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Five ways lawyers can improve accounts receivable collections

By Jordan Turk

Every pragmatic legal professional expects that some percentage of their billed services will not be paid. But even small fluctuations in a law firm's collection rate can have a huge impact on its bottom line. So the question is: how can you improve your collection rate and minimize outstanding receivables?

Below are five ways lawyers can improve accounts receivable collections and reduce late and non-payments.

Interview Carefully and Thoroughly

Conducting a potential new client consultation is an art, but there are some easy concepts you can implement to help you avoid pitfalls down the road. The goal of the consultation (other than your retainment) should be to assess the client's situation and give reasonable legal advice.

You should utilize the following steps:

1. Determine whether the client's needs and expectations can even be realistically satisfied. If so, give the client a roadmap of what the most important next steps will be and the issues that may arise therefrom.

2. Ensure the client understands the cost and the law firm's expectation of payment, discussing frankly how the client plans to pay and whether the client can afford the firm's services. This kind of legal billing language should be included in your fee agreement.

3. Exercise your own judgment as to whether this client is credible and a good risk. This is easier said than done and will mostly come with experience, but if the client's story doesn't make sense, or if you would be the client's fifth attorney, alarm bells should be ringing. Trust your gut.

Bottom line: When the consultation ends and the client decides to retain you, both attorney and client should be comfortable and confident in the integrity of the other party.

Communicate During the Case

A good way to protect yourself from possible liability is to be in regular contact with your clients. This gives you touch-points throughout your client's case and lets you control the narrative as events progress.

It is harder to defend yourself against your client if you haven't properly papered the file. Also, the single biggest complaint against lawyers in the United States is "my lawyer won't return my call."

Failure to communicate can not only get you in trouble with your state bar, but it also affects the client's willingness to pay their bill. Instead, you can easily instill confidence in your client while also protecting yourself by sending frequent – even if brief – messages and updates to the client. Remember, you are a team after all.

Send Easy-to-Understand Invoices and Follow Up

Provide a clearly written, detailed invoice. You don't have to outline your time to the minute, but use separate line items for the larger tasks and include a brief summary of the work you did.

As much as possible, refrain from using legal jargon. Your objective is to give the client visibility into what you're doing for them. If you use too much technical language, your client may end up with even more questions.

About a week after invoices are sent, schedule time on your calendar to follow up via phone or email. In addition, generate a list of the clients who have not paid the prior month's invoices and reach out to them directly to inquire about payment.

Following up with clients who have outstanding invoices helps reduce the risk of non-payment considerably.

Be Timely with Your Billing

Clients typically appreciate what you just did for them – not what you did months ago. What's more, you want to catch them at a time where they appreciate you and the work you are doing on their case.

For internal consistency and external predictability, you should try to bill clients around the same day every month. Even better, aim to have your clients receive their monthly statement about three to four days after the first of the month. Sending invoices around this time increases the chances the client has recently received a paycheck and therefore has funds available.

Clients routinely complain that all too often they receive bills 90 days or more after the work is done. By then, the client does not remember what you did three months ago and will be less willing to pay you. If the work is fresh on their mind, you will find a client more willing to pay their invoice.

Utilize Scheduled Payments

For clients who might have trouble paying your bill or for those who are habitually late and/or forgetful, one option is

to use an online payment solution with a scheduled payments feature to offer them a recurring monthly payment plan. This is a great way to help them out financially and save you time and effort, all while ensuring you maintain a consistent, predictable cash flow in your practice.

To make things even easier on you and your firm, have clients sign payment authorization forms during their intake paperwork and set them up on a payment plan as part of your initial meetings and onboarding. That way, your clients' payments can run automatically without any action needed from you or them.

The longer a bill sits unpaid, the less likely it is that it will ever get paid. Therefore, it is imperative that you have a strategy to minimize aged accounts receivable, lest they remain outstanding indefinitely. ■

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