

Generate Cash Flow by Monitoring Accounts Receivables

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Don't neglect the importance of having a solid collections policy in place; it can be a costly mistake. Often, too costly for many firms to recover. It cannot be stressed enough, because **having an AR collections policy is a cash-flow game changer for law firms.**

The manner in which small to medium firms collect outstanding client bills can be a critical factor in determining a firm's profitability. If your AR is clean, you will be able to project how much your firm will collect each month. The larger your total AR is each month, the more you can expect to collect. Most growing businesses trend upwards in their AR collections whereas most declining business trend downwards. Identifying your AR trending will give great insight into the financial state of your firm, allowing consulting companies like reThink Law Firm Consulting the footing to implement pivotal strategies to produce substantial revenue growth.

I recommend that you review your current billing practices and rates. **You will need to train your clients how you want to be paid.** Ensure that you and your team of attorneys demonstrate what you expect to be paid in "X" amount of days, no excuses and no exceptions. This can easily be done by articulating expectations clearly and upfront, as a result you are more likely to be paid promptly. In fact, we suggest that you place a payment schedule in the Fee Agreement. This will prevent any trouble collecting owed and/or overdue payment later. Clearly outline what you are to be paid and what services are covered prior to full payment (and/or first payment).

Create a follow up procedure. Attorneys prefer *not* to confront clients about overdue accounts and will generally delegate this annoying task to their respective paralegal and/or support staff. **Combat this avoidable problem by training the entire company on the importance of accounts receivable and how to make collections a top priority.** If your staff is consistently respectful, professional and confident when asking for payment – clients will submit payment without additional commentary on the case work.

Below are several tips on how to secure payment on time:

- Offer payment plans on a case-by case basis
- Schedule payment plans in conjunction with client paydays
- Send invoice statements regularly and make these accessible to every staff member
- Delegate the responsibility for the day-to-day management of collection activities to a single individual
- Establish a schedule of AR collection goals semi-monthly or monthly
- Regularly monitor AR reports

For more information on how to maximize your current cash flow, request an assessment today from reThink Law Firm Consulting. Office (858) 430-6016 or Email: ContactUs@reThinkLawFirmConsulting.com.