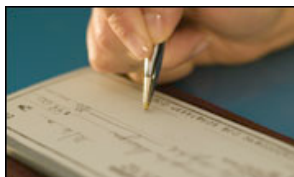




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Get Paid Now

Getting work is easy. Getting paid isn't. Because collecting your cash can be a challenge, get organized to schedule and secure payments from sluggish clients.

By *Matt Alderton*


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Samuel McClain has worked in construction for his entire adult life. During his more than 20 years in the industry, he has worked on hundreds of projects. They've each had their differences and similarities. Among the most common likeness is the need for a strict and stringent billing schedule.

"Getting paid is a problem that we work on all day, every day," says McClain, president and CEO of Boston-based Capitol Construction. "No matter how big you are or how small you are, it's important."

It's important, but it's also difficult. Some clients are slow, others forgetful. Some are even adamantly and insistently resistant. All, however, have hired you to do a job, and unless you work for free, all of them are required by law to compensate you. When they don't, they impact your short-term cash flow, your long-term bottom line and your relationships with suppliers and subcontractors, who can be left waiting on you to pay them.

If your invoices are going unpaid, there are a number of strategies you can employ to guarantee payment upon starting a job, and to secure it upon completing one.

Write Clear Contracts

Prompt payment begins with clear communication. "Everybody needs to understand what your expectations are," McClain says. He presents clients from the get-go with a schedule of values that details every piece of a job and how much it will cost.

"Lay out every single thing that's expected of you in the beginning," says Ryon Gambill, president and CEO of Marauder Corp., maker of *Bill Collector in a Box*, a software program based in Indian Wells, Calif., that helps small businesses collect outstanding payments from delinquent clients. "That way, there's no surprises."

Attorney David J. Canfield, who specializes in construction litigation, suggests going a step further. Don't just outline your scope of work prior to a job, he says. Outline the terms of payment, as well as the consequences for violating them.

"You should have a strong contract that you can rely upon, that you know and preferably that you use time and time again," says Canfield, who is partner at Canfield Madden & Ruggiero LLP in Garden City, N.Y. "It's important for contractors to be able to point to language within their contract that says, 'Look, if you don't pay me when you're supposed to pay me, I'll give you an opportunity to fix it. Things happen. But if you don't pay me, I have the right to stop performance.'"

Learn the Art of Invoicing

Although a strong contract is critical, it is a tool that is better suited for protection than for collection. To actually persuade payment when it's due, your best utensil is your invoice.

It's no secret most craftsmen prefer labor to paperwork. The reality is, however, that paperwork begets payment.

"Contractors need to be strong administratively," Canfield says. "They should regularly and consistently bill."

To make sure your invoices are opened, read and paid by your clients, consider the following tips:

- **Mail invoices to real addresses:** "Make sure you know how to reach [clients]," Gambill says. That includes having their full name, their daytime phone number and their physical mailing address. Never accept P.O. boxes or private mailboxes as billing addresses.
- **Charge late fees:** At the bottom of every invoice, state clearly next to a bold due date that you will charge late fees and interest on past-due invoices. "Make sure that your customers get the message loud and clear that it's going to cost them more to put your bill on the bottom of the stack," Gambill says.
- **Reward early payment:** If you penalize late payments, you might consider rewarding early ones. "Tell clients, 'Hey, if you pay this early, I'll knock 1 percent or 2 percent off the invoice,'" Gambill says.
- **Make payment easy:** Most independent contractors accept only cash or check. But contractors who modernize can expect prompter payments. "Take debit or credit cards, or checks by phone," Gambill suggests. "That will speed things up 10 times."
- **Follow up:** "It's awful hard not to pay somebody that you have a personal relationship with," McClain says. He has someone from his team follow up to make sure they got their bill and everything looked OK. "The first step to getting paid is acknowledgement from the client that he has the bill and nothing in the bill is disputed."

Take Legal Action

Where contracts and invoices fail, the law can succeed. If you're not getting paid after several attempts on your part to receive restitution, Canfield suggests putting your client on written notice and suspending work while the issue is resolved.

If it isn't corrected, you have several options:

- **Small claims court:** For a minimal fee, you can ask a judge to intervene in order to collect payment on your behalf.
- **A mechanic's lien:** A mechanic's lien is a security interest in your client's property. Because your labor helped improve that property, the client won't be able to sell, refinance or improve it without first paying you. A lien is grounds for lawsuit and can even lead to foreclosure on your client's property.
- **Collections:** If a client doesn't pay you, you can report them to the Better Business Bureau, to a collection agency and to each of the country's three major credit bureaus. When banks, creditors and customers get wind of their debt, clients will be forced to reconcile with you in order to clean up their credit score and their reputation.

Oftentimes, the mere threat of litigation or liens is enough to persuade payment from a renegade client. But if not, consider cutting your losses. Your time and money are better spent building business with trustworthy clients than pursuing unlawful ones.

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