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It's About Time You Got Paid

Attorney at Work Daily Dispatch

By Kevin Harris

It would be great if collecting accounts receivable from clients just happened, like clockwork, once you sent off the bill. As you've likely discovered, however, the money doesn't come rolling in automatically. Technology tools can help, of course, making it easier to capture more time, produce impeccable invoices, and track exactly how many days late your clients are in paying your bills.

But even the best technology can't guarantee your invoices will get paid on time. There are, however, a few management tactics you can apply to help you collect more successfully.

Begin With the End in Mind

Applying these principles will help you *and* your clients develop a solid understanding of your payment expectations from the start—because for billing, the end really is determined largely by the groundwork you lay at the beginning.

1. State your payment policy clearly at the outset. The first thing you need to do is clearly state your policy and expectations in a letter of engagement. Of course, if you don't already have such a policy in place, you need to create one. Common practice is that payment should be received within 30 to 45 days of the date on the invoice.

2. Track your time accurately and contemporaneously. If you have ever seen an architect's or a contractor's bills, they usually have a record of their hours detailing nearly every minute and exactly what they were working on during that time. While that level of granularity might be a bit excessive, not to mention a pain in the neck, it is very important to proactively track your time. Even some of the best attorneys forget to do so and often have to go back to their calendar to try and remember how many hours were spent on a client or task. More than likely when this happens, billable hours are not accurate and a client ends up getting under-billed—and you get underpaid.

3. Bill predictably and regularly. You don't want to catch your client off guard by sending one massive invoice at the end of the case or matter, so bill regularly instead. It could be monthly, bi-monthly, quarterly—the choice is yours, but make sure to keep it consistent. Red flags go up when a client gets a monthly bill for two months in a row, then does not receive another bill until months later for three or four times the amount of the previous bill. True, the amount may equate to the same monthly charge; still, it is harder for clients to commit to larger bills. Also, clients may face cash-flow issues. Recurring regular billing is crucial to timely payment.

4. Present professional-looking invoices. Bills need to be easy for the client to read and understand. Layout, font size and content are all important. At the same time, the expression "less is more" does not apply in this situation, so provide enough detail to satisfy the client. You don't need to write a two-page essay on what you did for the case, but a list of the work, the hours involved, who performed the work and at what rate will help a client understand how your firm's work totaled up to that big number at the bottom. Additionally, if the client has a remaining balance from a previous invoice, note the amount on the new invoice and indicate how old the balance is. Studies repeatedly find that once an invoice reaches 90 days past due, there's only a 45 percent chance of it being collected.

5. Devise a collection strategy. Getting paid is just as important as providing the services, so you need a collection strategy for outstanding balances. How do you get over the fear or awkwardness of asking for money owed? There are a few options. When you speak with your clients about their matter or case, ask them to confirm that they received a copy of your invoice. If they didn't, email a copy on the spot. If you have a bookkeeper or assistant, ask them to make the call for a friendly check-in on the payment, also (the classic good cop, bad cop approach). Most importantly, do not let the bill become too old before talking about it—old bills never die, they just fade away (to your detriment).

If a client simply won't or can't pay, you may find it easier to just cut your losses and discontinue services, unless you want to take legal action or have some leverage to catalyze payment. If that's a route you want to pursue, be certain to check with your local bar and follow the required steps to avoid malpractice.

The best route, of course, is to lay the groundwork about your expectations up front and avoid the hassles of chasing down your clients later. You owe it to the health of your legal practice to collect payment on time for services rendered so you can keep doing what you are doing.

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