7 Best Practices for Efficient Accounts Receivable Collections

Law firms work hard to provide top-notch legal services, but getting paid on time can sometimes take just as much effort. Late payments and overdue invoices can cause massive disruptions to a company's cash flow. A high stack of accounts receivable (AR) is bad for business as it impairs daily operations as well as the business's scalability.

By incorporating accounts receivable collection best practices into your standard client management process, your firm can maintain better control over its financial health.

Are Your Law Firm's Accounts Receivable Processes Up to Date?

Managing your AR poorly can cause financial strain for your law firm. Accounts receivable refers to the money owed to a company for services already rendered but not yet paid by clients.

In legal practice, this often comes in the form of outstanding client invoices for completed cases, payments delayed due to client disputes or billing errors, or even clients simply experiencing financial difficulties and being unable to settle their balance. ARs can also occur when your firm's payment schedules are structured based on case milestones and certain cases end up stretching over months or even years.

If not addressed immediately, ARs can make your cash flow unstable and unpredictable, even affecting your ability to cover expenses. On top of this, poor management of ARs can sour relationships with clients and taint a firm's public reputation.

Like any business, law firms may hire collection agencies, with fees reaching up to 50% of the funds recovered. An even greater loss would be to write off unpaid invoices as bad debt since the firm receives no compensation for services provided.

Businesses can find better value in lowering their accounts receivable altogether, ideally aiming for zero AR. This strategy directly improves a company's financial health with the following benefits:

- When AR is minimal, law firms spend less time chasing after unpaid invoices and disputes. Resources can be reallocated to more productive tasks for clients, boosting client satisfaction in return.
- Zero AR also enables businesses to operate much more efficiently.
- Firms with fewer outstanding receivables can maintain more accurate financial records, which is important for keeping a business steady and capable of making informed financial decisions.

However, zero AR may be tricky to achieve when you're already caught in the thick of managing high receivables. To lay a solid groundwork for key internal improvements, it's essential to learn how you can effectively collect accounts receivable.

Optimizing AR for Law Firms: 7 Best Practices for Accounts Receivable Collections

A law firm's collection rate on sent invoices should never fall below 97 percent. Law firms can adopt a few strategic practices to collect accounts receivable faster and establish a stronger financial position.

1. Strengthen client communication

A successful AR process begins long before the first invoice is sent. Even before a client signs a retainer, make it a point to explain your payment terms, timelines, and billing processes to set clear expectations and effectively collect accounts receivable in the future. By openly discussing these in initial consultations, you can immediately start your relationship with a potential client on a transparent note.

Moreover, strive to maintain this level of open communication throughout the case. Regularly update your client about their legal matter's progress, any works in progress, and the corresponding fees for each milestone you've achieved. Law firms may find it useful to invest in setting up a secure client portal like TimeSolv's in-app feature, where clients can easily access this information.

2. Automate your billing process

To ensure clients receive timely payment reminders and invoices, it may be worth looking into specialized law firm billing software. Tools like TimeSolv streamline AR collection on your behalf by automating key steps in your billing process, such as invoicing, tracking payments and outstanding balances, and safeguarding clients' payment details.

3. Make invoices as clear and detailed as possible

Clients may delay processing payments when there is confusion regarding the services rendered. To avoid such issues, make sure your invoices are clear, concise, and detailed. Avoid legal jargon and explain each service that clients are billed for. If possible, break down large tasks into summaries non-experts can digest.

4. Allow clients to process payments online

Offering convenient payment methods is crucial if you want to get paid on time. Accepting checks only can limit your clients, resulting in delayed payments for a variety of reasons. Set up a system that enables clients to process payments online, accommodating different methods. Having an option to pay online also encourages faster transactions and reduces common payment obstacles.

TimeSolv, in particular, makes it easy for law firms to integrate online payment processing into their billing system. Our in-app payment solution accepts credit cards, debit cards, ACH payments, and electronic checks from clients, helping firms receive payments faster and with less hassle.

The Ultimate Guide to Automating Your Legal Billing and Payments

To stay competitive in today's legal landscape, law firms must embrace the power of technology, especially when it comes to billing and payments.

The best way to improve your law firm's cash flow while also increasing client convenience is 'Automation'.

Download our free guide to improve your legal billing and payment process today!

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5. Follow up on outstanding payments promptly

Once invoices are sent, timely follow-ups are critical. Some clients may need a gentle reminder, while others may have missed the payment due date entirely. Develop a systematic follow-up process to ensure no invoice slips through the cracks. You schedule follow-ups two weeks after an invoice is sent and escalate the frequency if payment is not received promptly.

For faster results, automate your payment reminders using TimeSolv. Clients receive email invoices and follow-ups on schedule, so you can reallocate your time to more critical tasks. Clients can also freely access their outstanding balances, payment histories, and upcoming expenses when they log into the client portal.

6. Run payments in batches

To make sure you don't miss billing any invoice, opt for a platform that allows you to process and send out invoices in bulk rather than having to work on them one by one.

TimeSolv allows law firms to do this to help them achieve zero ARs and get paid instantly. The software securely stores key client information that gets readily added to automated invoices for a quicker billing process. With just one click, you can send hundreds of invoices and receive payment directly on the same platform.

7. Adjust your AR collection strategies accordingly

Monitoring your AR aging reports is essential for gauging your firm's financial status. These reports highlight overdue accounts and help identify clients who consistently delay payments. By reviewing these reports regularly, law firms can adjust their accounts receivable collection strategies accordingly, whether by sending more frequent reminders or, if necessary, turning the account over to a collection agency.

A robust billing system like TimeSolv provides real-time AR tracking, making it easy to stay on top of outstanding accounts and adjust collection efforts as needed.

Improve Your Accounts Receivable Collection and Achieve Zero AR with TimeSolv

Zero AR doesn't have to be another far-fetched goal. To achieve this, your firm has to thoroughly optimize the approaches you take to collect and manage accounts receivable.

Proper AR management is not simply about recovering unpaid dues. Even more importantly, you must create a system that ensures your law firm stays financially stable and operationally efficient without compromising client relationships.

With tools like TimeSolv in your arsenal, this optimization process becomes a lot more achievable. We help law firms automate invoicing, billing, and payment collection with features like TimeSolv Pay and our in-app client portal that offer convenience and transparency.

By integrating TimeSolv into your operations, your firm can streamline payment processing, boost profitability, and drive stronger financial outcomes that get you closer to achieving zero AR.

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