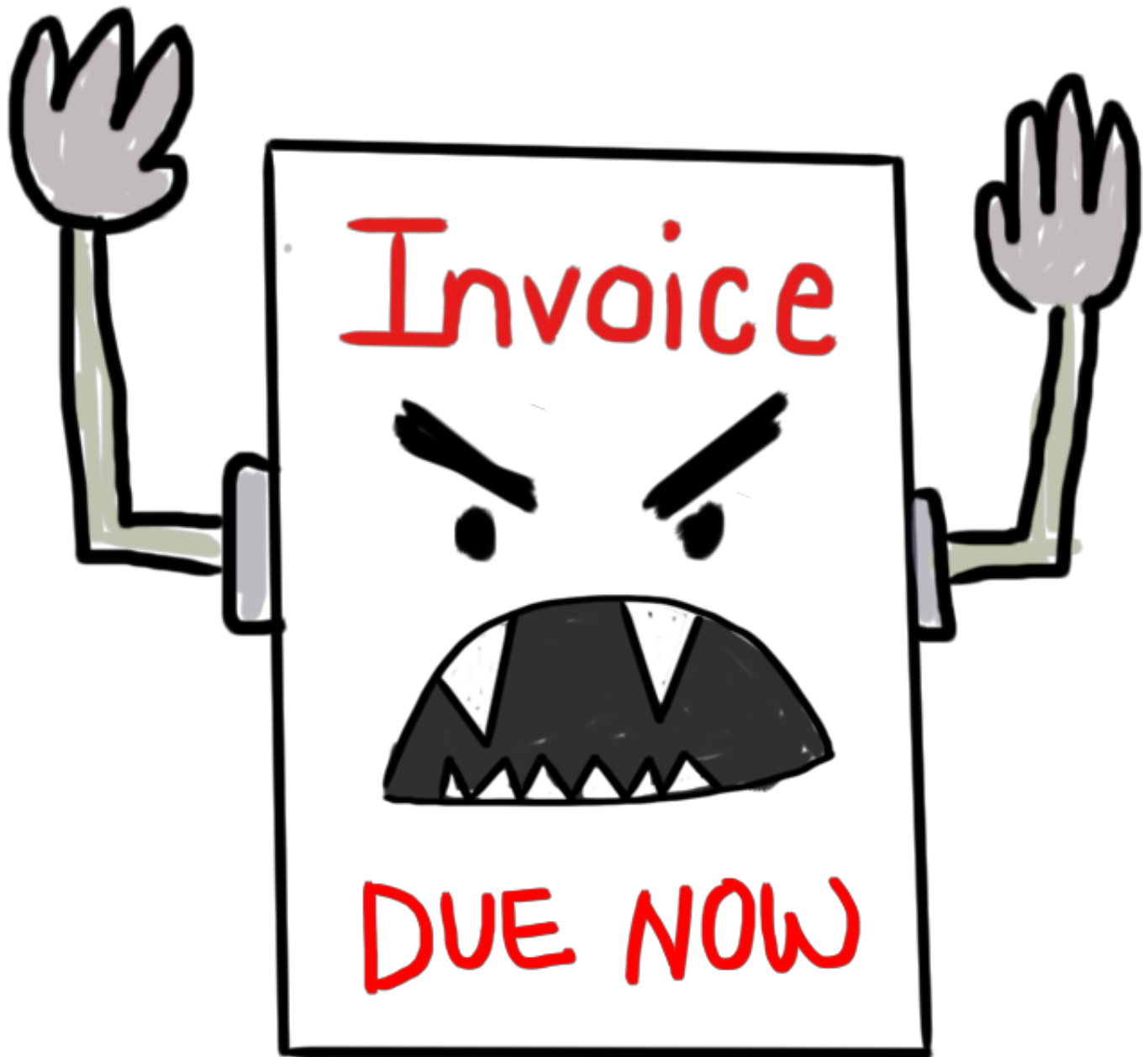


How to Keep Outstanding Invoices From Killing Your Business

Written by [Allan Branch](#) of on Jul 22



In a previous article, I talked about how to deal with [unpaid/overdue invoices](#), but outstanding invoices are not technically late...yet. Outstanding invoices are unpaid but not quite late. As a business owner and guardian of the cash flow, you don't want these outstanding invoices to become unpaid invoices, so let's figure out how we can prevent that from happening.

An outstanding invoice is a [cash flow issue](#) waiting to happen, especially for freelancers. I'm going to write

this article from the perspective of a web/graphic designer or web developer.

Have Less Outstanding Invoices on Your Books

Shorter Outstanding Invoices, The Money is Due Now

Set your invoice terms to have a shorter due date; I suggest net 0. The longer an invoice sits on the desk of your client the less likely they are to pay you. Outstanding invoices turn into overdue invoices and you don't become a higher priority by allowing your client to slide by without communication (email or phone). The money is due right now, so use net 0 and get paid faster.

Hourly Workers

As a past consultant, I liked working hourly instead of project-based billing. But the only way I advise you to work hourly is by billing in advance. Get paid before you work, never work before you have the money. Example: You bill now for 40 hours, at hour 20 you bill again for 40 more hours.

Jonathan Longnecker of [Kicktastic](#) tells “We bill for time spent on projects every two weeks and have language in our contract that says if it's not paid by the time the next billing cycle comes around we can stop working on it. Though generally a gentle email reminder is all it takes. :)”

Don't Release Files until You've Received a Final Payment

We're in an awesome industry where there's a hard deliverable that clients pay for—files. This is one of the most important points, so listen up and repeat after me, “Never release files for a client project until you receive the final payment and the money has cleared.”

Invoice before the Project is Complete

Okay, you're not releasing files until you get paid, so let's just invoice the client a week or two before the project will be complete. Oh and be clear to the client why you're doing this: “I'm sending you an invoice for the final payment or final hours so I can release the files before the deadline and as we're finishing up.”

Keith, founder of [KnockKnock Factory](#) says, “We remind our clients of the terms of delivering files post-payment with a friendly email about two weeks before the project is finished. We let them know we're getting close to launch and we're sending the final invoice for the remainder of cash for the project.”

Almost Still Outstanding but Almost Late

So you have outstanding invoices and they are almost late, maybe a week before they're due. What do you do?

- Resend the invoice with a friendly reminder.
- Call the customer and have a quick chat.
- Re-read this article [collecting on overdue invoices](#).

Side tip: if you've sent the invoice and the client is unresponsive, it's time to come up with a plan. Unresponsive clients are trying to duck paying an invoice.

Remove Some Friction for the Client

Make paying you easier, accept payments from PayPal, [Stripe](#), [Dwolla](#), and [Zipmark](#). Of course, send your invoices through [LessAccounting](#) like the genius business owner you are.

Client Management

In reality, it's all about client management, which is about managing client's expectations by seeing problems before they happen and predicting their concerns before they have them.

Nick Kishfy of [Allocate.io](#) says, "It's important to say up front that timely payment is important to you for x, y, z reasons. Many companies will respect that if you explain it, especially if they are also a small business."

Don't wait until outstanding invoices become late invoices. Switch to a net 0 system, communicate with your clients, and hold deliverable files until you've been paid. If you have a plan, you can address outstanding invoices before they become problems.

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holly gardner · 3 months ago

i've been waiting for you to release this article... good read, and definitely something i'm going to reference! I use ShootQ for contracts, and it sends invoices automatically, but every once in a while I have a client that either a) seems to not receive them or b) ignores them. Fortunately, I'm in the same position as a graphic designer and can just not send the product until it's paid. However, for some types of sessions I need the money in advance - not to mention I'm expecting it so I can cover my overhead. Thanks for writing this (as well as the unpaid invoices article).

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Chris Wallace · 3 months ago

Allan, one tool we use religiously is ZenCash (<http://www.zencash.com>). I don't think we could survive without them. They follow up on all our invoices by phone and even record calls made to the client! We don't use this feature but you can set it up to send a client to collections after a certain period of time, which costs a little bit but could be completely worth it if you're waiting on a hefty payment and know the client just isn't keen on paying it. ZenCash can even send thank you cards to clients that pay on time along with an Amazon gift card! It's awesome.

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