

How to Collect Your Money: Debt Collection Tactics

"Bad debts are not like good wine; they don't get better with age." Robert Dickinson Esq.

If someone owes you money, can you ask for it? If you dislike nudging slow paying customers, better get over it or you may have to get out of business. The cliché, "A squeaky wheel gets the grease," is appropriate if you wish to get paid.

As an entrepreneur, it is up to you to protect your money. Seasoned business pros will tell you to make it your policy that any new customer wishing credit must submit references. And be suspicious if a new customer demands immediate credit. Also, be cautious of glowing reports from unknown references as the applicant may be hiding a poor credit record. A wise policy is to treat your customer requests for credit as your vendors treat you.

And be sure that that whenever you sell on credit, you immediately send an invoice. It is a wise policy to insure that no service ever be performed or merchandise shipped without an accompanying invoice. In fact, send a duplicate as many customers find it helpful to receive two copies, one to keep for their records and the other to send with their payment.

Besides invoices, you should send monthly statements listing your customer's payments and all unpaid invoices. You will find some customers may not keep accurate records, even losing or forgetting to record your invoices. Sending statements will also alert your customers that you are aware of outstanding invoices and you expect prompt payment. If you don't, you are inviting exploitation by unscrupulous customers. Statements are worth the time and postage.

To collect your money, you will find that you must also aggressively manage your receivables with consistent collection activity. Here are some tactics that work:

1. As soon as payment is past due, send a copy of the invoice to the customer with a notation requesting their check.
2. When you send out the statement, circle the past due invoices.
3. You will discover that a handwritten note on a statement or invoice is more effective than computer printed messages or past due stamps and stickers.
4. Call your customer asking when you may expect payment.
5. Tell your customer that you have some large bills coming due, and you will appreciate a check. This technique can be effective if not used too often.

If none of these suggestions works, you need to be more aggressive. In doing so, you may lose the customer, but so what, if you can't get paid. Loan officers and other credit managers are well aware of the problem of past due debt - they know that the older the debt, the less the chance of collecting it.

Try these tactics:

1. Telephone your customer, demanding a check and threaten to turn the account over to a collection agency.
2. If your customer claims to have no money, ask for a post-dated check. If the check bounces, file charges.
3. Visit the customer and demand immediate payment.
4. Have your attorney send a letter demanding payment, or you will begin legal action.

Consistent and frequent follow-up calls will usually get your money.

A must is keeping an accurate payment history for each customer. To do so, establish a method to monitor your accounts receivables such as listing your customers with all outstanding invoices grouped by the number of days past due. Accountants refer to this process as 'aging accounts receivable.' You will find that small business accounting software programs contain such aging reports. Remember, you need to know who owes you money, how much they owe you, and how long have they owed it to you! After all, it's your money.

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