

centerbase.com

Centerbase CloudBased Law Firm Management & Growth Platform

8 Tips to Improve Your Firm's Collection Process Right Now

developers · Tuesday, November 10th, 2020

Do you want to hear something scary? More than 73% of small law firms [surveyed](#) said they experience past due client accounts at least some of the time. And nearly half of those firms say that between 10% and 39% of their total client base is typically past due. These are staggering figures!

Unfortunately, clients don't always pay on time, and the truth of the matter is law firms are collecting less and less from their clients each year.

So the question that remains is why does this keep happening? Are there specific reasons that bills go unpaid? The short answer is yes.

Aside from a clients inability to pay due to financial constraints, the primary reasons clients forgo paying their bills are as follows:

- Bills are sent inconsistently
- There is a lag time between when the work was performed and when the bill is received by the client
- The client doesn't understand the billing description
- The method for the invoice payment is inconvenient for the client
- There is a lack of follow-up from the law firm

Let's break these down further...

When bills are sent inconsistently, it breaks the client's trust. They may feel they are receiving your services for free at some point if it has been months since they've last received a bill. If more than a month goes by between billing cycles, the client may feel like they are being charged too much for services performed months ago and they will consciously choose to not pay the bill.

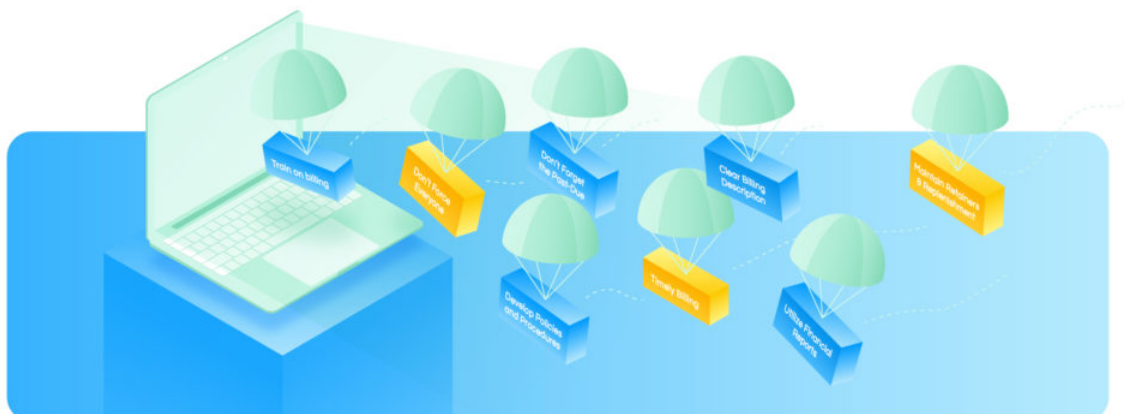
Clients may also dispute bills if they do not know what they are being charged for. Incomplete, erroneous, or unclear billing descriptions are common reasons you may not get paid. If your clients don't understand what they are being charged for and if they don't believe you completed the stated services, they are simply not going to pay the bill. This is where follow-up comes into play. Clients may call you if they have a question about their statement, but they also may not. It is your responsibility to follow up with them to ask if they have any concerns or if they need a better explanation of what is in the description for the services rendered. Lastly, if you're sending your client a paper bill that requires them to fill out and mail a check back to you, you're making it easy for them to either forget about the bill entirely or see significant delays in receiving payment.

This all goes back to running a [client-centered law firm](#), yes it is your client's job to pay you, but if you can get into the habit of billing your clients the way they expect, and not the way you have always done it, what will result is a much more efficient collection process. Additionally, it is important to keep up with the technology that your clients are already using. A majority of payments are sent and collected electronically. If you have a client who pays all their other bills online, you can guarantee that they will be disappointed if they receive a paper bill from you. Giving your clients a way to pay immediately will also increase collection. For example, integrations with LawPay make it easy to accomplish modern services like this.

Changing Your Mindset About Billing and Collecting

There is an art to billing. Although it is a routine part of your business, it must be treated uniquely and skillfully. It can be very uncomfortable for attorneys to ask their clients for money, but you must recognize that is your value. You worked long and hard hours and you need to be compensated for that. Firms that don't put time and resources into their billing process, are typically the firms who are getting paid less and less frequently.

Tips to Take Control of Your Billing Process



1. Identify opportunities to train and mentor young attorneys in billing and collections

Allowing younger attorneys to bill for small matters earlier in their career will help build a framework of good habits. Giving the younger generation this experience will also help encourage them to ask questions which will ensure best practice in the future. A good young biller and collector will be a good old biller and collector, and if you make it clear that your firm coaches and teaches newer attorneys on how to bill better, that is just one more advantage you have when recruiting talent. It is important to practice technique and to have worked through a few client concerns early on, that way when you're working with a client who has a significantly larger amount owed, you will have experience navigating those waters.

Additionally, establishing this culture of mentorship will lead to attorney retention and a greater workplace environment. In [Tips For Firms to Attract the Best Recent Law Grads](#), we discuss how your firm can combat challenges and find solutions to gaining the best new talent. Offering this type of mentorship in the areas that are not being covered in law school will differentiate your firm and subsequently keep your clients happy.

2. Don't force everyone to bill

Know your staff. There may be some attorneys on your team who really struggle with the client-facing nature of billing. If you have coached this attorney before, given them all the tips and secrets to learn how to successfully bill, and if they are still not getting it, then it is time to pivot your strategy.

There are practice management software available to you that offer easy and automatic ways for your timekeepers to keep and bill for their time. Whether it's through phone or text, email, or word documents, make it easier for your staff to bill the way that makes them comfortable while also meeting the client's expectations.

Your good billers need to be responsible for billing your major clients. This entails knowing your staff, communicating properly, and maintaining just the right amount of teamwork. To be able to quickly detect when something is and isn't working will be the difference between the revenue coming into your firm and a pile of unpaid bills on your clients kitchen counter.

3. Develop policies and procedures

When it comes to billing, creating, and establishing a standardized process will not only make it easier for your team, but it will ensure more timely payments from your clients. This process will look different for every firm, but billing every possible transaction in a monthly cadence with not only contribute to a routine, but it will also be better-received by your clients. And if you bill paper copies, having a minimum dollar value threshold for bills will help offset the cost and time associated with manually printing, enclosing, stamping, and then delivering the bills to the post office.

Some staff turnover is inevitable, so writing these policies down and training your team on how your firm bills will contribute to uniformity, overall best practice, and easier transition for newer attorneys.

4. Don't forget about the past-due invoices

This seems like a no-brainer but a lot of firms will send bills out and then never follow-up on them. If you want to turn receivables into cash, you need to be following up with your clients. Check in on them if they have questions and give them alternative payment methods if the way you originally sent the bill isn't working for them. If the invoice is more than 30 days old, you minimally need to be sending a new statement, with the first invoice attached. If your bill still has not been paid after 60 days, you need to speak with that biller and find out not only what their billing process is, but what their communication with the client surrounding the bill has been, and their plan to recoup what is owed. If your clients do not want to pay in full, technology nowadays will give you the ability to set up reoccurring payment plans. Asking for money that is owed to you is never fun. Discussing expectations around billing and timeliness of payments with your client at the start of the matter will help increase transparency and hopefully, eliminate the need for you to consistently reach out to your client for payment.

5. Make sure your client understands what you're billing them for

Your bills need to describe your services. If a client can understand and digest what you have done for them, it will be easier for them to pay. Each client you work with is different, some may need more explanation, others may not. Establishing what your client needs to see on their bill will help increase payment frequency and reduce any questions that may come from not understanding what the services you're charging are. The likelihood of a client not paying their bill is higher when you give a shorter, less detailed description of your service. Investing in software can make this process easier for you.

Your pre-bill process takes a lot of leg work. But with features like [epre-bill](#), you can seamlessly markup your bill, add descriptions, follow all the edits and streamline the entire process. To go a

step further, you need to be detailing your billing processes in your retainer agreement. The most important thing you can do before you begin billing is to set expectations with your clients. Here are some potential points you should be thinking about to go over with your client at the start of a matter:

- How often do you plan to send an invoice?
- When is an invoice considered past due?
- What happens when an invoice is past due? Do you stop work? Do you give them an additional 15 days to pay? Outline the consequences for past due payments.
- Will a late bill incur interest? If they pay early will they be entitled to a discount?
- If you set up an alternative fee arrangement, make sure you detail that arrangement in the retainer agreement.

By addressing all of these questions and concerns, you will be able to quickly reference the policies you outlined with your client in the event of a dispute.

6. Effective collections require timely billing

The sooner you send your bill after completing a service, the faster your client will pay. Different clients will require different billing strategies. For transactional matters, make sure you bill at or before closing because your clients will likely reinvest the proceeds of their closing. If it's a litigation file, be sure to bill monthly, and if you bill bi-monthly, make sure your clients are made known of this billing schedule beforehand so they are not blindsided by receiving multiple bills within 30 days.

7. Maintain retainers and replenishments

If you can get an injection of cash upfront to hit the ground running, you need to. And when those funds are low, you need to be able to replenish them smoothly, and efficiently. Automation exists to make your lives easier and to improve your profitability, so take advantage of it! If you're already a Trust/retainer heavy firm, your clients should be able to make one payment and it automatically split between AR and the replenishment retainer in trust to the correct accounts. This way you do not have to manually track and write multiple checks or transfers from one account to the other.

Communication with your client on the fee agreement regarding retainers is important as well. Is the retainer refundable? Is replenishment on a monthly basis, or on an evergreen basis? These are all questions you need to address with your clients beforehand.

8. Financial reports can improve billing and collections habits

Use financial reports to maintain better billing and collections habits. Everyone at your firm should be receiving a WIP report and Account Receivable report, every month to review. Increase transparency, make it known where each attorney is, and what work they are pursuing. With some software, you can even set up a [report center](#) to match the way you analyze data. It will allow you to easily group important reports and set up security on each table, providing different levels of access to your staff.

If you are spread too thin and do not have time to review and follow-up on these reports, then perhaps consider hiring a part-time billing associate. This person would strictly be on board to receive the AR reports, digest them, and then begin following up with the clients who are past due.

Hopefully these eight tricks will help assist you and your firm with expediting your billing and improving your collection process. Results won't happen overnight, but instituting universal practices and methods with undoubtably increase your profitability and keep your clients happy.

This entry was posted on Tuesday, November 10th, 2020 at 12:00 am and is filed under [Billing & Accounting](#). You can follow any responses to this entry through the [Comments \(RSS\)](#) feed. Both comments and pings are currently closed.