling occurs and, consequently, the trust funds are put at risk. Also, the appearance is created that the lawyer is hiding money in the account to avoid creditors or income taxes. In which case, the client trust account could be subject to attachment or levy by the lawyer's creditors.

- **Avoid ATM Withdrawals** - Because the lawyer has a duty to account to the client or third person as to how the trust property was handled, writing a check from the client trust account creates an automatic audit trail that makes it easy to trace who the money came from and where it went. A client trust account with ATM access makes it possible for a lawyer and anyone else with the access code to withdraw the client’s money in cash and it is very hard to account for cash. ATMs can be an audit trail disaster. With an ATM withdrawal, the only record of what happened to the money is a little slip of paper that shows the date and the amount of the withdrawal; there is nothing that shows which client’s or third person’s money was withdrawn, who withdrew it or to whom the money was paid. ATM withdrawals are a bad practice for all purposes, including withdrawing lawyers’ fees, since there is no paper trail recording the case from which the fees are owed. Even if you put all the descriptive information on an ATM receipt, it is not good proof of what happened to the money if there is an ARDC investigation.
• **Let Deposits Clear Before Writing Checks** - The important thing to remember is that disbursing funds before the deposit has cleared puts the funds of other clients or third persons at risk of loss, thereby resulting in conversion. Also, if there are insufficient funds at the time the trust check is presented for payment, the trust check will be dishonored and the financial institution will report the overdraft to the ARDC, irrespective of whether or not the trust check is honored. See discussion “You Can’t Spend What You Don’t Have or Timing is Everything” on Page 33.

• **If a Mistake Happens, Don’t Panic** - If you find that an error occurred in making calculations or deposits, don’t panic. Take remedial action. Call your financial institution. Failure to act not only may compound the problem but failure to notify the financial institution of any errors, forgeries, unauthorized signatures or alterations within a certain period of time may waive all claims that you may have against the financial institution regarding these problems.

7. **Retention of Records**

"Complete records" of all client trust account funds and other property maintained in trust pursuant to Rule 1.15 must be kept by the lawyer for a period of seven years after termination of the representation under Rule 1.15(a). "Complete records" for all trust funds held in IOLTA and non-IOLTA client trust accounts that must be maintained is set forth in Rule 1.15(a)(1)-(8). Rule 1.15(a) expressly allows the records required under the rule to be maintained by electronic, photographic, or other media provided that printed copies can be produced, and the records are readily accessible to the lawyer.

Also, under Supreme Court Rule 769(2), all financial records related to a lawyer's practice of law must also be maintained for a minimum of seven years after the fiduciary obligation ends. Financial records include, but are not limited to, bank statements, time and billing records, checks, check stubs, journals, ledgers, audits, financial statements, tax returns and tax reports. Under the rule, the records maintained can be originals, copies, or computer-generated images. If a computer accounting software package is used for the client trust accounting, to guard against the potential loss of such computer-stored data, some experts suggest that you print out a hard copy of the accounting records on a monthly basis. Also, it is suggested that the data is backed up on a regular basis.
VI. Sample Client Trust Account Transactions, Trust Account Trial Balances and Trust Account Reconciliation

A. Sample Client Trust Account Transactions

Julia Dolan is a sole practitioner. On January 31, 2010, the bank statement balance for Dolan's IOLTA client trust account is $10,241.66. These funds are identified as follows:

a. $10,000 represents escrow money which was deposited into Dolan's client trust account on January 1, 2010, on behalf of her client Ron Roper.

b. $200 represents funds of Julia Dolan which were deposited into the client trust account in order to maintain a minimum balance necessary to avoid bank service charges.

c. $41.66 represents the interest credited for the month of January which has yet to be paid by the bank to IOLTA.

The only subsidiary ledger pages with outstanding balances on January 31, 2010, are those for Roper and Dolan. Because this is an IOLTA account, the interest figure ($41.66) does not appear on the subsidiary ledger.

SUBSIDIARY LEDGER PAGE
CLIENT TRUST ACCOUNT NO. 123-456

<table>
<thead>
<tr>
<th>Name of Client:</th>
<th>Ron Roper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Matter/Adverse Party:</td>
<td>Real Estate Escrow-Hadley</td>
</tr>
<tr>
<td>File or Case Number:</td>
<td>10-161</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DATE</th>
<th>DESCRIPTION OF TRANSACTION</th>
<th>CHECK</th>
<th>FUNDS PAID</th>
<th>FUNDS RECEIVED</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/01/10</td>
<td>Deposit-Escrow</td>
<td></td>
<td>$10,000</td>
<td></td>
<td>$10,000</td>
</tr>
</tbody>
</table>
On February 1, 2010, Joan Smith, a client, gives Dolan a $1000 retainer. The fee agreement with Smith provides that the retainer is a security retainer to be placed in the client trust account and withdrawn as earned.

Cash Receipt Journal
Client Trust Account No. 123-456
February 2010
On February 5, 2010, client James Johnson is ordered to endorse his federal and state tax refunds of $2,000 and deposit them into Dolan's client trust account. The refunds will be distributed upon further order of the court.

SUBSIDIARY LEDGER PAGE
CLIENT TRUST ACCOUNT NO. 123-456

<table>
<thead>
<tr>
<th>Name of Client:</th>
<th>James Johnson</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Matter/Adverse Party:</td>
<td>Dissolution</td>
</tr>
<tr>
<td>File or Case Number:</td>
<td>09-1058</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DATE</th>
<th>DESCRIPTION OF TRANSACTION</th>
<th>CHECK</th>
<th>FUNDS PAID</th>
<th>FUNDS RECEIVED</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/05/10</td>
<td>Red/State Refund</td>
<td></td>
<td></td>
<td>$2,000</td>
<td>$2,000</td>
</tr>
</tbody>
</table>

James Johnson Continued

<table>
<thead>
<tr>
<th>DATE</th>
<th>SOURCE</th>
<th>CLIENT</th>
<th>DEPOSIT</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/01/10</td>
<td>Smith - Check #2398</td>
<td>Joan Smith</td>
<td>50062</td>
<td>$1,000</td>
</tr>
<tr>
<td>02/05/10</td>
<td>Fed/State Refund</td>
<td>James Johnson</td>
<td>50145</td>
<td>$2,000</td>
</tr>
</tbody>
</table>

On February 13, 2010, Dolan receives a settlement check in the amount of $15,000 from Ace Insurance Company for her client Bill Grey. Dolan prepares a written settlement statement, in accordance with the terms of the written contingent fee agreement and Rule 1.5(c):

Personal Injury
Settlement Statement
Bill Grey vs. Ace Insurance Co.

Settlement Amount from Ace Insurance Co. $ 15,000.00
- Court Reporter Inc. $ 400.00
- Process Server Inc. $ 60.00
- Dr. Bailey, Expert $ 340.00
Total Expenses $ 800.00

Attorney Fees (1/3 gross rec.) $ 5,000.00
Amount Due Bill Grey $ 9,200.00
On February 20, 2010, Dolan makes the disbursements in accordance with the settlement statement after allowing seven days for the insurance company check to clear.

**SUBSIDIARY LEDGER PAGE**  
**CLIENT TRUST ACCOUNT NO. 123-456**

Name of Client: Bill Grey  
File or Case Number: 05-1002

<table>
<thead>
<tr>
<th>DATE</th>
<th>DESCRIPTION OF TRANSACTION</th>
<th>CHECK</th>
<th>FUNDS PAID</th>
<th>FUNDS RECEIVED</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/13/10</td>
<td>Ace Insurance Co.</td>
<td></td>
<td>$15,000</td>
<td>$15,000</td>
<td></td>
</tr>
<tr>
<td>02/20/10</td>
<td>Court Reporter Inc.</td>
<td>1005</td>
<td>$400</td>
<td>$14,600</td>
<td></td>
</tr>
<tr>
<td>02/20/10</td>
<td>Process Server Inc.</td>
<td>1006</td>
<td>$60</td>
<td>$14,540</td>
<td></td>
</tr>
<tr>
<td>02/20/10</td>
<td>Dr. Bailey</td>
<td>1007</td>
<td>$340</td>
<td>$14,200</td>
<td></td>
</tr>
<tr>
<td>02/20/10</td>
<td>Bill Grey</td>
<td>1008</td>
<td>$9,200</td>
<td>$5,000</td>
<td></td>
</tr>
<tr>
<td>02/20/10</td>
<td>Julia Dolan-Fees</td>
<td>1009</td>
<td>$5,000</td>
<td></td>
<td>$0</td>
</tr>
</tbody>
</table>

**Cash Receipt Journal**  
**Client Trust Account No. 123-456**  
**February 2010**

<table>
<thead>
<tr>
<th>DATE</th>
<th>SOURCE</th>
<th>CLIENT</th>
<th>DEPOSIT</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/01/10</td>
<td>Smith - Check #2398</td>
<td>Joan Smith</td>
<td>50062</td>
<td>$1,000</td>
</tr>
<tr>
<td>02/05/10</td>
<td>Fed/State Refund</td>
<td>James Johnson</td>
<td>50145</td>
<td>$2,000</td>
</tr>
<tr>
<td>02/13/10</td>
<td>Ace Insurance Co.</td>
<td>Bill Grey</td>
<td>62001</td>
<td>$15,000</td>
</tr>
</tbody>
</table>
Cash Disbursements Journal
Client Trust Account No. 123-456

February 2010

<table>
<thead>
<tr>
<th>DATE</th>
<th>CHECK</th>
<th>PAYEE</th>
<th>PURPOSE</th>
<th>CLIENT</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/20/10</td>
<td>1005</td>
<td>Court Reporter Inc.</td>
<td>Costs</td>
<td>Grey</td>
<td>$400</td>
</tr>
<tr>
<td>02/20/10</td>
<td>1006</td>
<td>Process Server Inc.</td>
<td>Costs</td>
<td>Grey</td>
<td>$60</td>
</tr>
<tr>
<td>02/20/10</td>
<td>1007</td>
<td>Dr. Bailey</td>
<td>Costs</td>
<td>Grey</td>
<td>$340</td>
</tr>
<tr>
<td>02/20/10</td>
<td>1008</td>
<td>Bill Grey</td>
<td>Settlement</td>
<td>Grey</td>
<td>$9,200</td>
</tr>
<tr>
<td>02/20/10</td>
<td>1009</td>
<td>Julia Dolan</td>
<td>Fees</td>
<td>Grey</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

On February 21, 2010, the court orders that $1,500 be paid to Johnson's wife from the escrowed income tax refunds.

SUBSIDIARY LEDGER PAGE
CLIENT TRUST ACCOUNT NO. 123-456

Name of Client: James Johnson
Legal Matter/Adverse Party: Dissolution
File or Case Number: 03-1058

<table>
<thead>
<tr>
<th>DATE</th>
<th>DESCRIPTION OF TRANSACTION</th>
<th>CHECK</th>
<th>FUNDS PAID</th>
<th>FUNDS RECEIVED</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/05/10</td>
<td>Red/State Refund</td>
<td></td>
<td>$2,000</td>
<td>$2,000</td>
<td></td>
</tr>
<tr>
<td>02/21/10</td>
<td>Mrs. James Johnson</td>
<td>1010</td>
<td>$1,500</td>
<td></td>
<td>$500</td>
</tr>
</tbody>
</table>
Cash Disbursements Journal  
Client Trust Account No. 123-456  

February 2010

<table>
<thead>
<tr>
<th>DATE</th>
<th>CHECK</th>
<th>PAYEE</th>
<th>PURPOSE</th>
<th>CLIENT</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/20/10</td>
<td>1005</td>
<td>Court Reporter Inc.</td>
<td>Costs</td>
<td>Grey</td>
<td>$400</td>
</tr>
<tr>
<td>02/20/10</td>
<td>1006</td>
<td>Process Server Inc.</td>
<td>Costs</td>
<td>Grey</td>
<td>$60</td>
</tr>
<tr>
<td>02/20/10</td>
<td>1007</td>
<td>Dr. Bailey</td>
<td>Costs</td>
<td>Grey</td>
<td>$340</td>
</tr>
<tr>
<td>02/20/10</td>
<td>1008</td>
<td>Bill Grey</td>
<td>Settlement</td>
<td>Grey</td>
<td>$9,200</td>
</tr>
<tr>
<td>02/20/10</td>
<td>1009</td>
<td>Julia Dolan</td>
<td>Fees</td>
<td>Grey</td>
<td>$5,000</td>
</tr>
<tr>
<td>02/21/10</td>
<td>1010</td>
<td>Mrs. J. Johnson</td>
<td>Ct. Order</td>
<td>Johnson</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

On February 28, 2010, Dolan is retained by Sam Spade and paid a $5,000 retainer which under the fee agreement is to be deposited in the client trust account and withdrawn as earned.

**SUBSIDIARY LEDGER PAGE**  
CLIENT TRUST ACCOUNT NO. 123-456

<table>
<thead>
<tr>
<th>DATE</th>
<th>DESCRIPTION OF TRANSACTION</th>
<th>CHECK</th>
<th>FUNDS PAID</th>
<th>FUNDS RECEIVED</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/28/10</td>
<td>Retainer</td>
<td></td>
<td>$5,000</td>
<td></td>
<td>$5,000</td>
</tr>
</tbody>
</table>
### Cash Receipt Journal

**Client Trust Account No. 123-456**

**February 2010**

<table>
<thead>
<tr>
<th>DATE</th>
<th>SOURCE</th>
<th>CLIENT</th>
<th>DEPOSIT</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/01/10</td>
<td>Smith Check #2398</td>
<td>Joan Smith</td>
<td>50062</td>
<td>$1,000</td>
</tr>
<tr>
<td>02/05/10</td>
<td>Fed/State Refund</td>
<td>James Johnson</td>
<td>50145</td>
<td>$2,000</td>
</tr>
<tr>
<td>02/13/10</td>
<td>Ace Insurance Co.</td>
<td>Bill Grey</td>
<td>62001</td>
<td>$15,000</td>
</tr>
<tr>
<td>02/28/10</td>
<td>Spade Retainer</td>
<td>Sam Spade</td>
<td>64662</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

On February 28, 2010, Dolan bills Joan Smith $250 for court costs paid by Dolan on Smith's behalf during February and issues a client trust account check for that amount made payable to herself.

### SUBSIDIARY LEDGER PAGE

**CLIENT TRUST ACCOUNT NO. 123-456**

**Name of Client:** Joan Smith

**Legal Matter/Adverse Party:** Marital Dissolution

**File or Case Number:** 10-1057

<table>
<thead>
<tr>
<th>DATE</th>
<th>DESCRIPTION OF TRANSACTION</th>
<th>CHECK</th>
<th>FUNDS PAID</th>
<th>FUNDS RECEIVED</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/01/10</td>
<td>Retainer-Smith</td>
<td></td>
<td></td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>02/28/10</td>
<td>Costs- J. Dolan</td>
<td>1011</td>
<td>$250</td>
<td></td>
<td>$750</td>
</tr>
</tbody>
</table>
# Cash Disbursements Journal
## Client Trust Account No. 123-456

**February 2010**

<table>
<thead>
<tr>
<th>DATE</th>
<th>CHECK</th>
<th>PAYEE</th>
<th>PURPOSE</th>
<th>CLIENT</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/20/10</td>
<td>1005</td>
<td>Court Reporter Inc.</td>
<td>Costs</td>
<td>Grey</td>
<td>$400</td>
</tr>
<tr>
<td>02/20/10</td>
<td>1006</td>
<td>Process Server Inc.</td>
<td>Costs</td>
<td>Grey</td>
<td>$60</td>
</tr>
<tr>
<td>02/20/10</td>
<td>1007</td>
<td>Dr. Bailey</td>
<td>Costs</td>
<td>Grey</td>
<td>$340</td>
</tr>
<tr>
<td>02/20/10</td>
<td>1008</td>
<td>Bill Grey</td>
<td>Settlement</td>
<td>Grey</td>
<td>$9,200</td>
</tr>
<tr>
<td>02/20/10</td>
<td>1009</td>
<td>Julia Dolan</td>
<td>Fees</td>
<td>Grey</td>
<td>$5,000</td>
</tr>
<tr>
<td>02/21/10</td>
<td>1010</td>
<td>Mrs. J. Johnson</td>
<td>Ct. Order</td>
<td>Johnson</td>
<td>$1,500</td>
</tr>
<tr>
<td>02/28/10</td>
<td>1011</td>
<td>Julia Dolan</td>
<td>Costs</td>
<td>J. Smith</td>
<td>$250</td>
</tr>
</tbody>
</table>

## B. Sample Client Trust Account Trial Balances

Before Dolan's IOLTA client trust account can be reconciled, the checkbook register, the cash balance and the subsidiary ledger pages must balance.

1. **Checkbook Register Balance.** On February 28, 2010, Dolan's checkbook register balance is $16,450.

### CHECKBOOK REGISTER

<table>
<thead>
<tr>
<th>CHECK</th>
<th>DATE</th>
<th>PAYEE OR DEPOSIT SOURCE</th>
<th>AMOUNT OF CHECK</th>
<th>DEPOSIT AMOUNT</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>01/31/10</td>
<td>Balance</td>
<td></td>
<td></td>
<td>$10,200</td>
</tr>
<tr>
<td></td>
<td>02/01/10</td>
<td>Joan Smith</td>
<td>$1,000</td>
<td>$11,200</td>
<td></td>
</tr>
<tr>
<td></td>
<td>02/05/10</td>
<td>Johnson Tax Ref</td>
<td>$2,000</td>
<td>$13,200</td>
<td></td>
</tr>
<tr>
<td></td>
<td>02/13/10</td>
<td>Ace. Ins. Co.</td>
<td>$15,000</td>
<td>$28,200</td>
<td></td>
</tr>
<tr>
<td>1005</td>
<td>02/20/10</td>
<td>Court Reporter</td>
<td>$400</td>
<td>$27,800</td>
<td></td>
</tr>
<tr>
<td>1006</td>
<td>02/20/10</td>
<td>Process Server</td>
<td>$60</td>
<td>$27,740</td>
<td></td>
</tr>
<tr>
<td>CHECK</td>
<td>DATE</td>
<td>PAYEE OR DEPOSIT SOURCE</td>
<td>AMOUNT OF CHECK</td>
<td>DEPOSIT AMOUNT</td>
<td>BALANCE</td>
</tr>
<tr>
<td>-------</td>
<td>----------</td>
<td>-------------------------</td>
<td>----------------</td>
<td>---------------</td>
<td>----------</td>
</tr>
<tr>
<td>1007</td>
<td>02/20/10</td>
<td>Dr. Bailey</td>
<td>$340</td>
<td></td>
<td>$27,400</td>
</tr>
<tr>
<td>1008</td>
<td>02/20/10</td>
<td>Bill Grey</td>
<td>$9,200</td>
<td></td>
<td>$18,200</td>
</tr>
<tr>
<td>1009</td>
<td>02/20/10</td>
<td>Julia Dolan</td>
<td>$5,000</td>
<td></td>
<td>$13,200</td>
</tr>
<tr>
<td>1010</td>
<td>02/21/10</td>
<td>Mrs. Johnson</td>
<td>$1,500</td>
<td></td>
<td>$11,700</td>
</tr>
<tr>
<td></td>
<td>02/28/10</td>
<td>Sam Spade</td>
<td></td>
<td>$5,000</td>
<td>$16,700</td>
</tr>
<tr>
<td>1011</td>
<td>02/28/10</td>
<td>Julia Dolan</td>
<td>$250</td>
<td></td>
<td>$16,450</td>
</tr>
</tbody>
</table>

2. Subsidiary Ledger Pages Trial Balance. Dolan's subsidiary ledger pages trial balance for February is calculated by totaling all of the subsidiary ledger pages that have an outstanding balance on February 28, 2010.

**SUBSIDIARY LEDGER TRIAL BALANCE**

**PERIOD OF 02/1/10 - 02/28/10**
**CLIENT TRUST ACCOUNT NO. 123-456**

<table>
<thead>
<tr>
<th>CLIENT</th>
<th>BALANCE ON 02/28/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Julia Dolan</td>
<td>$200</td>
</tr>
<tr>
<td>Ron Roper</td>
<td>$10,000</td>
</tr>
<tr>
<td>Joan Smith</td>
<td>$750</td>
</tr>
<tr>
<td>James Johnson</td>
<td>$500</td>
</tr>
<tr>
<td>Sam Spade</td>
<td>$5,000</td>
</tr>
<tr>
<td>Trial Balance Total</td>
<td>$16,450</td>
</tr>
</tbody>
</table>
3. **Cash Balance.** Dolan's cash balance for February is calculated by taking the cash balance from January and adding the total February receipts and subtracting the total February disbursements.

**CASH RECEIPTS JOURNAL**

CLIENT TRUST ACCOUNT NO. 123-456

<table>
<thead>
<tr>
<th>DATE</th>
<th>SOURCE</th>
<th>CLIENT</th>
<th>DEPOSIT</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/01/10</td>
<td>Smith - Check #2398</td>
<td>Joan Smith</td>
<td>50062</td>
<td>$1,000</td>
</tr>
<tr>
<td>02/05/10</td>
<td>Fed/State Refund</td>
<td>James Johnson</td>
<td>50145</td>
<td>$2,000</td>
</tr>
<tr>
<td>02/13/10</td>
<td>Ace Insurance Co.</td>
<td>Bill Grey</td>
<td>62001</td>
<td>$15,000</td>
</tr>
<tr>
<td>02/28/10</td>
<td>Spade Retainer</td>
<td>Sam Spade</td>
<td>64662</td>
<td>$5,000</td>
</tr>
<tr>
<td>03/01/10</td>
<td>FEBRUARY TRIAL</td>
<td></td>
<td></td>
<td>$23,000</td>
</tr>
</tbody>
</table>

**CASH DISBURSEMENTS JOURNAL**

CLIENT TRUST ACCOUNT NO. 123-456

<table>
<thead>
<tr>
<th>DATE</th>
<th>CHECK</th>
<th>PAYEE</th>
<th>PURPOSE</th>
<th>CLIENT</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/20/10</td>
<td>1005</td>
<td>Court Reporter Inc.</td>
<td>Costs</td>
<td>Grey</td>
<td>$400</td>
</tr>
<tr>
<td>02/20/10</td>
<td>1006</td>
<td>Process Server Inc.</td>
<td>Costs</td>
<td>Grey</td>
<td>$60</td>
</tr>
<tr>
<td>02/20/10</td>
<td>1007</td>
<td>Dr. Bailey</td>
<td>Costs</td>
<td>Grey</td>
<td>$340</td>
</tr>
<tr>
<td>02/20/10</td>
<td>1008</td>
<td>Bill Grey</td>
<td>Settlement</td>
<td>Grey</td>
<td>$9,200</td>
</tr>
<tr>
<td>02/20/10</td>
<td>1009</td>
<td>Julia Dolan</td>
<td>Fees</td>
<td>Grey</td>
<td>$5,000</td>
</tr>
<tr>
<td>02/21/10</td>
<td>1010</td>
<td>Mrs. J. Johnson</td>
<td>Ct. Order</td>
<td>Johnson</td>
<td>$1,500</td>
</tr>
<tr>
<td>02/28/10</td>
<td>1011</td>
<td>Julia Dolan</td>
<td>Costs</td>
<td>J. Smith</td>
<td>$250</td>
</tr>
<tr>
<td>03/01/10</td>
<td></td>
<td>FEBRUARY TRIAL</td>
<td></td>
<td></td>
<td>$16,750</td>
</tr>
</tbody>
</table>
4. **February Trial Balances.** The checkbook register balance, cash balance, and subsidiary ledger pages trial balance must be identical.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checkbook Register Balance</td>
<td>$16,450</td>
</tr>
<tr>
<td>Cash Balance</td>
<td>$16,450</td>
</tr>
<tr>
<td>Subsidiary Ledger Pages Trial Balance</td>
<td>$16,450</td>
</tr>
</tbody>
</table>

C. **Sample Monthly Client Trust Account Reconciliation**

After the checkbook register, cash balance, and subsidiary ledger pages have been balanced, the February bank statement is reconciled with the February trial balances figure (i.e., $16,450).

Julia Dolan  
Attorney at Law  
IOLTA Trust Account  
125 Practice Avenue  
New Justice, IL 00000-0000

ACCOUNT NUMBER: 123-456

CHECKING ACCOUNT SUMMARY FOR 02/01/10 THRU 02/28/10

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPENING BALANCE</td>
<td>$10,241.66</td>
</tr>
<tr>
<td>DEPOSITS</td>
<td>$18,000.00</td>
</tr>
<tr>
<td>WITHDRAWLS INTEREST</td>
<td>$62.50</td>
</tr>
<tr>
<td>SERVICE &amp; CHECKS</td>
<td>$16,451.66</td>
</tr>
<tr>
<td>CLOSING CHARGE</td>
<td>$0.00</td>
</tr>
<tr>
<td>BALANCE</td>
<td>$11,852.50</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER: 123-456

CHECKING ACCOUNT SUMMARY FOR 02/01/10 THRU 02/28/10

CHECKING ACCOUNT TRANSACTIONS

<table>
<thead>
<tr>
<th>DEPOSITS</th>
<th>DATE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>50062</td>
<td>02/01/10</td>
<td>$1,000.00</td>
</tr>
<tr>
<td>50145</td>
<td>02/05/10</td>
<td>$2,000.00</td>
</tr>
<tr>
<td>62001</td>
<td>02/13/10</td>
<td>$15,000.00</td>
</tr>
</tbody>
</table>

Net Interest For February 02/28/10 $62.50

WITHDRAWALS

<table>
<thead>
<tr>
<th>DATE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/28/10</td>
<td>$41.66</td>
</tr>
</tbody>
</table>

Net Interest paid to IOLTA for January 02/28/10

CHECKS

<table>
<thead>
<tr>
<th>ITEM</th>
<th>DATE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1005</td>
<td>02/25/10</td>
<td>$400.00</td>
</tr>
<tr>
<td>1006</td>
<td>02/24/10</td>
<td>$60.00</td>
</tr>
<tr>
<td>1008*</td>
<td>02/21/10</td>
<td>$9,200.00</td>
</tr>
<tr>
<td>1009</td>
<td>02/23/10</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>1010</td>
<td>02/26/10</td>
<td>$1,500.00</td>
</tr>
<tr>
<td>1011</td>
<td>02/28/10</td>
<td>$250.00</td>
</tr>
</tbody>
</table>

* denotes gap in check sequence
The bank statement balance is reconciled with the trial balances figure by adding: (1) any outstanding deposits; and by subtracting: (2) net interest accrued, and any outstanding checks. (Accrued interest is subtracted because it will be paid directly to IOLTA and will thus never be added to the checkbook balance or the journal or ledger pages balance. (See discussion at Page 41.) In this example, the bank statement and the checkbook register reflect that check number 1007 in the amount of $340 is outstanding and that the $5,000 Spade deposit has not yet been credited. There are no monthly service charges and the interest accrued figure is taken from the bank statement.

**MONTHLY RECONCILIATION**  
PERIOD OF 02/01/10 - 02/28/10  

**CLIENT TRUST ACCOUNT NO. 123-456**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checkbook Balance</td>
<td>$16,450.00</td>
</tr>
<tr>
<td>Cash Balance From Journals</td>
<td>$16,450.00</td>
</tr>
<tr>
<td>Subsidiary Ledger Pages Trial Balance</td>
<td>$16,450.00</td>
</tr>
</tbody>
</table>

- **Bank Statement**
  - Balance on 02/28/10: $11,852.50
  - Plus outstanding deposits: $5,000.00
  - Less net interest accrued: $(62.50)
  - Less outstanding checks: $(340.00)

- Adjusted Bank Statement Balance: $16,450.00

All of the records discussed above must be kept for a period of seven years after termination of the representation. The foregoing sample is used to illustrate the typical daily procedures necessary to maintain proper client trust account records. Lawyers may consult with a
reputable accountant to help them set up an accounting system that they can understand and follow.

D. Sample Trust Account Record Forms

**Trust Account Receipts Journal** - Rule 1.15(a)(1)
Lists all receipts chronologically for all deposits in the trust account and identifies the date and source of each receipt.

**Trust Account Disbursements Journal** - Rule 1.15(a)(1)
Lists all disbursements chronologically and identifies the recipient, purpose and date of each disbursement.

**Trust Account Client Ledger Page** - Rule 1.15(a)(2)
A separate page for each client/matter showing chronologically all receipts, disbursements and balances for each client/matter.

**Trust Account Checkbook Register** - Rule 1.15(a)(4)
Lists sequentially all trust account deposits and checks and reflects a current and accurate daily balance on the trust account.

**Trust Account Monthly Reconciliation Report** - Rule 1.15(a)(7)
(Done at least quarterly)

**Trust Account Record Retention Checklist**

VII. Where to Find Help

- **ARDC Ethics Inquiry Program** - a telephone inquiry line that provides general information on where to find sources to help resolve hypothetical questions arising under the Rules. Call the ARDC at either the Chicago office at: 312/565-2600 or 800/826-8625 or the Springfield office at: 217/522-6838 or 800/252-8048.

- **Lawyers Trust Fund of Illinois (IOLTA)** - Lawyers Trust Fund of Illinois, Two Prudential Plaza, 180 North Stetson Avenue, Suite 820, Chicago, Illinois 60601; (312) 938-2906 or (800) 624-8962; Fax (312) 938-3091 or visit the Lawyers Trust Fund website at [www.ltf.org](http://www.ltf.org).

- **ABA ETHIC Search** - a research service for those needing information on the ABA Model Rules, Standards and ethics opinions. Call 800/285-2221 or visit the ABA website at [https://www.americanbar.org/groups/professional_responsibility/publications/ethics_opinions/](https://www.americanbar.org/groups/professional_responsibility/publications/ethics_opinions/) to use their online form for your ethics question. Most inquiries are handled on a same day basis. Expedited same day service and fax and mailing services can also be arranged.
- Bar associations – Illinois State Bar Association (ISBA) Committee on Professional Responsibility - advisory committee that receive inquiries and render opinions either addressed to the inquiring lawyer or published in the Illinois Bar Journal. The ISBA ethics advisory opinions may be obtained from the ISBA website at www.illinoisbar.org. Also, the National Organization of Bar Counsel (NOBC) maintains a searchable database of summaries of attorney disciplinary proceedings and ethics opinions from across the country on its website (www.nobc.org).
RULE 1.15: SAFEKEEPING PROPERTY


(a) A lawyer shall hold property of clients or third persons that is in a lawyer’s possession in connection with a representation separate from the lawyer’s own property. Funds shall be kept deposited in a one or more separate account and identifiable interest- or dividend-bearing client trust accounts maintained at an eligible financial institution in the state where the lawyer’s office is situated, or elsewhere with the informed consent of the client or third person. For the purposes of this Rule, a client trust account means an IOLTA account as defined in paragraph (j)(2), or a separate, interest-bearing non-IOLTA client trust account established to hold the funds of a client or third person as provided in paragraph (f). Funds of clients or third persons shall not be deposited in a non-interest-bearing or non-dividend-bearing account. Other, tangible property shall be identified as such and appropriately safeguarded. Complete records of such client trust account funds and other property shall be kept by the lawyer and shall be preserved for a period of seven years after termination of the representation.

Maintenance of complete records of client trust accounts shall require that a lawyer:

(1) prepare and maintain receipt and disbursement journals for all client trust accounts required by this Rule containing a record of deposits and withdrawals from client trust accounts specifically identifying the date, source, and description of each item deposited, and the date, payee and purpose of each disbursement;

(2) prepare and maintain contemporaneous ledger records for all client trust accounts showing, for each separate trust client or beneficiary, the source of all funds deposited, the date of each deposit, the names of all persons for whom the funds are or were held, the amount of such funds, the dates, descriptions and amounts of charges or withdrawals, and the names of all persons to whom such funds were disbursed;

(3) maintain copies of all accountings to clients or third persons showing the disbursement of funds to them or on their behalf, along with copies of those portions of clients’ files that are reasonably necessary for a complete understanding of the financial transactions pertaining to them;

(4) maintain all client trust account checkbook registers, check stubs, bank statements, records of deposit, and checks or other records of debits;

(5) maintain copies of all retainer and compensation agreements with clients;

(6) maintain copies of all bills rendered to clients for legal fees and expenses;

(7) prepare and maintain reconciliation reports of all client trust accounts, on at least a quarterly basis, including reconciliations of ledger balances with client trust account balances;
(8) make appropriate arrangements for the maintenance of the records in the event of the closing, sale, dissolution, or merger of a law practice.

Records required by this Rule may be maintained by electronic, photographic, or other media provided that printed copies can be produced, and the records are readily accessible to the lawyer.

Each client trust account shall be maintained only in an eligible financial institution selected by the lawyer in the exercise of ordinary prudence.

(b) A lawyer may deposit the lawyer’s own funds in a client trust account for the sole purpose of paying bank service charges on that account, but only in an amount necessary for that purpose.

(c) A lawyer shall deposit in a client trust account funds received to secure payment of legal fees and expenses, to be withdrawn by the lawyer only as fees are earned and expenses incurred. Funds received as a fixed fee, a general retainer, or an advance payment retainer shall be deposited in the lawyer’s general account or other account belonging to the lawyer. An advance payment retainer may be used only when necessary to accomplish some purpose for the client that cannot be accomplished by using a security retainer. An agreement for an advance payment retainer shall be in a writing signed by the client that uses the term “advance payment retainer” to describe the retainer, and states the following:

(1) the special purpose for the advance payment retainer and an explanation why it is advantageous to the client;

(2) that the retainer will not be held in a client trust account, that it will become the property of the lawyer upon payment, and that it will be deposited in the lawyer’s general account;

(3) the manner in which the retainer will be applied for services rendered and expenses incurred;

(4) that any portion of the retainer that is not earned or required for expenses will be refunded to the client;

(5) that the client has the option to employ a security retainer, provided, however, that if the lawyer is unwilling to represent the client without receiving an advance payment retainer, the agreement must so state and provide the lawyer’s reasons for that condition.

(d) Upon receiving funds or other property in which a client or third person has an interest, a lawyer shall promptly notify the client or third person. Except as stated in this Rule or otherwise permitted by law or by agreement with the client, a lawyer shall promptly deliver to the client or third person any funds or other property that the client or third person is entitled to receive and, upon request by the client or third person, shall promptly render a full accounting regarding such property.

(e) When in the course of representation a lawyer is in possession of property in which two or more persons (one of whom may be the lawyer) claim interests, the property shall be kept
separate by the lawyer until the dispute is resolved. The lawyer shall promptly distribute all portions of the property as to which the interests are not in dispute.

(f) All nominal or short-term funds of clients or third persons held by a lawyer or law firm which are nominal in amount or are expected to be held for a short period of time, including advances for costs and expenses, and funds belonging in part to a client or third person and in part presently or potentially to the lawyer or law firm, shall be deposited in one or more pooled interest- or dividend-bearing trust accounts known as Interest on Lawyers’ Trust Accounts (“IOLTA accounts”), established with an eligible financial institution selected by a lawyer or law firm in the exercise of ordinary prudence, and with the Lawyers Trust Fund of Illinois designated as income beneficiary, IOLTA accounts, as defined in paragraph (j)(2). A lawyer or law firm shall deposit all funds of clients or third persons which are not nominal in amount or expected to be held for a short period of time into a separate interest- or dividend-bearing client trust account with the client designated as income beneficiary. Funds of clients or third persons shall not be deposited in a non-interestbearing or non-dividend-bearing account. Each IOLTA account shall comply with the following provisions:

(1) Each lawyer or law firm in receipt of nominal or short-term client funds shall establish one or more IOLTA accounts with an eligible financial institution authorized by federal or state law to do business in the state of Illinois. An eligible financial institution is a bank or a savings bank insured by the Federal Deposit Insurance Corporation or an open-end investment company registered with the Securities and Exchange Commission, and which offers IOLTA accounts within the requirements of this Rule as administered by the Lawyers Trust Fund of Illinois.

(2) Eligible institutions shall maintain IOLTA accounts that pay the highest interest rate or dividend available from the institution to its non-IOLTA account customers when IOLTA accounts meet or exceed the same minimum balance or other account eligibility guidelines, if any. In determining the highest interest rate or dividend generally available from the institution to its non-IOLTA accounts, eligible institutions may consider factors, in addition to the IOLTA account balance, customarily considered by the institution when setting interest rates or dividends for its customers, provided that such factors do not discriminate between IOLTA accounts and accounts of non-IOLTA customers, and that these factors do not include that the account is an IOLTA account.

(3) An IOLTA account that meets the highest comparable rate or dividend standard set forth in Paragraph (f)(2) must use one of the identified account options as an IOLTA account, or pay the equivalent yield on an existing IOLTA account in lieu of using the highest-yield bank product:

(a) a checking account paying preferred interest rates, such as money market or indexed rates, or any other suitable interest-bearing deposit account offered by the eligible institution to its non-IOLTA customers.

(b) for accounts with balances of $100,000 or more, a business checking account with automated investment feature, such as an overnight sweep and
investment in repurchase agreements fully collateralized by U.S. Government securities as defined in paragraph (h).

(c) for accounts with balances of $100,000 or more, a money market fund with, or tied to, check-writing capacity, that must be solely invested in U.S. Government securities or securities fully collateralized by U.S. Government securities, and that has total assets of at least $250 million.

(4) As an alternative to the account options in paragraph (f)(3), the financial institution may pay a “safe harbor” yield equal to 70% of the Federal Funds Target Rate or 1.0%, whichever is higher.

(5) Each lawyer or law firm shall direct the eligible financial institution to remit monthly earnings on the IOLTA account directly to the Lawyers Trust Fund of Illinois. For each individual IOLTA account, the eligible financial institution shall provide: a statement transmitted with each remittance showing the name of the lawyer or law firm directing that the remittance be sent; the account number; the remittance period; the rate of interest applied; the account balance on which the interest was calculated; the reasonable service fee(s) if any; the gross earnings for the remittance period; and the net amount of earnings remitted. Remittances shall be sent to the Lawyers Trust Fund electronically unless otherwise agreed. The financial institution may assess only allowable reasonable fees, as defined in paragraph (i)(j)(8). Fees in excess of the earnings accrued on an individual IOLTA account for any month shall not be taken from earnings accrued on other IOLTA accounts or from the principal of the account.

(6) Each lawyer or law firm shall deposit into such interest-bearing trust accounts all clients’ funds which are nominal in amount or are expected to be held for a short period of time.

(7) The decision as to whether funds are nominal in amount or are expected to be held for a short period of time rests exclusively in the sound judgment of the lawyer or law firm, and no charge of ethical impropriety or other breach of professional conduct shall attend a lawyer’s or law firm’s judgment on what is nominal or short term.

(g) A lawyer or law firm should exercise reasonable judgment in determining whether funds of a client or third person are nominal in amount or are expected to be held for a short period of time. No charge of ethical impropriety or other breach of professional conduct shall attend to a lawyer’s or law firm’s exercise of reasonable judgment under this rule or decision to place client funds in an IOLTA account or a non-IOLTA client trust account on the basis of that determination. Ordinarily, in determining the type of account into which to deposit particular funds for a client or third person, a lawyer or a law firm shall take into consideration the following factors:

(1) the amount of interest which the funds would earn during the period they are expected to be held and the likelihood of delay in the relevant transaction or proceeding;

(2) the cost of establishing and administering the account, including the cost of the lawyer’s services;
(3) the capability of the financial institution, through subaccounting, to calculate and pay interest earned by each client’s funds, net of any transaction costs, to the individual client.

(h) All trust accounts, whether IOLTA or non-IOLTA, shall be established in compliance with the following provisions on dishonored instrument notification:

(1) A lawyer shall maintain trust accounts only in eligible financial institutions that have filed with the Attorney Registration and Disciplinary Commission an agreement, in a form provided by the Commission, to report to the Commission in the event any properly payable instrument is presented against a client trust account containing insufficient funds, irrespective of whether or not the instrument is honored. Any such agreement shall apply to all branches of the financial institution and shall not be canceled except upon 30 days notice in writing to the Commission. The Commission shall annually publish a list of financial institutions that have agreed to comply with this rule and shall establish rules and procedures governing amendments to the list.

(2) The overdraft notification agreement shall provide that all reports made by the financial institution shall be in the following format:

(a) In the case of a dishonored instrument, the report shall be identical to the overdraft notice customarily forwarded to the depositor, and should include a copy of the dishonored instrument, if such a copy is normally provided to depositors; and

(b) In the case of instruments that are presented against insufficient funds but which instruments are honored, the report shall identify the financial institution, the lawyer or law firm, the account number, the date of presentation for payment and the date paid, as well as the amount of overdraft created thereby. Such reports shall be made simultaneously with, and within the time provided by law for, notice of dishonor, if any. If an instrument presented against insufficient funds is honored, then the report shall be made within five banking days of the date of presentation for payment against insufficient funds.

(3) Every lawyer practicing or admitted to practice in this jurisdiction shall, as a condition thereof, be conclusively deemed to have consented to the reporting and production requirements mandated by this Rule.

(4) Nothing herein shall preclude a financial institution from charging a particular lawyer or law firm for the reasonable cost of producing the reports and records required by paragraph (h) of this Rule. Fees charged for the reasonable cost of producing the reports and records required by paragraph (h) are the sole responsibility of the lawyer or law firm, and are not allowable reasonable fees for IOLTA accounts as those are defined in paragraph (j)(8).

(i) A lawyer who learns of unidentified funds in an IOLTA account must make periodic efforts to identify and return the funds to the rightful owner. If after 12 months of the discovery of the unidentified funds the lawyer determines that ascertaining the ownership or securing the return of the funds will not succeed, the
lawyer must remit the funds to the Lawyers Trust Fund of Illinois. No charge of ethical impropriety or other breach of professional conduct shall attend to a lawyer’s exercise of reasonable judgment under this paragraph (i).

A lawyer who either remits funds in error or later ascertains the ownership of remitted funds may make a claim to the Lawyers Trust Fund, which after verification of the claim will return the funds to the lawyer.

(j) Definitions

(1) “Funds” denotes any form of money, including cash, payment instruments such as checks, money orders or sales drafts, and electronic fund transfers.

(2) “IOLTA account” means an interest- or dividend-bearing client trust account, established with an eligible financial institution with the Lawyers Trust Fund of Illinois designated as income beneficiary, benefitting the Lawyers Trust Fund of Illinois, established in an eligible institution for the deposit of nominal or short-term funds of clients or third persons as defined in paragraph (f) and from which funds may be withdrawn upon request as soon as permitted by law.

(3) “Eligible financial institution” is a bank or a savings bank insured by the Federal Deposit Insurance Corporation or an open-end investment company registered with the Securities and Exchange Commission that agrees to provide dishonored instrument notification regarding any type of client trust account as provided in paragraph (h) of this Rule; and that with respect to IOLTA accounts, offers IOLTA accounts within the requirements of paragraph (f) of this Rule.

(4) “Properly payable” refers to an instrument which, if presented in the normal course of business, is in a form requiring payment under the laws of this jurisdiction.

(5) “Money market fund” is an investment company registered under the Investment Company Act of 1940, as amended, that is qualified to hold itself out to investors as a money market fund or the equivalent of a money market fund under Rules and Regulations adopted by the Securities and Exchange Commission pursuant to said Act.

(6) “U.S. Government securities” refers to U.S. Treasury obligations and obligations issued by or guaranteed as to principal and interest by any AAA-rated United States agency or instrumentality thereof. A daily overnight financial repurchase agreement (“repo”) may be established only with an institution that is deemed to be “well capitalized” or “adequately capitalized” as defined by applicable federal statutes and regulations.

(7) “Safe harbor” is a yield that if paid by the financial institution on IOLTA accounts shall be deemed as a comparable return in compliance with this Rule. Such yield shall be calculated as 70% of the Federal Funds Target Rate as reported in the Wall Street Journal on the first business day of the calendar month.
(§) (8) “Allowable reasonable fees” for IOLTA accounts are per-check charges, per deposit charges, a fee in lieu of a minimum balance, federal deposit insurance fees, automated investment (“sweep”) fees, and a reasonable maintenance fee, if those fees are charged on comparable bank accounts maintained by non-IOLTA depositors. All other fees are the responsibility of, and may be charged to, the lawyer or law firm maintaining the IOLTA account.

(9) “Unidentified funds” are amounts accumulated in an IOLTA account that cannot be documented as belonging to a client, a third person, or the lawyer or law firm.

(i) (8) (k) In the closing of a real estate transaction, a lawyer’s disbursement of funds deposited but not collected shall not violate his or her duty pursuant to this Rule 1.15 if, prior to the closing, the lawyer has established a segregated Real Estate Funds Account (REFA) maintained solely for the receipt and disbursement of such funds, has deposited such funds into a REFA, and:

(1) is acting as a closing agent pursuant to an insured closing letter for a title insurance company licensed in the State of Illinois and uses for such funds a segregated REFA maintained solely for such title insurance business; or

(2) has met the “good-funds” requirements. The good-funds requirements shall be met if the bank in which the REFA was established has agreed in a writing directed to the lawyer to honor all disbursement orders drawn on that REFA for all transactions up to a specified dollar amount not less than the total amount being deposited in good funds. Good funds shall include only the following forms of deposits: (a) a certified check, (b) a check issued by the State of Illinois, the United States, or a political subdivision of the State of Illinois or the United States, (c) a cashier’s check, teller’s check, bank money order, or official bank check drawn on or issued by a financial institution insured by the Federal Deposit Insurance Corporation or a comparable agency of the federal or state government, (d) a check drawn on the trust account of any lawyer or real estate broker licensed under the laws of any state, (e) a personal check or checks in an aggregate amount not exceeding $5,000 per closing if the lawyer making the deposit has reasonable and prudent grounds to believe that the deposit will be irrevocably credited to the REFA, (f) a check drawn on the account of or issued by a lender approved by the United States Department of Housing and Urban Development as either a supervised or a nonsupervised mortgagee as defined in 24 C.F.R. § 202.2, (g) a check from a title insurance company licensed in the State of Illinois, or from a title insurance agent of the title insurance company, provided that the title insurance company has guaranteed the funds of that title insurance agent. Without limiting the rights of the lawyer against any person, it shall be the responsibility of the disbursing lawyer to reimburse the trust account for such funds that are not collected and for any fees, charges and interest assessed by the paying bank on account of such funds being uncollected.

Adopted July 1, 2009, effective January 1, 2010; amended July --, 2011, effective September 1, 2011.

Comment
[1] A lawyer should hold property of others with the care required of a professional fiduciary. Securities should be kept in a safe deposit box, except when some other form of safekeeping is warranted by special circumstances. All property that is the property of clients or third persons, including prospective clients, must be kept separate from the lawyer’s business and personal property and, if monies, in one or more client trust accounts. Client trust accounts should be made identifiable through their designation as “client trust account” or “client funds account” or words of similar import indicating the fiduciary nature of the account. Separate trust accounts may be warranted when administering estate monies or acting in similar fiduciary capacities. A lawyer should maintain on a current basis books and records in accordance with generally accepted accounting practice complete records of client trust account funds as required by paragraph (a), including subparagraphs (1) through (8). These requirements articulate recordkeeping principles that provide direction to a lawyer in the handling of funds entrusted to the lawyer by a client or third person. Compliance with these requirements will benefit the attorney and the client or third party as these fiduciary funds will be safeguarded and documentation will be available to fulfill the lawyer’s fiduciary obligation to provide an accounting to the owners of the funds and to refute any charge that the funds were handled improperly.

[2] While normally it is impermissible to commingle the lawyer’s own funds with client funds, paragraph (b) provides that it is permissible when necessary to pay bank service charges on that account. Accurate records must be kept regarding which part of the funds are the lawyer’s.

[3] Lawyers often receive funds from which the lawyer’s fee will be paid. The lawyer is not required to remit to the client funds that the lawyer reasonably believes represent fees owed. However, a lawyer may not hold funds to coerce a client into accepting the lawyer’s contention. The disputed portion of the funds must be kept in a trust account and the lawyer should suggest means for prompt resolution of the dispute, such as arbitration. The undisputed portion of the funds shall be promptly distributed. Specific guidance concerning client trust accounts is provided in the Client Trust Account Handbook published by the Illinois Attorney Registration and Disciplinary Commission as well as on the website of the Illinois Attorney Registration and Disciplinary Commission.

[3A] Paragraph (c) relates to legal fees and expenses that have been paid in advance. The reasonableness, structure, and division of legal fees are governed by Rule 1.5 and other applicable law.

[3B] Paragraph (c) must be read in conjunction with Dowling v. Chicago Options Associates, Inc., 226 Ill. 2d 277 (2007). In Dowling, the Court distinguished different types of retainers. It recognized advance payment retainers and approved their use in limited circumstances where the lawyer and client agree that a retainer should become the property of the lawyer upon payment. Prior to Dowling, the Court recognized only two types of retainers. The first, a general retainer (also described as a “true,” “engagement,” or “classic” retainer) is paid by a client to the lawyer in order to ensure the lawyer’s availability during a specific period of time or for a specific matter. This type of retainer is earned when paid and immediately becomes property of the lawyer, regardless of whether the lawyer ever actually performs any services for the client. The second, a “security” retainer, secures payment for future services and expense, and must be deposited in a client trust account pursuant to paragraph (a). Funds in a security retainer remain the property of
the client until applied for services rendered or expenses incurred. Any unapplied funds are refunded to the client. Any written retainer agreement should clearly define the kind of retainer being paid. If the parties agree that the client will pay a security retainer, that term should be used in any written agreement, which should also provide that the funds remain the property of the client until applied for services rendered or expenses incurred and that the funds will be deposited in a client trust account. If the parties’ intent is not evident, an agreement for a retainer will be construed as providing for a security retainer.

[3C] An advance payment retainer is a present payment to the lawyer in exchange for the commitment to provide legal services in the future. Ownership of this retainer passes to the lawyer immediately upon payment; and the retainer may not be deposited into a client trust account because a lawyer may not commingle property of a client with the lawyer’s own property. However, any portion of an advance payment retainer that is not earned must be refunded to the client. An advance payment retainer should be used sparingly, only when necessary to accomplish a purpose for the client that cannot be accomplished by using a security retainer. An advance payment retainer agreement must be in a written agreement signed by the client that contains the elements listed in paragraph (c). An advance payment retainer is distinguished from a fixed fee (also described as a “flat” or “lump-sum” fee), where the lawyer agrees to provide a specific service (e.g., defense of a criminal charge, a real estate closing, or preparation of a will or trust) for a fixed amount. Unlike an advance payment retainer, a fixed fee is generally not subject to the obligation to refund any portion to the client, although a fixed fee is subject, like all fees, to the requirement of Rule 1.5(a) that a lawyer may not charge or collect an unreasonable fee.

[3D] The type of retainer that is appropriate will depend on the circumstances of each case. The guiding principle in the choice of the type of retainer is protection of the client’s interests. In the vast majority of cases, this will dictate that funds paid to retain a lawyer will be considered a security retainer and placed in a client trust account, pursuant to this Rule.

[4] Paragraph (e) also recognizes that third parties may have lawful claims against specific funds or other property in a lawyer’s custody, such as a client’s creditor who has a lien on funds recovered in a personal injury action. A lawyer may have a duty under applicable law to protect such third-party claims against wrongful interference by the client. In such cases, when the third-party claim is not frivolous under applicable law, the lawyer must refuse to surrender the property to the client until the claims are resolved. A lawyer should not unilaterally assume to arbitrate a dispute between the client and the third party, but, when there are substantial grounds for dispute as to the person entitled to the funds, the lawyer may file an action to have a court resolve the dispute.

[5] The obligations of a lawyer under this Rule are independent of those arising from activity other than rendering legal services. For example, a lawyer who serves only as an escrow agent is governed by the applicable law relating to fiduciaries even though the lawyer does not render legal services in the transaction and is not governed by this Rule.

[6] Paragraphs (a), (f) and (g) requires that certain client funds, nominal or short-term funds belonging to clients or third persons, be deposited in a pooled, interest-bearing trust account, one or more IOLTA accounts as defined in paragraph (i)(2), and provides that the interest earned on any
such accounts shall be submitted to the Lawyers Trust Fund of Illinois. The Lawyers Trust Fund of Illinois will disburse the funds so received to qualifying organizations and programs to be used for the purposes set forth in its by-laws. The purposes of the Lawyers Trust Fund of Illinois may not be changed without the approval of the Supreme Court of Illinois. The decision as to whether funds are nominal or short-term shall be in the sole discretion reasonable judgment of the depositing lawyer or law firm. Client and third-person funds that are neither nominal or short-term shall may continue to be deposited in separate, interest- or dividend-bearing client trust accounts for the benefit of the client as set forth in paragraphs (a) and (f).

[7] Paragraph (h) requires that lawyers maintain trust accounts only in financial institutions that have agreed to report trust account overdrafts to the ARDC. The trust account overdraft notification program is intended to provide early detection of problems in lawyers’ trust accounts, so that errors by lawyers and/or banks may be corrected and serious lawyer transgressions pursued.

[8] Paragraph (i) provides definitions that pertain specifically to Rule 1.15. Paragraph (1) defines expansively the meaning of “funds,” to include any form of money, including electronic fund transfers. Paragraph (2) defines an IOLTA account and paragraph (3) defines an eligible financial institution for purposes of the overdraft notification and IOLTA programs. Paragraph (4) defines “properly payable,” a term used in the overdraft notification provisions in paragraph (h)(1). Paragraphs (5) through (8) define terms pertaining to IOLTA accounts.

[8] Paragraph (i) applies when accumulated balances in an IOLTA account cannot be documented as belonging to an identifiable client or third party, or to the lawyer or law firm. This paragraph provides a mechanism for a lawyer to remove these funds from an IOLTA account when, in the lawyer’s reasonable judgment, further efforts to account for them after a period of 12 months are not likely to be successful. This procedure facilitates the effective management of IOLTA accounts by lawyers; addresses situations where an IOLTA account becomes the responsibility of a lawyer’s successor, law partner, or heir; and supports the provision of civil legal aid in Illinois.

The Lawyers Trust Fund of Illinois will publish instructions for lawyers remitting unidentified funds. Proceeds of unidentified funds received under paragraph (i) will be distributed to qualifying organizations and programs according to the purposes set forth in the by-laws of the Lawyers Trust Fund. When a lawyer learns that funds have been remitted in error or later identifies the owner of remitted funds, the lawyer may make a claim to the Lawyers Trust Fund for the return of the funds. After verification of the claim, the Lawyers Trust Fund will return the funds to the lawyer who then ensures the funds are restored to the owner.

Paragraph (i) relates only to unidentified funds, for which no owner can be ascertained. Unclaimed funds in client trust accounts—funds whose owner is known but have not been claimed—should be handled according to applicable statutes including the Uniform Distribution of Unclaimed Property Act (765 ILCS 1025 et seq.).

[8][9] Paragraph (i)(j) provides definitions that pertain specifically to Rule 1.15. Paragraph (1) defines expansively the meaning of “funds,” to include any form of money, including electronic fund transfers. Paragraph (2) defines an IOLTA account and paragraph (3) defines an eligible
financial institution for purposes of the overdraft notification and IOLTA programs. Paragraph (4) defines “properly payable,” a term used in the overdraft notification provisions in paragraph (h)(1). Paragraphs (5) through (8) define terms pertaining to IOLTA accounts. Paragraph (9) defines “unidentified funds” as that term is used in paragraph (i).

Paragraph (j)(k) applies only to the closing of real estate transactions and adopts the “good-funds” doctrine. That doctrine provides for the disbursement of funds deposited but not yet collected if the lawyer has already established an appropriate Real Estate Funds Account and otherwise fulfills all of the requirements contained in the Rule.

Paragraph (j)(j) applies only to the closing of real estate transactions and adopts the “good-funds” doctrine. That doctrine provides for the disbursement of funds deposited but not yet collected if the lawyer has already established an appropriate Real Estate Funds Account and otherwise fulfills all of the requirements contained in the Rule.

RULE 756  Registration and Fees

***

(d) Disclosure of Trust Accounts. As part of registering under this rule, each lawyer shall identify any and all accounts maintained by the lawyer during the preceding 12 months to hold property of clients or third persons in the lawyer's possession in connection with a representation, as required under Rule 1.15(a) of the Illinois Rules of Professional Conduct, by providing the account name, account number and financial institution for each account. For each account, the lawyer shall also indicate whether each account is an IOLTA account, as defined in Rule 1.15(d) of the Illinois Rules of Professional Conduct. If a lawyer does not maintain a trust account, the lawyer shall state the reason why no such account is required.

***

(g) Removal from the Master Roll. On February 1 of each year the Administrator shall remove from the master roll the name of any person who has not registered for that year. A lawyer will be deemed not registered for the year if the lawyer has failed to provide trust account information required by paragraph (d) of this rule or if the lawyer has failed to provide information concerning malpractice coverage required by paragraph (e) or information on voluntary pro bono service required by paragraph (f) of this rule. Any person whose name is not on the master roll and who practices law or who holds himself out as being authorized to practice law in this State is engaged in the unauthorized practice of law and may also be held in contempt of the court.

***


RULE 766 Confidentiality and Privacy

(amended November 19, 2004, effective January 1, 2005)

(a) **Public Proceedings.** Proceedings under Rules 751 through 780 shall be public with the exception of the following matters, which shall be private and confidential:

***

(10) information concerning trust accounts provided by lawyers as part of the annual registration pursuant to Rule 756(d);

***

RULE 769 Maintenance of Records

It shall be the duty of every attorney to maintain originals, copies or computer-generated images of the following:

(1) records which identify the name and last known address of each of the attorney's clients and which reflect whether the representation of the client is ongoing or concluded; and

(2) all financial records related to the attorney's practice, for a period of not less than seven years, including but not limited to bank statements, time and billing records, checks, check stubs, journals, ledgers, audits, financial statements, tax returns and tax reports.

Committee Comment
(April 1, 2003)

This amendment gives attorneys the option of maintaining records in forms that save space and reduce cost without increasing the risk of premature destruction. For example, CDs and DVDs have a normal life exceeding seven years, so an attorney might use them to maintain financial records. At present, however, floppy disks, tapes, hard drives, zip drives, and other magnetic media have insufficient normal life to meet the requirements of this rule.
IOLTA Enrollment Forms and Instructions

To establish an IOLTA account, the Lawyers Trust Fund of Illinois (LTF) has step-by-step instructions available on its website at www.ltf.org, and staff members at the Lawyers Trust Funds can provide assistance.

Lawyers Trust Fund of Illinois
Two Prudential Plaza
180 North Stetson Ave., Suite 820
Chicago, IL 60601
(312) 938-2906 [Main]
(312) 938-3091 [Fax]
1-800-624-8962 [Toll Free]

To download the IOLTA forms, click on the desired form below:

IOLTA Enrollment Form (in MS Word format)

IOLTA Enrollment Form (in .pdf format)
NOTICE TO FINANCIAL INSTITUTIONS TO ESTABLISH IOLTA ACCOUNT

Instructions for Attorneys:
1. Fill out Notice to Financial Institutions/Notice of Enrollment form and mail, email, or fax to the Lawyers Trust Fund of Illinois

To: ____________________________
   (Bank)
   (Bank Address)
   (City, State, Zip Code)

From: __________________________
   (Attorney/Firm)
   (Attorney/Firm Address)
   (City, State, Zip Code)

Date: __________________________

Pursuant to the Rules of the Supreme Court of Illinois, Article VIII, Illinois Rules of Professional Conduct, Rule 1.15(d) - (f), effective June 1, 2007, the undersigned’s law firm trust account must be placed in an IOLTA account with an eligible financial institution, with interest payable to Lawyers Trust Fund of Illinois.

Account Number ____________________

Account Name: ____________________

Bank Instructions

The Federal Reserve System and the Federal Home Loan Bank Board have approved the establishment of IOLTA NOW accounts by law firms, including professional corporations. The Lawyers Trust Fund will provide supporting documentation regarding government rulings upon request.

Account Name: The IOLTA account and checks printed for your customers’ use CANNOT identify the Lawyers Trust Fund of Illinois in its account title, as designee, trustee or owner.

Tax Information: The IOLTA account shall bear the tax identification number (TIN) of the Lawyers Trust Fund of Illinois (contact LTF for details). IRS Form W-9 shall bear the Lawyers Trust Fund’s tax identification number as payee and certify exemption from backup withholding taxes. W-9’s can be sent to the Lawyers Trust Fund for certification.

The Lawyers Trust Fund is tax-exempt. No Form 1099 need be issued for the IOLTA account. Further, a payor is not liable for a penalty under Section 6672(b) for filing an information return with a mismatched TIN number when, pursuant to IRS regulation Section 33.0.9899-1, A-29, and IRS Publication 1281 (Rev. 8-99), p. 42, the payee is an exempt organization.

Interest calculation: Interest should be calculated on the average monthly balance in the account, or as otherwise computed in accordance with your standard practices.

Interest remittance: Interest must be remitted electronically to the Lawyers Trust Fund monthly unless otherwise agreed upon by the Lawyers Trust Fund. Remittances must be sent via ACH: Bank of America (contact LTF for details). If approved, checks can be mailed to: Lawyers Trust Fund of Illinois, 12876 Collections Center Drive, Chicago, Illinois 60693.

Reporting requirements: Each remittance must be accompanied by an Interest Remittance Report and sent electronically to IOLTAREPORT@ltf.org unless otherwise approved by the Lawyers Trust Fund. If approved, reports can be submitted via fax to (312) 938-3091 or by mail to the Lawyers Trust Fund of Illinois, 12876 Collections Center Drive, Chicago, Illinois 60693. The report must contain the following information: 1) Dates of reporting period; 2) Rate of interest paid; 3) Gross interest; 4) Acceptable service charges, if any; 5) Net interest remitted. Negative netting is not permitted. Under no circumstances can the negative interest balance be deducted from the corpus of an IOLTA account. Fees charged in excess of the earnings accrued on an individual account for any month cannot be taken out of earnings accrued on other IOLTA accounts nor from the principal of the account.

Questions: Call us Monday - Friday, 9 a.m. to 4 p.m. at (312) 938-2906 or (800) 624-8962. Or, e-mail us at ioltareport@ltf.org.
NOTICE OF ENROLLMENT IN THE IOLTA PROGRAM

(Send to: Lawyers Trust Fund of Illinois, Two Prudential Plaza, 180 North Stetson Ave., Suite 820, Chicago, IL 60601;
Fax to: (312) 938-3091; or Email to: iolta@lif.org)

Date: ______________________

The undersigned, in accordance with Article VIII, Illinois Rules of Professional Conduct, Rule 1.15 (d) -(f) amended January 25, 2007 effective June 1, 2007), has established an IOLTA Account with the eligible financial institution specified below. Interest on the account will be paid to the Lawyers Trust Fund of Illinois. My/our account is entitled:

**BANK INFORMATION:**

(Account Name) ____________________________________________________________________________

(Account Number) _________________________________________________________________________

(Bank) ____________________________________________________________________________

(Bank Routing Number) ___________________________________________________________________

(Bank Address) __________________________________________________________________________

(City) _______________________________________________________________________________

(State) _______________________________________________________________________________

(Zip Code) _____________________________________________________________________________

(Bank Contact) __________________________________________________________________________

(Telephone Number) _____________________________________________________________________

(County) ______________________________________________________________________________

**ATTORNEY INFORMATION:**

(Attorney or Firm) Print Name _______________________________________________________________________

(By) Signature ________________________________________________________________________________

(Firm Address) ______________________________________________________________________________

(City) ___________________________________________________________________________________

(State) ___________________________________________________________________________________

(Zip Code) _________________________________________________________________________________

(Telephone Number) __________________________________________________________________________

(County) __________________________________________________________________________________

*(Required to access your annual report on-line.)*
APPENDIX

Suggested Sources for Researching Ethics Issues


3. ABA/BNA, *The Lawyer's Manual on Professional Conduct* - multi-volume, subscription service, consisting of a substantive discussion on the state of the law on professional responsibility, the full text of the ABA Model Codes, recent ABA ethics opinions, digests of ethics opinions issued by state and local bar associations, and recent developments in the field of professional responsibility including opinions, case law and reports of conferences and law reviews. Updated bi-weekly. Available in print or electronic format. To subscribe call Bloomberg BNA at 800-372-1033 or www.bna.com).


5. Ethics Opinions issued by the ABA Standing Committee on Ethics and Professional Responsibility, both formal opinions (beginning with 1924) and informal opinions (beginning with 1961), available in bound volumes from the ABA Center on Professional Responsibility. Most opinions can also be obtained from WESTLAW or LEXIS.

6. Illinois State Bar Association (ISBA) Advisory Opinions on Professional Conduct - prepared as an educational service to members of the ISBA, the opinions express the ISBA interpretation of the Illinois Rules of Professional Conduct and other relevant materials in response to a specific hypothesized fact situation. Opinions issued from 1980 to the present can be obtained from the ISBA website at https://www.isba.org/ethics.

7. *ARDC Ethics Inquiry Program* - provides general information on where to find sources to help resolve questions arising under the Rules. Call either the ARDC Chicago office at: 312/565-2600 or 800/826-8625 or Springfield office at: 217/522-6838 or 800/252-8048.

Trust Accounting Software Resources

ABA Tech Center (www.americanbar.org) ABA Legal Technology Buyer’s Guide: Not a comprehensive list, but a great resource. Includes practice management software as well.

Chicago Bar Association Law Practice Management and Technology Center (LPMT) (https://lpmt.chicagobar.org/)
Located on the first floor of Chicago Bar Association, the space features technology training for attorneys and support staff, vendor demonstrations of hardware/software for the law office, and practical How To...series. Most programs are webcast live (and made available later via on demand web video), offering members distance learning opportunities for specialized training. For further information, contact the LPMT Center at 1-312-550-2070 M-F 9am - 5pm CT

Generic Accounting Programs

QuickBooks

Quicken

Stand-Alone Programs

e.g. Timeslips (www.timeslips.com)

Easy Soft for Attorney Trust Accounts (www.easysoft-usa.com)

Trust Account Programs for Integrated Systems

e.g., Tabs3 (www.tabs3.com)

TrustBooks: (https://www.trustbooks.com/)


AbacusNext: (www.abacusnext.com)

Clio: (http://www.clio.com)

EasySoft: (http://www.easysoft-usa.com/)
ProLaw: (http://www.elite.com/prolaw/)

Rocket Matter: (http://www.rocketmatter.com/)

Timesolv: (https://www.timesolv.com/)

ABA Time and Billing Software Comparison Chart for Solo/Small Firms
(Time_billing_comparison_chart.pdf (americanbar.org)