

Keep funds simple and separate at three banks

On a given day, attorneys have a variety of financial obligations that are both business and personal in nature. But, unlike other fields, sometimes it can be especially challenging to separate the two and



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keep them that way. Some expenses are obviously related to one's practice, such as operating costs, filing fees, and memberships in professional organizations, such as the state and local bar

associations. However, with client development becoming an increasingly expected part of a lawyer's daily – or at least regular – activities, it is not as easy to separate business from pleasure. The costs associated with attending events, taking prospective clients to lunch and dinner, and traveling for social occasions that could lead to new business are all expenses that might qualify as legitimate business expenses.

Additionally, more daily mun-

dane expenses, such as dry cleaning, gas, or a cup of coffee on the way to work, also need to be monitored so that you know how much you're spending and where. And with the use of credit and bank cards instead of cash, receipts tend to accumulate at rates that often surpass the ability to make a record of them before they pile out of control.

Commingling of funds continues to be one of the most common reasons that lawyers are reprimanded and disbarred. It essentially involves the wrongful use of money that should be solely associated with clients for an attorney's personal benefit. Although there are lawyers out there who commit this offense due to either a lack of integrity or an abundance of financial desperation or greed, there are others who fall into this trap due to a lack of organization.

The best way to avoid combining funds into a jumbled and confusing financial mess is to keep them simple – and separate. Initially, it may feel cumbersome to maintain separate accounts, but it is ultimately the simplest way

to keep your finances clear and separate. To take this approach a step further, I recommend having three accounts, each at a different bank. That way, your personal account is at one bank, your account for firm-related expenses is in an account at a second bank, and all client-related monies are reserved for a third. Regardless of whether you're practicing at a large firm or are a solo practitioner, this approach will save you time in poring over bank statements to cross-reference expenses because they will automatically be classified by the three banks. To avoid confusion, client development expenses would be paid through the "firm" account, and the "client" account would then be reserved for any revenue from clients; many firms already have such accounts, which are typically trust accounts, but I am instead referring to individual attorneys.

Even if you're working for a firm or another entity, keeping your expenses separate is an effective and definitive way to demonstrate at a moment's notice that you know and care very

deeply about where your expenses belong, and it shows that you are making an intentionally public effort to ensure that your financial records are above reproach. To save space, you could maintain all three accounts online and keep statements in a folder on your hard drive. Many banks will also send an annual report with a breakdown of your expenses by category, as will credit card companies. This is especially true of business accounts. As a back-up, it would also be wise to save your statements onto a disc or CD and store this information in your desk. If you have a personal e-mail account and feel comfortable storing sensitive records there, you could forward copies there, too, as a second back-up.

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