

Checklist: Late Payment Reduction Strategies

Late payments strain client relationships and create unnecessary stress for MSPs. But with the right strategies and tools, you can minimize late payments, improve cash flow, and maintain healthy financial operations.

Set Clear Payment Terms

- Have you communicated payment terms to clients upfront during onboarding and provided a written summary for reference?
- Have you defined payment terms like "Net 30" or "Due on Receipt" in all client contracts?
- Do your invoices prominently display payment terms and due dates, with the due date highlighted (e.g., bold or colored text)?

Send Payment Reminders

- Have you set up pre-due date reminders to be sent 7 days before the due date?
- Do you send immediate post-due date reminders on the due date if payment hasn't been received?
- Do you escalate reminders for overdue invoices by sending follow-ups 3 days after the due date and escalating to phone calls if necessary?
- Are you using automation software to automate reminders and customize messages to maintain a professional tone?

Incentivize Early Payments

- Do you offer early payment discounts, such as 2% off for payments made within 10 days, and clearly state this on invoices?
- Have you highlighted the benefits of early payments, using positive language like "Thank you for your prompt payment!" to encourage timely payments?

Enforce Late Fees

- Have you included a late fee policy in contracts, clearly stating the fee amount (e.g., 1.5% per month) and when it will be applied?
- Do you consistently apply late fees to overdue invoices using billing software and notify clients when fees are added?
- Have you explained to clients how late fees help cover administrative costs and encourage timely payments?

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Provide Multiple Payment Options

- Do you accept credit card payments through secure a secure client portal, enabling clients to pay invoices online?
- Do you offer ACH transfers as a low-cost or fee-free payment option and highlight this to clients?
- Do you provide recurring payment options, allowing clients to set up automatic payments for recurring invoices?
- Are financing options available to your clients? How long are the payment terms?
- Have you utilized a user-friendly client portal for viewing and paying invoices?

Build Stronger Client Relationships

- Do you communicate regularly with clients, addressing billing questions or concerns promptly to maintain trust?
- Do you send thank-you notes or emails to clients who pay on time to acknowledge their prompt payments?
- Do you offer flexible solutions, such as payment plans, for clients facing financial difficulties to maintain goodwill?

Monitor & Track Payments

- Do you use aging reports to regularly review and identify overdue invoices, prioritizing follow-ups based on the age of the invoice?
- Have you set up real-time alerts in your billing software to notify you of overdue payments for immediate action?
- Do you reconcile payments regularly by matching payments received with corresponding invoices to ensure accuracy? Or use a tool like that does automatically?

Leverage Automation Software

- Do you automate invoice generation and delivery using tools like FlexPoint to ensure invoices are sent on time and include all necessary details?
- Do you track payment status in real time, using dashboards and reports to monitor paid, overdue, and pending invoices?
- Have you integrated your payment software with PSA and Accounting tools to sync service data and ensure accurate invoicing?