

# Collect Your Money - On Time!

By Mike Burstein

Collect Your Money - On Time!

Mike Burstein  
SOHOWiz@SOHOWiz.com

The SOHO Wiz <http://www.SOHOWiz.com>

Most SOHO and small business owners don't have the financial resources to wait for their customers to pay them. The inability to collect money in a timely manner is a leading reason for small business failures.

It's easy to fall into the trap of believing that if you don't offer relaxed payment options your customer will go elsewhere with their business. You may lose some business because of a strong financial policy but good customers aren't frightened off by realistic repayment terms.

Creating and enforcing a sound financial policy for your company should not be ignored - the consequences are far too severe! The service or products that you provide will limit some of your options but no business is precluded from collecting their hard earned money in a reasonable time frame.

The following list will help you as you formulate your company's financial policy:

1. Do you clearly explain payment terms to your customers before a transaction is completed?
2. Does your business lend itself to offering a cash discount vs. 30 day billing?
3. Do you accept credit cards?
4. Do you get proper ID with checks, including home and office phone numbers?
5. Do your customers sign a contract for your services?
6. Does your contract clearly state payment terms, including default remedies?
7. Does your credit application clearly state payment terms, including interest rate, late penalties and collection fees?
8. Do you order a credit report on new customers who request a line of credit?
9. Do you give customers credit without having them fill out a credit application?

All of the above items can be used to help build a sound financial policy. The cost of an attorney reviewing your contracts and credit application will be money well spent the first time you are faced

with forcing a customer to pay in court.

Most business's wait too long before attempting to collect their money. Unfortunately, this just makes it harder to collect. It is not unreasonable to call your customer immediately when they miss a promised payment. Don't waste time with a customer who continually lies to you and breaks promises to pay.

Once you have determined that you cannot collect your money, engage a professional debt collection agency to handle the debt. Even if you have to pay 25% of the money to the agency, you are better off than holding onto the debt in the forlorn hope that your customer will pay you someday - it just doesn't happen!

An easy way to calculate whether the cost of a professional debt collector will be worthwhile is to use the following formula:

Examples - your customer owes you \$1000 which is past due

1. You hold on to a delinquent account hoping your customer will pay:

You collect \$0.00

100% of 0.00 = nothing

2. You turn the debt over to a collection agency after making several calls & sending letters - the agency charges a 25% contingent fee:

The agency collects \$1000.00

75% of \$1000 = \$750.00

Obviously, you would be far better off with \$750 instead of nothing. Don't worry about what you have to pay the agency since the longer you wait to collect, the less probability there is of you collecting anything.

Your financial policy needs to clearly pinpoint trigger points that will help you manage your accounts receivable in a timely and responsible way. Clearly stated terms and careful credit analysis will also be a large factor in your ability to keep your business on a sound financial footing.

Assuming that you have provided your services or product as agreed, your customer should have no qualms to pay you promptly under the terms of the sale. Don't be afraid to ask for your money when it is due!

© 2003 ODEC

[Get-Articles.com](http://Get-Articles.com) : 1000's of reprintable business and internet marketing-related articles.

[Submit your article for reprint.](#)