

## Operating Account and Trust Account

Hello everyone!

In establishing accounts for your firm, do you prefer having both your operating account and trust account at the same bank? Does anyone use different banks so as to avoid any potential mix up (i.e. depositing money into the wrong account)?

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I have them at the same bank. But I set up procedures to avoid mix ups.

1. Each account has a different color check. My IOLTA checks are obnoxious yellow. They are annoying. My operating account checks are blue.
2. IOLTA checks are also duplicates. My operating account checks are not duplicates.
3. I started my first IOLTA check at 4000 or so, thus making it different from my operating account checks which started at 100.
4. The binder for each check book is a different color. IOLTA is red.

Operating is black.

5. IOLTA deposits always are done in the branch. Operating account deposits are always done at an ATM.

15 years later, it has worked well for me.

Jonathan Stein, California

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I had not thought of using different banks. I like the idea.

From time to time I have experienced mistakes in depositing checks into the wrong account. The deposit tickets, and going to the same bank and same teller with different transactions, induces an element of risk. Using two different banks might help reduce the risk but not completely avoid it since the mistake can be made in the thought process of deciding which account a check should be deposited into.

Roger Rosen, California

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My system is similar to Jonathan's. I use the same bank. For my trust account, I use the standard bank-provided checks and deposit slips.. checks come in a pad, and deposit slips are preprinted and are at the back of each pad. For my operating account, I buy checks from somewhere (I've used several sources over the years... I just checked, and the current set is from Business Essentials).. and I always get the 'three checks to a page' selection. So not only are they a different color, but they're a

different size, and a different format. For deposit slips, I use the blank ones that the bank has in the lobby. They're the same size as what I use for the trust account, but they're NOT preprinted, so I have to complete the info, including account number.

I've been on my own for nearly 25 years, and never had a problem (knock on wood).

Laurie Axinn Gienapp, Massachusetts

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If your accounts are at the same bank then wiring and credit card fees for payments to the trust account can be deducted from the operating account. Not sure if you can do that if the accounts are at different banks.

Flann Lippincott, New Jersey

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I'm not as conscientious as Jonathan. But I have some safeguards:

1. My trust checks and operating checks are different colors. I print the trust checks thru the trust accounting module; handwrite operating acct checks.
2. I can move money electronically between my personal account and op account. No electronic access for the trust account.
3. Deposit slip books are printed by different printers. I write in big letters on the trust account book "TRUST ACCOUNT".
4. On deposit days, I never have deposits for both accounts on the desk at the same time. I do the trust account deposits first, then the operating.

Barry Kaufman, Florida

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Similar to the others.

IOLTA checks and operating checks are different.

IOLTA deposit slip and operating slips are different.

Electronic transfers are done between IOLTA and operating but only when attached to some invoice and record the invoice number and amount so it is easy to audit later.

David Seto, California

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Yes, that's exactly why I have them at separate banks. Almost all of my other business / personal accounts are together. It's very easy to push money from one to another. Too easy, IMHO, if one of those is a IOLTA account.

So I have to log separately into the trust account, and choose to transfer money to the operating account as a distinct action.

Tim Ackermann, Texas

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Everyone has discussed the possibility of the lawyer (or staff) making a mistake; depositing money in the wrong account; and certainly, you can have practices and procedures in place to avoid that (different check colors, styles, etc).

However, way back when, in the last century, when I was taking my Ethics class, our prof put it like this:

The real reason for having trust and operating accounts at different banks is not to avoid a mistake by you; it's to avoid a mistake by the BANK. If you have both operating and trust accounts at the same bank, and IF you should for some reason overdraft your operating account, if you have a stupid teller, the teller may start looking for other accounts of yours to cover the overdraft; the teller sees you have another account there and says "Oh, I can transfer money out of this Trust account to cover the overdraft of the lawyers operating account".

Yeah, you just got a bar IOTA audit, maybe.

Even if it's not your fault, even if the bank is entirely at fault, overdrafts do occur; I've never had an overdraft but what if a client bounces a check and you overdraft? Or someone manages to get into your operating account and they cause an overdraft, and an overzealous teller tries to cover it.

Yeah, teller should know that they can't take money out of trust account, but do you really trust the tellers that much? It is unlikely but it can happen.

But you do what you want.

Ronald Jones, Florida

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Thank you...All great suggestions!

I was more concerned with what Ronald brought up...the bank making a mistake. I think you've helped me make a decision. Thank you everyone!

Christina Wentzel

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I have had the experience of the bank making the mistake.

Roger M. Rosen

