

# How To Set Up Your Client Trust Accounts

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## Introduction

The Texas Equal Access to Justice Program is designed to provide funds to be used for indigent legal services. As a result, the IOLTA (Interest on Lawyers' Trust Accounts) was implemented.

IOLTA provides that attorneys must deposit all client funds, which are nominal in amount or reasonably anticipated to be held for a short period of time, into a single interest bearing account.

The bank, or other financial institution where the account is maintained, sends the earned interest directly to The Texas Equal Access to Justice Foundation. The Foundation distributes the funds to legal service providers around the State who are providing legal services to the indigent people of Texas.

Each licensed attorney, if handling client funds, is required to set up a separate IOLTA trust account. While it is permissible to use one IOLTA account for all clients, it is necessary to keep accurate and detailed records on transactions for each client.

A separate interest bearing non-IOLTA trust account must be established for client funds to be held for a longer period of time, which are expected to earn interest in excess of the cost of maintaining a separate account. The interest earned in this case belongs to the client.

## The Requirements for IOLTA Accounts are as follows:

The attorney or law firm must direct the financial institution:

1. To remit at least quarterly, interest earned on the average daily balance in the account, less reasonable service charges, to the Foundation;
2. To provide the Foundation with information regarding the name of the attorney or law firm for whom this remittance is made, the interest rate applied, and the amount of service charges - if any, deducted.
3. To provide the attorney with a copy of all the information sent to the Foundation.

The Foundation provides an IOLTA Notice to Financial Institutions and Foundations form which must be completed by the attorney or law firm and given to the financial institution. A copy of this form must be sent to the Foundation within thirty days of establishing the IOLTA account.

Additionally, in the event of any change in account status or account closure you must notify the Foundation in writing within thirty days of either event.

## Further Notification of the Foundation is Required:

1. Annually, if you maintain an IOLTA account
2. If you are unable to establish a trust account bearing interest in excess of service charges, a statement informing the Foundation of that fact needs to be filed.
3. If you handle client trust funds, but do not have a separate account, you must inform the Foundation nevertheless.

## Conclusion

It is imperative that client funds not be mixed with the attorney's personal or firm funds, but instead be handled in accordance with the herein listed guidelines.