

## Collecting on Overdue Accounts

Many small business owners work their fingers to the bone to sell their products. But that approach won't get your business anywhere if your customers don't pay. Here are some effective ways to get paid by delinquent customers:

- **Maintain an accurate accounts receivable aging report.** The report should include each customer's name, the amount owed and how late the payment is. Update the report at least once a month. Most accounting and billing software packages can produce aging schedules automatically.
- **Call as soon as a customer is late with a payment.** Even a small delay reduces the chance you'll get the money. And be persistent. Keep calling if your first call doesn't produce payment. Customers in financial trouble pay bills from the most persistent companies first.
- **Don't give your delinquent customers an excuse for not paying.** For example, don't ask if the bill has arrived.
- **Send a letter clearly stating the consequences of further delays in payment.** Many delinquent customers are more inclined to pay if they know failure to do so will hurt their credit rating, result in interest charges or cause you to refer their account to a collection agency or lawyer.
- **Consider hiring a collection agency.** Such companies are typically paid on commission -- usually around one-third of the collected amount, though rates vary. (Some collection agencies charge a flat fee.) Only use collection agencies to get payments from customers you no longer value -- collection agencies aren't known for their tact.
- **Use lawyers as a last resort.** Hiring a lawyer is the most effective, but also the most expensive way to collect debts. Reserve this option as a last resort. Like collection agencies, lawyers usually work on commission. Don't pay them by the hour, except for very limited projects such as writing a letter or two.
- **Hire a "skip tracer."** Returned mail and disconnected phone lines may indicate that a debtor has skipped town or gone out of business. Consider running a skip trace to find your former client. Look in the Yellow Pages under Skip Tracing or Private Investigators. The service should cost less than \$50.
- **Get acquainted with your clients' payment procedures.** Big corporations often have regimented payment processes. Make sure you understand those processes so you can provide the documentation necessary to get paid on time. Don't let yourself get routed to accounts receivable when you follow up on a late payment. Talk to the person responsible for ordering your product. You'll have more leverage that way. For example, you can tell them that you will withhold shipment until the debt is paid.
- **If one of your debtors files for bankruptcy, consult a lawyer immediately and stop all collection efforts.** Depending on the type of bankruptcy, you may still be able to recover some or all of the debt.

Source: [www.allbusiness.com](http://www.allbusiness.com)