Increase Your Knowledge of Banking and Investment

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Banking and Investment – Topics to be Covered

• Types of bank/investment accounts
• Client trust accounts
• Bank security features for accounts
• Deposited fund regulations and bank rules
• Federal wire and ACH funds transfer
• Short-term investment alternatives
Type of Bank & Investment Accounts

- Operating
- Sweep
- Zero Balance
- Cost
- Lockbox
- Client Trust (IOLTA)
- Savings/Money Market
- Investment/Brokerage

Operating Bank Accounts

Analysis Checking:
Balances receive earnings credit to offset monthly fees

Interest Bearing Checking:
Balances receive interest and monthly fees charged to account

Hybrid Checking:
Earnings credit on balances, excess balances are paid interest
**Operating Bank Accounts**

**ZBA (Zero Balance Accounts):**
Balances are swept to a main “general” account

**Cost:**
Use to pay all costs advanced on behalf of clients

**Lockbox:**
Clients mail their checks directly to the bank (usually a PO Box), bank credits the firm’s bank account and sends Firm daily accounting of the checks received

**Client Trust Account (IOLTA)**

- Ethics
- Rules/Procedures pursuant to Rule ABA Model Rule 1.15
- Client Trust v. Operating Accounts
- General Trust Account vs. Single-Client Trust Account
- What’s proper handling? What’s not?
- Have a policy in place
Short-Term Investment Alternatives

- Savings
- Money Markets
- Sweep
- CDs

- Considerations to Investment Option:
  - Prior to 2007, earnings were +5%.
  - Prior 8 years, rates flat, near 0.
  - 2019 expected to be 2.5% or greater.
  - Consider: cash needs, rate of return, duration, risk tolerance

Bank Security Features

- Positive Pay
- ACH Block
- EFT authorization and dual approval
- Dual check signature
- Remote deposit capture
- Bank account set up (ZBA, sweep)
- Automatic Transfer from Money Market or Line of Credit
- Internal controls
Deposited Fund Regulations and Bank Rules

• Deposited funds vs Available Funds
• When are the funds available?
  Immediate: Cash, wires, ACH, direct deposit, remote deposit capture
  1 Business day: Cashier’s checks, US Treasury, checks draws on same bank
  2nd business day or more: Non-Government checks, state & local government, USPS Money Orders.

Federal Wire and ACH Wire Transfer

• Federal Wire vs. ACH Funds Transfer
Best Practices/Internal Controls

Bank Reconciliations
  • Segregation of Duties
  • Review and Approval Documentation

Monitor all bank account(s) activity daily
  • Cash flow spreadsheet

Questions?

QUIZ
Your opinion matters!

Please take a moment now to complete the evaluation.

Thank You!
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Worksheet of Terms

Bank Accounts:
- Operating: Deposits and withdrawals to operate the entity’s business.
- Client Trust: Account to hold funds from a client or third party in connection with a representation separate from the lawyers’ own property. Law firm must appropriately safeguard these funds.
- Cost: Account to pay advanced client costs.
- Sweep: Balances over a pre-determined threshold are automatically transferred to an investment or line of credit account.
- Zero Balance: (ZBA) Is a checking account in which a balance of zero is maintained by automatically transferring funds from or to a master account.
- Savings/Money Market: A deposit account that pays interest based on current interest rates in the money markets. Money Markets usually pay higher interest rates than savings accounts.

Positive Pay:
Automated fraud detection tool offered by most banks. Matches account #, check # and amount of each check presented for payment against list of issued checks by the company.

ACH Block:
Protects your accounts from unauthorized electronic charges. Company sets up third parties authorized to debit such accounts.

Wire Transfer:
Method of electronic funds transfer from one person or entity to another. Fastest way to send money. Usually within minutes, although some can take days especially international wires. Bank fees range in the $20-$35 range for most banks.

Line of Credit:
An amount of credit extended to a borrower.

ACH Funds Transfer:
“Automated Clearing House” ACH and “Electronic Funds Transfer” EFT refer to money transfers to one account to another. Usually, these are sent in “batches” through the clearing house. Usually is less expensive than wires. Funds can be transferred and received in as little as one business day, but can take longer.