Title:
Cashflow Problems: How To Get Your Money

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Summary:
One of the most common problems that affects businesses is that their customers owe them money. When you've done the work but people are being slow to pay you, you can get behind with bills and be short of money to invest in your business. This is, understandably, an annoying situation -- you're being chased for debts that other people refuse to pay. There are, though, a few ways to improve your customers' payment speed.

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Remember You're a Credit Provider.

When you do work and invoice afterwards you are extending credit to your customers. As such, if the cost is going to be high, you should consider running a credit check on them before you start work. This will show you whether the company you're about to do work for is in trouble, and can help avoid lots of problems later on. You can usually run credit checks onlin for next to nothing.

Give Invoices a Due Date.

A mistake many home businesses make is to send invoices that have a fancy layout and say how much the customer owes, but don't contain any direct instruction to pay now. This results in customers receiving the invoice and putting it on their 'unimportant chores' pile -- you know, the one that doesn't get done for months.

To avoid this, a good strategy is to give your invoices a due date. Set it two or three weeks from when you sent the invoice, and make sure you highlight it. People will see your deadline and realise that you mean business -- they'll think 'oh, I'd better deal with this' and you'll get your payment sooner rather than later. If you don't, a follow-up phone call saying 'I wonder if you realised that your invoice's due date was yesterday...' will usually do the trick. Almost no-one refuses to pay if you confront them directly -- they just do it because they think they can get away with it.

In some places, the practice of putting due dates on your invoices might even entitle you to charge interest on money you are owed, or charge fees. Check your local laws.

You Could Try Debt Factoring.

Some businesses have success with a technique called 'debt factoring'. This is when you sell your invoices to a third party who specialise in administration and collection, and they give you the money for the invoice straightaway instead of you having to wait for the customer.

If you try this approach, though, you should consider the percentage of your invoices that the company is taking, and whether they're treating your customers the way you would want them to be treated. It might be best to only sell invoices to debt factoring companies when they haven't been paid by the due date, letting them act more like a collections agency.

Collections Agencies.

Of course, your last resort is to sell the debt to a collections agency. This will cost you around 10% of the debt. The collections agency will try to intimidate your customer into paying, ultimately taking them to court if necessary, and they might try seizing the customer's assets. Make sure you check out the agency you plan to use beforehand, though -- you don't want them to be doing anything illegal.

You should always try to talk to the customer before you take this route, as if they're not paying the chances are that there's a reason. You might be about to force them out of business. On the other hand, they might just be forgetful, in which case they won't be too happy about you setting debt collectors on them.

Be Prepared to Settle.

Sooner or later, you might end up being owed money by a business that is in financial trouble -- you're just one in a long list of creditors, as everything falls down around them. In this situation, you need to be prepared to settle with them for less than the original invoice price, or you risk getting nothing. It is a bad situation to be in, but it's better to give someone a break and get some money instead of pushing them further towards bankruptcy and getting nothing.