How to Get Paid for Your Products and Services

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Introduction

A few years ago, Maureen found out that she was gluten intolerant. Immediately, she vowed to change her eating habits.

But, with grocery list in hand, she was quickly disappointed with the selection of gluten free products on the market. What was bad news for her taste buds ended up being great news for her career, as this very lack of suitable snacks was what inspired Maureen to start her business.

Today, she owns and operates "Maureen's Gluten Free Goodies," which provides options for various baked goods, protein bars, and cereals for people who are gluten intolerant just like her.

Maureen's business has since taken off and branched out into numerous different areas—from catering events to being a vendor at farmer's markets. She's thrilled with the opportunity to please the palates of even more customers—not to mention increase her sales! But, while being paid to do what she loves is a thrill, she also admits that she's finding it all a bit confusing.

Invoices, ACH, credit card fees, and merchant accounts—her head is spinning with all of the things she needs to know about the different ways she gets money into her business.

Yes, getting paid is great, but it isn't always easy. Sound familiar?

So, follow along with Maureen as we cover everything you need to know about the various ways that your business can accept payments—as well as what you need to keep in mind when doing so.

How to Get Paid

When Maureen first opened "Maureen's Gluten-Free Goodies", she used Shopify to setup an ecommerce store. She'd accept payments online and then ship out her products.

Today Maureen isn't just online. She caters events and conferences and she's a vendor at several local farmer's markets. Things are going so well that she's even planning to open a brick and mortar bakery in town within the next year.

It's all exciting, but gone are the days of simply accepting all payments through her e-commerce store. As a result, Maureen needs to get up to speed on all of the different ways she can get money from her hungry customers.

Here's a primer on payments.

In-Person vs. Remote Payments

While there are numerous different methods of payment—think credit cards or cash, for example—that we'll cover in just a little bit, Maureen must first understand the two basic payment types: in-person and remote.

Fortunately, these are simple to grasp:

In-person Payment: The payer and the payee are present at the same physical location. When a customer hands over cash to purchase a pack of Maureen's delicious protein bars at the farmer's market, for example, that's an in-person payment.

Remote Payment: A payment is made from a distance, meaning that the payer and payee aren't located in the same place. When a customer in Georgia purchases some of Maureen's Tennessee-based treats through her online store, that's a remote payment.

One-Time vs. Recurring Payments

Similarly, Maureen must also appreciate the difference between one-time and recurring payments. These too are very straightforward to understand:

One-Time Payment: This is a manual payment that is authorized to occur once. When a customer uses his credit card to purchase a package of cereal at Maureen's future bakery, he is authorizing a one-time payment.

Recurring Payment: In contrast, a recurring payment occurs on a repeated basis. One of Maureen's clients that she caters a monthly luncheon for is setup on a recurring payment plan, where the payment is debited from the account each and every month. Oftentimes, these recurring payments are automated.

Methods of Payment

From checks or cash to mobile payments or ACH debits, there are tons of different ways that Maureen can accept money for her products.

In the interest of making things as convenient as possible for her customers, she wants to make sure she's in the loop on the best ways to accept payments in all sorts of different scenarios.

Here are the basics that Maureen needs to know.

Cash Payment

Let's start with one of the oldest forms of payment: cold, hard cash. You might think that this method has gone by the wayside in favor of slicker and more tech-savvy tools.

But, rest assured, cash is still alive and well. In fact, [one study by the Federal Reserve]() states that cash is still the most-used retail payment method.

When it's used: Cash is most frequently used for in-person, one-time payments.

For example, let's say a customer wants to buy a loaf of gluten-free bread from Maureen's stand during the Saturday morning farmer's market. He brings up his selected product—which costs $5. He hands Maureen a $10 bill for his purchase and then she provides him the change he's owed. That's a cash payment. Pretty simple, right?

What to know: While cash payments are fairly straightforward, there are still a few things you should be aware of when accepting money in this way:

Simply because you're receiving a payment in cash doesn't mean you can skip recording it. All of the money that comes into your business should be recorded for both tax and cash flow purposes.

"Simply because you're receiving a payment in cash doesn't mean you can skip recording it.

It's important that you still put that purchase into your point-of-sale system—and that your point of sale system is linked to your inventory. ([Here are some tips]() for choosing a point-of-sale system that meets your needs.)

Since there's not a paper trail with cash payments, Maureen needs to make sure that she marks that loaf of bread as sold—so she has adequate inventory and doesn't accidentally sell the same product twice.

Credit Card Payment

While some might say that cash is king, credit cards offer the customer far more flexibility. These types of payments can be made remotely or in-person, and they can be set-up to be one-time or recurring.

When it's used: There are numerous different places a credit card could be used. But, to provide an example for the sake of clarity, a customer at the farmer's market wants to purchase five packs of granola bars. She brings her products up to Maureen, who swipes her card and asks her to sign for her purchase. At that time, she's authorized her credit card company to charge her that total for the product.

What to know: In order for your business to accept credit card payments, you will need to have a merchant account.

With a merchant account, you can accept credit card payments, then have that money transferred to a business checking account.

Accepting credit card payments isn't free. All payment providers take a fee on each transaction or charge a monthly fee (or both). But considering the added convenience for your customers—and the fact that two-thirds of non-cash payments were made by card in the year 2012—stomaching the fees is well worth it for most businesses.

Check Payment

Think checks are quickly dying in our increasingly paperless society? Think again. According to the Federal Reserve, there were 17.3 billion paid in the 2016, totaling $26.83 trillion.

And, for customers who don't carry a lot of cash or businesses who aren't setup to process credit cards, checks are still a common occurrence when receiving payments—particularly for invoices that are issued.

When it's used: Maureen recently catered a large corporate luncheon. At the conclusion of the event, she created an invoice with line items for each of the products she supplied at the event. The customer routed the invoice to their accounting department, then mailed a check. She deposited the check into her business checking account.

What to know: While check payments are fairly straightforward, don't be tricked into thinking they're completely hassle-free.

Bounced checks do happen, and there are a few best practices you can put into play to decrease your likelihood of having to deal with that sort of headache. When accepting checks, there are a few things you'll want to avoid:

- Postdated checks
- Out-of-state checks
- Un-personalized, unnumbered, or temporary checks
- Checks that include cash back

It's also smart to have a policy in place for what you'll do if and when you receive a check that bounces.

ACH Payment

An ACH (which stands for Automated Clearing House, in case you're interested in acing your next trivia night) payment is a transfer from one bank account to another.

When it's used: Maureen caters a small breakfast for the same company each month. They've agreed on a package and cost that doesn't change so they've setup a recurring ACH payment.

Each month, the customer's bank account is automatically debited the amount that Maureen has set and is then transferred into her own bank account.

What to know: ACH payments appeal to business owners like Maureen for numerous reasons. For starters, these payments are very quick and reliable.

Secondly, an even more appealing benefit for business owners is that ACH payments offer some cost savings—while there is often still an associated fee, it's cheaper to process an ACH transaction than a credit card transaction.

However, bear in mind that you'll need to partner with a payment processor in order to accept payments by ACH. This isn't nearly as complicated as it sounds. You can check with your bank (the one that has your business accounts) or the provider who processes your credit cards to see if they are able to process ACH payments for you.

But, the simplest thing to do? Work with your existing accounting software.

QuickBooks offers completely free ACH bank transfers.

Digital Payment

We live in an increasingly digital-obsessed world. So, it makes sense that the methods of payment your business accepts would follow suit.

From PayPal or ApplePay and mobile payments, it's becoming more and more convenient for your customers to fork over money for your goods and services.

When it's used: These methods are a popular way for individuals to pay each other, but are an increasingly popular way for customers to pay businesses as well. PayPal is an easy way for new freelancers to collect on an invoice, and Apple Pay makes it easy for customers to buy coffee with their phone. Banks are still involved on either end, but apps and software make the transaction possible.

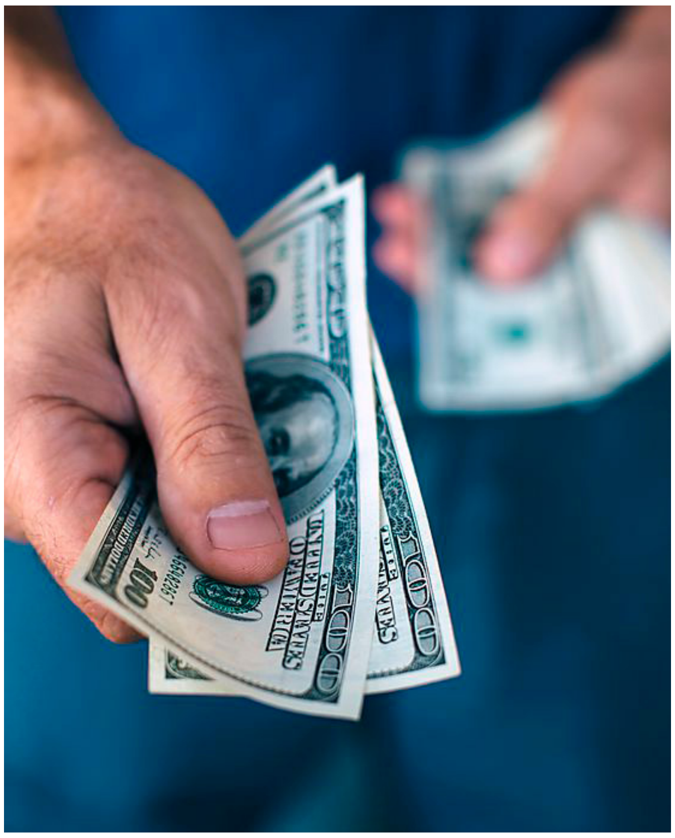
What to know: There are numerous providers—from PayPal to Amazon Pay—that allow customers to make payments online without using just a credit card (you'll often hear these sorts of things referred to as "digital wallets").

With Amazon Pay, for example, customers can use any of the payment methods stored in their Amazon account to make purchases online—even if they aren't purchasing from Amazon directly.

There are fees associated with using various digital payment options that can vary depending on which solutions you select. Do your research to make sure you understand what it will cost you to use that third-party provider to accept payments.

7 Things to Keep in Mind When You Take Payments

Now that Maureen understands the different ways that she can accept money from her hungry customers, it's time to move on to something else—what specific things should she keep in mind when receiving payments?



Payments tend to have a trickle down effect. Each payment necessitates other systems, like sales tax and inventory, to be updated. And payments don't go always go the same direction—inevitably, some customers will want refunds. While getting paid is what makes your business run, it's far from simple.

Here are six things to consider as you make plans for your growing business.

1. Sales Tax

You knew you wouldn't make it through this entire guide without a mention of taxes, right?

Sales tax is a tax that state and local government—it varies by state, so make sure to do your research for your area!—imposes on certain goods and services. Here's a breakdown of sales tax by state to get you started.

Purchasers pay this tax, but—as a business owner—you're required to collect it and make sure it gets passed on to the correct authorities.

You will submit your sales tax payments either monthly or quarterly using a tax return specifically for sales taxes. Check with your state's Department of Revenue website for rates, schedules and required forms. On that form, you will detail all of your sales, your taxable sales, exempt sales, and the total amount of tax due.

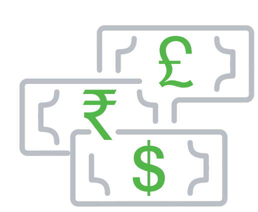
There are very few types of goods or services that are exempt—mainly raw materials, resold items, and sales made to non-profits—and failure to pay (or not paying on time!) will result in a penalty. Consult an expert for help with any gray areas you come across.

2. Multiple Currencies

Navigating payments might be enough to make any business owner's head spin, but it becomes even more complicated when you need to accept multiple currencies.

If Maureen processes an order for a customer in Germany, for example, she'd need to worry about converting from euros to dollars.

Some business owners decide to skip the hassle entirely by asking that all customers pay in U.S. dollars—which is doable if you intend to have very limited international orders. But if you do find yourself expanding across the globe, failing to accept a different currency could make your business far less appealing to your prospects.



Instead, it's a smart idea to explore how you can lock in an exchange rate ahead of time—to avoid losing money when the currency conversion shifts. You can buy what's called a "forward contract" from a bank, which secures a specific exchange rate for a set amount of time.

You'll pay a fee for that contract. But, it's well worth it if you intend to do a lot of international business and are worried about conversions changing.

3. Hidden Fees

Speaking of fees, those pesky charges can quickly add up. And, as far too many business owners like Maureen would be quick to tell you, they manage to appear in places where you don't expect to see them.

For example, swiped credit card transactions have lower fees than credit card transactions that are entered manually on the keypad. You'll pay setup fees to establish your merchant account. If you need to get out of a merchant account contract early, you'll likely pay an early termination fee.

The list goes on and on. So, one of the best things you can do is to read the fine print and make sure you try to stay aware of any nasty surprises that might crop up. Being in-the-know about expenses—including these fees that could quickly stack up—is an important consideration when setting your prices. Luckily, accounting software like QuickBooks makes it easy to see and track fees. This comes in handy during tax season as some fees are deductible.

4. Refunds and Returns

As much as you might hate to think about it, refunds and returns will be necessary at times in order to appease unhappy or mistaken customers.

Let's say that a customer ordered ten boxes of protein bars from Maureen's website to feed a youth soccer team. This customer overestimated the amount of attendees and only ended up using five of the boxes—and would like to return the other five.

The first thing that Maureen should have is a detailed return policy to point her customer to. Perhaps she doesn't accept returns. Or, maybe she'll process returns—but only for store credit. Either way, it's important for business owners and customers to be on the same page about how these will be handled.

How exactly you process the refund will depend on the way the purchase was made originally. Refunding a credit card will look a lot different than refunding someone who paid in cash, for example.

> "How exactly you process the refund will depend on the way the purchase was made originally.

5. Payment Reconciliation

Ideally, you have a lot of money flowing into your business from your customers. While that's good news for your bottom line, it's also going to involve some legwork to ensure that you're keeping adequate track of everything.

Set aside some time every month to look through and reconcile checking and deposit statements, credit card statements, sales tax accounts, and any other types of financial accounts that are relevant to your business.

Will it be your favorite way to spend your time? Probably not. But, making sure that everything matches up right now will save you plenty of headaches in the long run.

Not sure how to go about reconciling your payments and various accounts? This quick guide can help you.

6. Chargebacks

Business ownership isn't all sunshine and rainbows. So, occasionally you might deal with the dreaded chargeback when credit card fraud occurs.

Think of a chargeback like a transaction reversal for a disputed or fraudulent charge. So, if somebody stole a credit card and then used it to purchase a cart full of Maureen's goodies, the actual cardholder would likely file a dispute with their issuing bank.

If that charge was indeed found to be fraudulent, the cardholder would be owed that total back from their bank—since they weren't the ones to actually make the purchase.

But the bank is really just a middleman who doesn't believe it should have to foot the bill for a fraudulent charge. So, unless you can prove the charge to be legitimate on your end, the total of that fraudulent charge will be subtracted from your account, plus an additional fee—talk about pouring salt in an open wound.

It's a hassle, no doubt. However, if you look at things from the consumer's side, it's an important measure to ensure their protection.

Fortunately, using payment providers like [QuickBooks Payments] can help to protect you (and your customers!) from these dire effects of credit card fraud.

7. Contracts

Nobody likes to wade their way through endless pages of complicated jargon and legalese—which means that many business owners end up skimming contracts.

Heed this warning: This is one of the worst things you can do, particularly when signing on the dotted line of a contract with someone like a payment processor. Where money—and, ahem, related fees—are concerned, you want to be careful.

So, take the time to comb through that document—sit down with a lawyer if you have to—and make sure you're clear on what you're signing.

If you notice any red flags—for example, many payment processors are intentionally vague about their pricing—contact that processor's customer support or someone else to help you gain some clarity on the issue before you ever sign your name.

Payments: The Big Picture

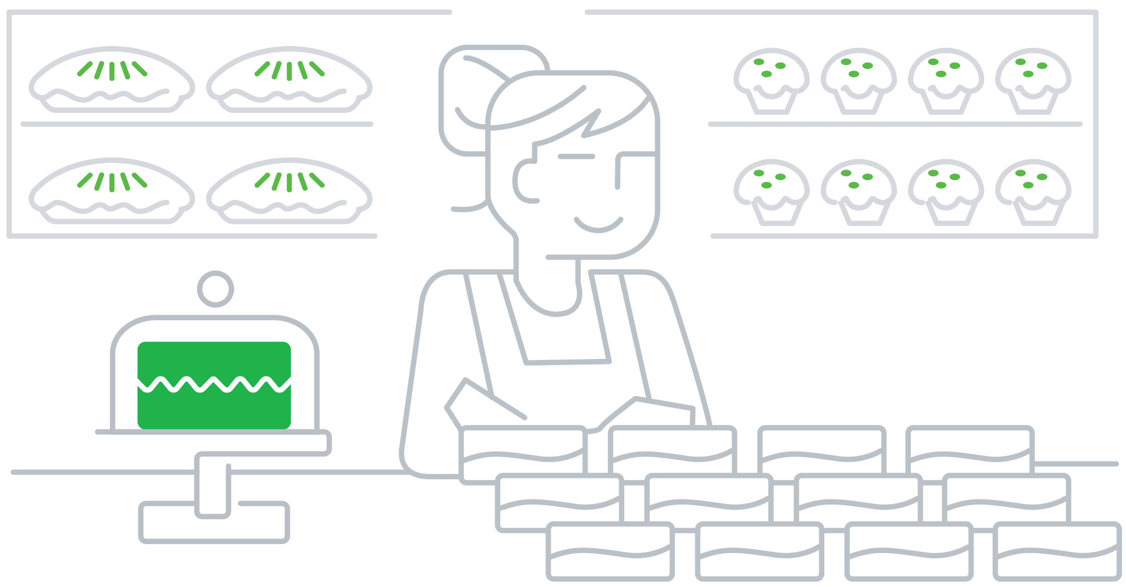
Accepting payments is a key piece of running your own business—but it's not the only thing you need to worry about. Instead, it's a single piece that fits into a much larger puzzle.

The sales that you make, how and where you accept payments, what sorts of payments you collect, what kinds of fees you pay to accept those payments, and so on and so forth will all have an impact on other aspects of your business—from your time to your taxes.

Here's a look at some of the other pieces that come into play here.

Inventory

Of course, you can't collect payments if you have nothing to sell. And, while it's great for Maureen to receive money for that loaf of bread, she needs to make sure she goes a step further than just documenting that payment. She also must ensure that particular item is deducted from her inventory.



Keeping adequate track of inventory is important for a couple of reasons. First and foremost, it ensures that Maureen can't sell products that she doesn't actually have—that she doesn't run out of stock without realizing it.

Additionally, her inventory tracking allows her to keep an eye on her supplies and raw materials. She'd be in a real bind if she promised an event ten dozen of her famous gluten-free cookies—only to realize she doesn't have the adequate ingredients to actually make them and will need to wait another week for her order to arrive from her vendor.

Accounting

The money that comes into Maureen's business in the form of customer payments is a vital piece of information for adequately managing her accounting. Those are numbers that she'll need at tax time, as well as to keep an eye on her cash flow and the financial health of her business throughout the year.

If her expenses are way up but the sales she made in the last quarter are way down, for example, Maureen will know that she needs to make some major changes.

Maureen also needs to stay in the know about her accounts receivable—which is the money that she's still owed for purchases or orders. On a regular basis, she needs to sit down and reconcile the payments she's accepted with the sales she's made, which will tell her if there are any orders that still need to be paid for.

If she does still have an outstanding invoice for an event she catered, for example, she'll need to follow up with that customer to set a deadline for when she should receive payment.

Taxes

We've already discussed how customer payments and sales tax fit together. But, now let's get to the good news about taxes.

As odd as it sounds, accepting payments can cost your business money—whether it's in the form of fees, equipment, or something else entirely. However, those are all expenses that you can write off come tax time.

According to the IRS: "To be deductible, a business expense must be both ordinary and necessary. An ordinary expense is one that is common and accepted in your trade or business. A necessary expense is one that is helpful and appropriate for your trade or business. An expense does not have to be indispensable to be considered necessary."

> "To be deductible, a business expense must be both ordinary and necessary.

So, what sorts of things could you write off in relation to accepting payments? Here are just a few:

- Credit card processing fees
- Bank fees (such as to set up your merchant account)
- Accounting and inventory management software
- Equipment (such as a credit card reader)

While you might like to think that any sort of fines or penalties you're assessed—remember those pesky chargebacks?—would be tax-deductible, that's not usually the case. Any sort of fine you attempt to claim as a tax deduction will likely raise a red flag with the IRS.

Time

You have a lot on your plate as a business owner. So, you and Maureen both know that time is money—and, you don't want to have to waste hours going cross-eyed while staring at a bunch of numbers, invoices, and credit card receipts.

This is why Maureen made it her mission to keep everything as centralized as possible.

Using QuickBooks, she's able to spend less time reconciling her books and pouring over her balance sheet—and more time growing her business.

Wrapping Up

As Maureen and any other passionate business owner will attest to, getting paid to do what you love is great—but, it's also that getting paid part that can be a little tricky.

There are many different ways that your business can accept payments, and figuring out which ones work best for you and your customers can inspire some groans and eye rolls.

However, getting money into your business really doesn't need to be all that complicated—as long as you're informed and in-the-know about the basics of those payment methods. Use this ebook as your guide, and you'll be able to remove the majority of the headaches involved in accepting payments.

Just ask our resident baking expert Maureen—it really doesn't get much sweeter than that.

How Much Does It Cost to Get Paid?

Fees vary by provider and by payment type. Make sure you understand exactly how much it will cost you to accept credit cards, bank transfers, checks and cash. These costs most often manifest themselves as percentages of a sale, but don't discount time. Accepting cash and checks, for example, means that you have to spend time getting that money in the bank.

To give you an idea of what you can expect, here are the fees associated with accepting payments through QuickBooks.

QuickBooks Online Get Started	Pay as you $0/mo
Bank Transfer (ACH)	**Free**
Card - Invoiced	2.9% + 25¢
Card - Keyed	3.4% + 25¢

12 Payment Terms You Need to Know

Accounts Receivable: Outstanding invoices a business has, or the money a company is owed by its debtors, customers, or clients.

Automated Clearing House (ACH): Electronic network for United States financial transactions that processes a high volume of ACH credit and debit card transactions. Put simply, the ACH moves information and money from one bank account to another.

Card Issuer: A financial institution that issues plastic debit or credit cards.

Chargeback: A requirement by the credit card company for the retailer to cover the cost of a fraudulent charge.

Chargeback Period: The length of time from the transaction processing date when the issuer can initiate a chargeback.

Credit Monitoring Service: Entity that monitors credit cards for suspicious activity and alerts cardholders when required.

Estimate: A documented assumption of how much a specific product or service will cost a customer.

Gateway: Solution in payment processing that protects cardholder data while the transaction is processing.

Merchant Account: Special bank account that is required for a business to accept credit card payments.

PCI Compliance: Any company that accepts credit card payments must follow the rules and regulations of the Payment Card Industry Data Security Standard (PCI DSS)—including storing cardholder data with a PCI-compliant hosting provider.

Point-of-Sale: The place where a good is sold and the payment is accepted.

Stock Keeping Unit (SKU): Number assigned to a product for the purpose of managing stock levels.