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The 5 Biggest Game-Changers in Legal Accounting Software

Joseph Benstowe · Thursday, December 14th, 2023

Accounting is one of the most tedious and stressful parts of running a law firm. Thank goodness there's technology to handle some of the most burdensome tasks. If you've already got a practice management application that handles your accounting, it is taking care of every task it possibly could? Is it maximizing your time? If you aren't sure whether you have the optimal accounting software for your law firm, or if you've had your current solution for a while and aren't sure whether it's the latest and greatest option, check out the five essential legal accounting software features below and compare it with your law firm's technology.

1. Integrated general ledger firm and trust accounting

Using multiple systems for accounting, billing, and invoicing hampers productivity and leaves your firm vulnerable to mistakes from users manually inputting data. Top-tier legal software seamlessly integrates general ledger firm and trust accounting with timekeeping, billing, and more.

Fully integrated accounting ensures that your accounting operations are not only highly efficient but also remarkably accurate. The software automatically recognizes your data, eliminating the need for manual data entry and reducing the risk of errors.

2. Centralized management of firm and trust/retainer finances

Leading law practice management platforms allow you to track your bank accounts, operating accounts, and related information in one central place. With fully compliant trust and firm accounting, you can monitor every dollar moving in and out of your firm without fear of penalties. A centralized approach provides a comprehensive view, streamlining financial management.

In these tools, you can also generate detailed accounting reports in seconds. Top legal software has built-in budget, trial balance, profit and loss, and general ledger reports. This feature allows you to filter and view your accounting data with a single click, providing valuable insights into your financial performance.

These platforms also allow you to gain insight into firm and client financials at a glance. Their dashboards will populate with customized views that allow you to see overdue bills, deposits, unbilled expenses, outstanding vendor bills, and more, saving you time and clicks. Better yet, advanced legal accounting software allows you to control access permissions, so you can restrict users and groups from editing, viewing, or sharing specific categories of data, including financial reports, billing rates, account balances, and more.

3. Streamlined management of multiple trusts and retainers

Clients often expect firms to manage multiple trusts and retainers for a single matter. Top legal

software rises to this challenge by enabling easy management of multiple trusts and retainers under one or many matters. This feature enhances efficiency and meets the modern service expectations of clients.

With modern legal accounting software, you can track multiple IOLTA accounts efficiently by automatically assigning accounts for each client trust. This feature provides visibility into the flow of money in and out of your accounts, ensuring accurate and transparent financial management. These tools also perform automatic [three-way trust reconciliations](#), comparing your bank balance to your trust ledger and to individual client ledger balances, improving compliance with state bar requirements and IOLTA best practices.

4. Automated transactions, from client payments to trust replenishment

Top legal software automates the recording of client payments. Once a payment is deposited, it's instantly reflected in your accounts and financial statements, making your payment processes more accurate and efficient.

These systems also streamline client funds management by automatically accounting for trust/retainer funds. You can set a replenishment threshold that automatically notifies clients when their retainer funds are running low and then auto-apply replenishment funds to bills.

Some tools even have functionality that identifies matters with accounts receivable balances and available funds, [allowing you to quickly create bill payments](#). The software facilitates smooth transactions, from identifying available funds to writing checks from your IOLTA to the [operating account](#).

5. Increased accounting vigilance to prevent errors

Accounting accuracy is paramount for any law firm. Top legal software incorporates double-checking accounting security to limit human errors. These systems flag entries that don't reconcile with the rest of your data, keeping your accounting data accurate, consistent, and audit-ready.

If you accept credit cards, and you definitely should to meet client expectations, your software should not only [integrate with tools like Plaid](#) that help you add, match, and reconcile credit card transactions, but it should also [ensure the payment processing service fees are properly allocated to your firm's operating account](#) rather than the client's trust account to avoid noncompliance with IOLTA accounting rules.

Invest in next-level legal accounting software

While basic law practice management systems can handle fundamental accounting tasks, investing in top-tier legal software unlocks advanced features that elevate efficiency, accuracy, and compliance. The comprehensive financial management capabilities that leading legal software offers streamline operations and empower law firms to navigate the complexities of modern legal accounting with confidence.

Ready to upgrade your legal accounting practices? [Contact us for a free demo today.](#)

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