

# How to Collect Your Money Faster

One of the more significant challenges of owning a business is having enough cash to pay the bills. Your ability to pay your bills on time, to a large effect, is based on how successful you are in collecting your accounts receivables in a timely manner.

Companies we have worked with who had problems with collecting their accounts receivable have seen dramatic improvement when they followed these few principals. They may be just what you need to get that cash out of the bush and into your hand.

**1. Implement a procedure in your organization where you or someone you appoint is systematically responsible for getting the invoices out in a timely manner.** It does not help cash flow if the end-of-the-month billing is not mailed until the middle of the following month. Better yet, mail invoices out at the end of each week.

Many customers take 15 to 45 days from the date they receive the invoice to make their payment. If you get your invoice out late, it just adds that much more time before you receive the money.

**2. Always put the current date on the invoice.** Many times the customer gets a number of bills and they pile up until there is cash to pay them. If your invoice is not dated, the customer assumes that they just received it and places it with the invoices just received.

**3. Put the term of the sale on the invoice.** The customer will probably not remember your verbal agreement or may have misplaced the written agreement. If there is not a reminder on the invoice of when the money is due, you always end up at the end of the line.

**4. Establish an accountability system for follow-up on overdue accounts receivable.** If someone is not in charge, believe me, no one will take the responsibility of collecting that past due money.

**5. Have your controller or bookkeeper prepare a written aging of accounts receivable at the end of each month,** so that you know what is collected and what is outstanding. This report needs to be circulated to the appropriate people at least each month. Increase the frequency of preparing this report and distribute it weekly if the monthly method is not effective.

6. Depending on your industry, there is normally a **standard for how your customers pay** their bills. If a customer exceeds that time frame, either follow-up with a nice letter or a personal phone call. There is no need to get aggressive with the first contract. In that contact, see if the customer received the invoice and if it is in their system to be paid. Flag your calendar based on their response, and follow up (if no payment) and get another commitment for payment.

Follow this process until the account is paid in full or becomes 90 days old (or the date you have predetermined by your collection policy). At that point send a letter indicating that the bill will be sent to the collection agency if arrangements are not made by a specific date (usually 10 days from your current date). If the amount is large, try to get a face to face meeting with the pay due customer. In that meeting try to work out payment terms or a trade for produce or service. If that does not work, assign it to a local collection agency or attorney for collection. Courtesy and consistency have worked the best for me, maybe it will for you, too.

7. If for some reason, you want to speed up collections **because you need an injection of money** for a specific purpose, give a freebie.