

Dear Subscriber,

This month we are looking at the topic of delinquent accounts. As credit tightens and business slows, it is absolutely critical to stay on top of your receivables. You don't want to be struggling with cash flow while your customers use you for a bank. Remember, the best time to deal with delinquent accounts is before they become delinquent.

If you haven't do so, I encourage you to register for the HP/SCORE Business Wellness workshop on November 19th. It will be a source of good information on how to protect your business assets from threats that could irreparably harm your business.

As always, Score is here to provide **free** counseling and low cost workshops to help you start and manage your business. Our counselors have hundreds of years of business experience to draw on. Call your local SCORE office listed at the end to schedule a mentoring session.

If you know of anyone who could benefit from these newsletters, please forward a copy to them with our thanks

Warmest regards,

Ross Lagattuta
Chairman, SCORE Chapter 243

Ask SCORE

Don't Delay Dealing with Delinquent Accounts

As a small business owner, you do your best to meet your obligations to your customers. So it's only natural to expect them to pay their bills on time, right?

Unfortunately, the answer is not always. Most customers are conscientious about making timely payments, but others may require some extra effort. Though frustrating and time-consuming, collecting from delinquent accounts is not something you should put off or simply hope will work itself out. Every dollar of revenue counts toward keeping your small business afloat.

Obviously, prevention is the best way to avoid having to deal with collections in the first place. Establish a standard payment policy and make your customers aware of it before starting work or delivering products. Your invoices should also clearly state when the total amount is due and the fee for late payments.

Be proactive. As soon as the due date arrives and payment has not, start contacting the customer. You don't have to be a pest right away, but remember the "squeaky wheel gets the grease". As time passes, step up the frequency. If you have delegated collections to a bookkeeper, recognize that you may have to get involved before it becomes too late.

Get the facts. Don't assume the customer is entirely wrong. Contact them by phone or mail and ask politely for an explanation. It may well be that the invoice has been lost or is awaiting approval. A customer with cash flow problems may also request extra time. How you proceed depends on the situation and your experience with that account. You may feel confident enough to allow extra time or arrange installment payments. Make sure the customer clearly understands any compromise. Be flexible, but firm; and don't hesitate to follow up and hold them to their promises.

Take stronger action. If your initial collection attempts fail, it may be time to turn to an attorney or collections firm. Terms for these services vary from a flat fee and/or percentage of the invoice amount to a retainer. The Commercial Collection Agency Association at www.ccaacollect.com and Collection Agency Research at www.collectionagencyresearch.com offer guidance on fees and guidance for choosing a collections agent for your needs.

Or let it go. You may decide the amount of the overdue account does not justify the cost and effort to collect. If so, write it off as a bad debt and move on.

Don't make the same mistake twice. Should customers with poor payment histories approach you about working for them or restoring credit, don't immediately refuse unless you are absolutely certain they remain bad risks. Ask them to explain how their situation has changed and decide whether it makes sense to restore the relationship. As a precaution, insist on stricter terms such as advance payment or cash-only.

For more assistance with collections and credit policies, contact the Southern Nevada Chapter of SCORE "Counselors to America's Small Business" at 1-702-388-6104 or visit our website www.scorelv.org.