



**COLORADO SUPREME COURT
Office of Attorney Regulation Counsel**

Trust Account Manual

Advanced Fees, Costs

Advanced Fees and Removal of Earned Fees from Trust Accounts

Lawyers arrange payment for their services in many different ways. One of the most common payment arrangements is for a lawyer to receive a retainer for work to be done in the future. If a lawyer receives money in advance for work to be done in the future, he or she must place that money in a trust account. According to Colo. RPC 1.5(f), legal fees are not earned until the lawyer confers a benefit on the client or performs a legal service for the client. Accordingly, the lawyer may remove money from a trust account only as it is earned.

The same holds for a lawyer who receives a flat fee for work to be done in the future. There are different ways to arrange with a client about when a flat fee is earned in totality or partially. Some lawyers will use an hourly rate to determine when portions of a flat fee are earned. Others will use a "task-based" or "event-based" method to determine when a portion or the whole fee is earned.

Costs: Advanced, and Reimbursed

Any time a client gives money to a lawyer to be used for costs in a matter, the lawyer must put those funds in the trust account. When the lawyer uses those funds to pay for costs, the lawyer must write a check on the trust account specifically identifying the date, payee, and purpose of each disbursement.

If the lawyer has paid a cost for the client from the lawyer's own funds and then the client pays the lawyer for those costs, the lawyer should deposit those funds into the lawyer's office account, not the trust account.