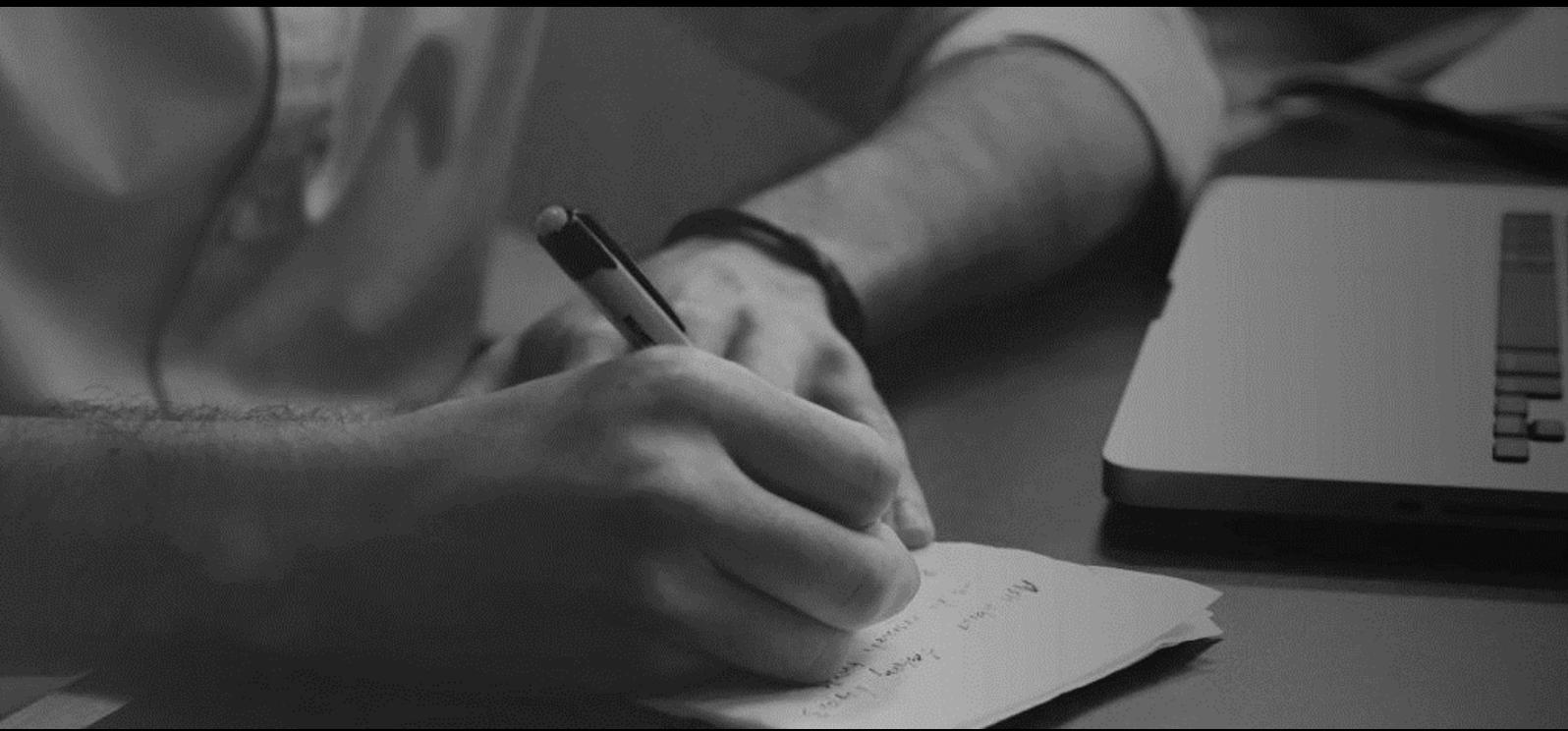


6 Reasons Clients Don't Pay On Time, Plus Solutions

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Getting Paid Made Easy



Why Clients Don't Pay on Time

Creating and maintaining consistent cash flow in an accounting business is an ongoing effort, from initial client engagement to following up with past-due accounts. Determining the 'why' when your clients don't pay on time can reveal where and how you need to improve your internal processes in order to improve cash flow.

Generally, not paying on time arises from one or more of these six reasons:

1 The client has a genuine dispute

If you start your follow-up process early, you have a better chance of resolving the dispute and getting paid. Use the dispute to review how you do things and implement change to avoid the same issues arising in the future.

2 They are just busy or overwhelmed

Quite often, the reason for non-payment is that the client is busy or under resourced. A timely reminder letter will get the account paid, and this situation event presents a great opportunity for you to provide some advisory support.

3 They are disorganised

Often we assume our client's internal processes are efficient and in order. Very often, however, the accounts get put to one side when received in the mail. If your invoice arrives hidden between the cover letter and account details it might be missed. When sending work to clients by mail, place the invoice on top so it can be seen when the envelope is opened; when sending via email, send a copy of the invoice to the accounts manager.

4 The client doesn't have enough money to pay the account

If you find this out early, you are in a better position to offer a payment arrangement. For larger jobs, breaking down the invoice into smaller amounts and billing progressively has the same effect as a payment arrangement, except that it begins earlier in the process (and means you get paid earlier).

5 The client is unconcerned

Ask your clients: "Are you unconcerned because we took too long to do the work?" Focusing on job completion and job turn-around is your responsibility – paying on time is then the client's obligation.

6 The client is dishonest

Interviews, scoping, budgets, formal engagements and interim billing may alert you to this kind of client, but often it's when the account hits 120 days that you suspect that they had no intention of paying. Start early with the follow up process and when you seem to have exhausted your options, call in the experts.

Managing the Problem

STEP 1: Present the invoice as soon as the work is complete

For most jobs, billing on completion will have a positive impact on cash flow because:

- The client can see that the invoice relates to the job presented, and
- The value can generally be reconciled to the job when both are presented at the same time.

Compare that to the scenario where an invoice arrives weeks after the job has been completed: because the perception of value delivered declines over time, the invoice will undoubtedly encounter greater scrutiny from the client.

For larger jobs, interim billing at predetermined points (generally time based) will impact client cash flow to a lesser degree while you firm benefits from beginning to receiving payments before the work is completed.

STEP 2: Provide clients payment options and simplicity

It's simple but true – make it easy for your clients to pay you and they're more likely to pay.

- Consider providing clients a central **payment portal** to use. Having all of their payment options in one place, and with many options only taking a few clicks, your clients will find less reason to procrastinate. This is why QuickFee began offering firms like yours custom payments portals that are so simple that we could have one for your firm up and running within 24 hours, with almost no effort on your part.
- Provide your clients with a good selection of **payment options**. Consider including standard check payment details, wire transfer, payment by credit card, and **QuickFee-funded instalment plans**. The instalment-plan option is one of the most beneficial options for your firm because...
 - Your firm receives full payment up front
 - When a client selects this option you don't have to worry about them getting behind on invoices, even if they don't have the funds immediately available
 - Your relations with clients in a cash flow crunch are kept positive
 - You can potentially generate more work from clients using this option, as clients that are caught up on invoices are more likely to request new work

STEP 3: Understand and follow the 3 basic rules of debtor management

1 Communicate clearly with your clients

An effective debtor management plan starts with the engagement process. Be clear and outline both your fees and payment expectations.

2 Have a regular follow up process and start early

Have an administrator set time aside each week to connect with past-due accounts. Having an administrative person handle this will help maintain a positive relationship between companies, as their main point of contact won't need to have the uncomfortable discussion. Though the administrator will need to keep the accounts manager up-to-date on the status, and at times the account manager will need to become involved. The most effective time to start your follow up is the first day an account is past due. Make the first follow up a simple letter or email – a

gentle reminder is less confrontational than a phone call. Back up the first letter/email with a second. Pick up the phone only when first two attempts fail to deliver an outcome.

3 Be prepared to work with seriously delinquent accounts

When a client gets significantly behind in paying you it's time to give them a call. When making the call, try to ascertain the reason for non-payment. Proceed based on their situation.

Conclusion

Each stage of the job cycle contributes to the efficiency of your debtor collections. Agree the work and the fee with the client, complete the work on time and correctly, and issue your invoices in a timely manner with a variety of payment options. Follow these steps and seriously delinquent accounts will be almost non-existent. And we encourage you to contact QuickFee for more details about utilizing our payment portal and fee funding services. We're here to help!

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