

# SelfInformed

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# The Self-Employed Guide to Better

# Billing

By Kim O'Connor

The way you handle billing could be costing you money.

An independent study funded by Intuit in 2008 found that America's small businesses wait for \$33 billion in overdue payments each year. Nearly 40 percent of small businesses have invoices that are more than 30 days old. Worse, 20 percent forget to issue an invoice in the first place or fail to follow up on overdue accounts.

By taking a few simple steps, you can reduce—if not eliminate—the money your business loses because of bad billing practices.

## Implement A Billing Policy

Implementing a billing policy is a three-step process.

1. First, every business owner should develop a written policy that describes:

- ▶ Billing cycles
- ▶ Payment requirements
- ▶ Collection procedures
- ▶ Consequences for late payments
- ▶ And possibly even incentives for early payments

The length of your billing cycle and your payment requirements depend on a number of variables. Some small businesses bill on once- or twice-a-month cycles. Others bill before (or just after) goods or services are delivered. Some businesses offer lines of credit that allow the account to be paid down in installments.

“Look at what the routine is in your community or in your industry,” says Gene Fairbrother, the lead consultant for NASE's Business 101 program. “You're not going to do it any differently.”

2. After you've crafted your billing policy, educate your customers on its particulars.

Ideally, you should have a signed payment agreement or contract on file for every customer, but use your discretion when it comes to long-standing business relationships. Go over your policy with all new customers before they sign. Then provide a short summary at the bottom of every invoice.

3. The final—and most important—step is to consistently apply your new policy.

That is not to say that you should be inflexible when extenuating

circumstances arise. Send bills on time and remind customers about your policy whenever a follow-up is required.

## Handle Billing Methodically

It's important to get on a regular schedule with your billing tasks.

"Often small businesses bill as they think of it," says Jessica Scheitler, owner of Financial Groove, a bookkeeping firm with offices in Las Vegas and New York. "We put it on the back burner because it's one of those things we don't want to do."

Instead, make it a point to send all invoices promptly. Depending on the volume of invoices and the type of sales your business makes, this could happen as often as every day or as infrequently as once a month. Either way, handle billing in batches so you can sort through it systematically in one sitting.

A methodical approach to billing will benefit you and your clients.

"Your client can get used to seeing those invoices in the mail just like they do with a utility bill or the rent," Scheitler points out. "Then they can pay them consistently and work it into their cash flow plan."

Scheitler also recommends using a single, integrated software solution for invoicing and bookkeeping. Don't use a separate program like Microsoft Word or Excel for invoicing; neither has the capability to track the invoice over time, so you'll have to reconcile it by hand.

Also, be vigilant about collecting complete contact information from new customers and keeping it up to date. Vital information includes:

- Mailing address
- Physical address
- Email address
- And two phone numbers

If you're dealing with another business, make sure to get the full names of the owner as well as the person who handles payments.

“ You have to reach out to customers who are overdue.

## Provide Payment Options

Increasingly, the world is moving away from traditional transactions with cash and checks. If your business doesn't accept credit cards, it should.

Becoming a credit card merchant is much like applying for a credit card. Different terms are available, so it pays to shop around.

If you don't want to go through that process, or if your application is rejected for some reason, PayPal offers processing products that allow you to accept credit cards in person (via an online terminal) or through your own website. Go to [merchant.paypal.com](http://merchant.paypal.com) for more information.

## Follow Up On Overdue Accounts

Generate accounts receivable reports on a regular basis so you can catch overdue accounts as they surface.

## NASE Resources To The Rescue

### Legal Club of America

**Small-Business Plan:** You have access to a national network of attorneys at no cost or reduced rates. Attorney-provided services include two initial phone calls per month made on behalf of your business, up to 10 initial collection letters per month and much more.

### Pitney Bowes mailstation 2:

Dropping lots of billing statements and invoices in the mail to customers? Use the all-in-one mailstation 2 from Pitney Bowes. This postage meter is fast, easy to use and will save you loads of time. Plus, you can print promotional messages right on your mailing envelopes!

**Business 101 Experts:** Let the NASE micro-business consultants help you develop billing and collection procedures that really work. Unlimited access to the consultants is included in the cost of your NASE Membership.

“The longer you allow a debt to go, the less chance there is that you’re going to collect it.”

Depending on your policy, you might want to resend the invoice or touch base with the client after two weeks. If the debt lingers for more than 30 days, it’s time to get proactive.

Scheitler recommends using more than one medium to communicate with clients.

“You have to reach out to customers who are overdue in more than one fashion,” she says. “If you’re only emailing your invoices, you need to stick something in the mail and follow up with a statement.”

And don’t forget to pick up the phone. Since time is of the essence, direct forms of communication are best.

“The longer you allow a debt to go, the less chance there is that you’re going to collect it,” Fairbrother says.

He recommends addressing the root of the problem by talking to customers about the reason behind their delinquency.

“If a client hasn’t paid you, one of the things you want to find out is why,” he says. “Is it because of cash flow? Did they forget? Or was there a problem with the product or service? If there’s a dispute over what you provided, then you’re obviously going to have to deal with that before you get any kind of payment.”

Throughout this process, make sure you keep good records of all conversations about the account as well as copies of emails, faxes and mailings. While you should always be polite and professional, don’t worry about stepping on toes.

“You don’t need business that doesn’t pay you money,” Fairbrother points out. “If they say, ‘You can forget my business,’ well, good riddance.”

## Look For Ways To Resolve Problems

Whenever possible, work with a client to find a way to resolve the debt. Some options include discounts, installment plans or a financing charge.

Be flexible when you can, but also use your judgment. It makes sense to accommodate a long-standing client with a temporary cash flow problem. Extending a line of credit to a new customer, on the other hand, might be unwise.

Turn to alternatives like small claims court or an independent collection agency only if you’ve exhausted all other avenues. (This is when that signed payment agreement and your careful record keeping will come in handy.)

In some cases, pursuing collections might not be worth your time and effort. Collection agencies often work on commission, but they’ll only pursue larger debts and they’ll usually keep half of what they collect.

If it looks like the collection costs are going to exceed the debt, write it off.

Think about what went wrong and adjust your billing policy, if necessary. Even when you aren’t paid, it’s possible to learn something of value. ■

**Kim O’Connor**, a freelance writer in Chicago, uses Billings software to manage her invoices.

## 3 iPhone Apps For Better Billing

Use these iPhone apps to boost your billing power.

### 1. Best For Service Providers: Billings Pro Touch

This app helps you track your time, create estimates and invoices, and leverage powerful reporting features. You can download a basic version for free, but you’ll have to upgrade to the pro version if you want to email invoices or sync with the software (sold separately).

### 2. Best Comprehensive Solution: QuickBooks Connect

If you use a PC, and your business has more complex bookkeeping needs (like payroll or inventory), you might need a software solution with more features. One of the most popular is QuickBooks, which offers a fully integrated iPhone app for free, though you’ll pay a monthly fee for the service after the 30-day trial expires.

### 3. Best For Getting Payments On The Go: Credit Card Terminal

Turn your iPhone into a cash register with this app, which swipes credit card payments. You’ll get the card swipe reader for free, but you’ll pay a monthly service fee on top of transaction fees. It’s essential for people in sales who frequently travel, but anyone with merchant status can use it to process credit cards on the go instead of waiting to send an invoice.

# The NASE Awards **\$84,483** In **GROWTH GRANTS**

## **17 NASE Members Receive Funding For Business Development**

A photography studio. A financial education firm. A computer repair company. Each of these micro-businesses—plus 14 more—were awarded an NASE Growth Grant in 2010.

Since the grant program began in 2006, the association has awarded more than \$525,000 to businesses owned by NASE Members.

The timing of the grants for 2010 couldn't have been better, says Robert Hughes, president of the NASE.

"The economy is struggling to get back on track," he says. "And

small businesses will be the engine that revs up the recovery. These grants are our way of helping keep the rebound on track.

"The NASE continues to advocate for more lending to micro-businesses. But until that money gets flowing, these grants provide important working capital for our members. We're pleased that these grants can contribute even a small part to the success and growth of these micro-businesses."

Here's a look at how a few NASE Members put their grant money to work.

## The Builders

### Jeff Wynn and Linda Condy

Joined the NASE in 2006

Business name: Condy and Wynn,  
Original Woodworking  
& Furniture Design

Website: [condyandwynn.com](http://condyandwynn.com)

Business location: Spring City, Pa.

Number of years in business: 26

This husband and wife team isn't afraid to get their hands dirty.

They design and make original furnishings crafted in Pennsylvania cherry, walnut and white oak logs that are sawn and dried on the premises. And they run their company out of a converted barn behind their house.

Today, most of their work comes from churches and other liturgical commissions. For example, they

recently prepared a proposal for work on a spiritual center being built on Long Island. The proposal included the altar, pulpit, cross and other furnishings.

"Wood has to be very stable and very dry especially with what we do when using thick wood," says Jeff Wynn. "Creating curves out of it—if it's not uniformly dried through its thickness, it distorts the curve and messes up what we're trying to do.

"We are using the grant funds to build a kiln that will control the heat gain so that our wood doesn't dry too fast," he explains. "A lot of our church work is with very thick wood that takes a long time to dry. If you hurry the process of drying, it can crack and degrade the wood."

Wynn says that the NASE grant will give them more control over the hardwood they use in their work. And more control will contribute to higher quality craftsmanship.

"Fortunately there are some clientele that appreciate the work and craftsmanship

that goes into what we're trying to do," says Wynn.

And fortunately, the kiln purchased with their NASE grant promises to help them grow their business without compromising their tradition of craftsmanship.

"I only have so much room to work, and when we assemble projects that need a lot more space, it can be a problem," Wynn says. "The kiln will allow us to store wood not in our working area. If we have quite a few piles of dried wood from the kiln that we don't anticipate an immediate use for, we could maybe market the lumber and increase our cash flow and our sales that way. It [the kiln] will help in a lot of ways with productivity and increasing our receipts."

## The Producers

### Ron Gregory

Joined the NASE in 2005

Business name: G2 Media

Website: [g2mediasite.com](http://g2mediasite.com)

Business location: Rockville, Md.

Number of years in business: 8

G2 Media provides creative design, production and development services to small and medium-size businesses. Although it's just a small two-person, home-based shop, owners Ron Gregory and his wife, Barbara Grunbaum, have big plans.

And the NASE Growth Grant that they received in 2010 is helping them turn those plans into reality.

"The grant is allowing us to provide a better product because our capabilities have been expanded," says Gregory. "I think it will also result in more overall income because now we don't have to go out-of-house for certain services."

The pair used their grant money to increase their computing power with a new iMac and updated software.

"This new equipment is starting to pay off," Gregory says. "My wife is a documentary writer and filmmaker. She has written and is producing a Civil War documentary for Montgomery County, Maryland. One of the county historical heritage groups hired my wife to write, produce and direct a documentary on the county's role in war.

Jeff Wynn and Linda Condy



Diana McCaslin

## Apply For A \$5,000 NASE Growth Grant

Since 2006, the NASE has awarded more than \$525,000 to NASE Members just like you. Your micro-business could be selected for an NASE Growth Grant of up to \$5,000 in 2011.

These grants can be used for marketing, advertising, hiring employees, expanding facilities and to meet other specific business needs.

To be eligible for an NASE grant, you must:

- Be an NASE Member in good standing
- Demonstrate a business need that could be fulfilled by the grant
- Provide a detailed explanation of how you will use the grant proceeds
- Show how the grant will improve your business growth and success
- Offer supporting documentation such as a résumé and business plan

*NASE Growth Grants are awarded at the sole discretion of the NASE. Unfortunately, not everyone who applies will receive a grant. Decisions of the selection committee are final and are not subject to appeal. No application feedback will be given.*



“Usually she will create a script, and we will shoot everything in high-def video. When we get into post-production, we will hire out the editing.”

By purchasing new equipment with the NASE grant funds, Gregory and his wife can complete much of the post-production work themselves. And that means keeping a good chunk of the post-production budget money in-house, too.

“Honestly, the money we are saving from doing things in-house is probably more than the grant already,” Gregory says. “Eventually, we want to do even more of the editing in-house. I’ve always had the skill set to do this work; I just haven’t had the system.”

Now, thanks to the NASE, G2 Media has the system and capabilities it needs to grow.

## The Transcriber

**Diana McCaslin**

Joined the NASE in 2005

Business Name: MedLinks Transcription Inc.

Website: [med-links.net](http://med-links.net)

Business location: Maryville, Tenn.

Number of years in business: 6

Diana McCaslin co-owns her medical transcription business with two other women, Traci White and Amy Smith. All of them work out of their homes.

McCaslin says the company doesn’t have any problems finding employees. The total count now is six full-time workers and 23 part-timers.

But, she says, clients are sometimes harder to find.

“Marketing is a big challenge,” McCaslin says. “We’ve tried several different things like purchasing a marketing list of telephone numbers and paying people to make phone calls. We’ve sent postcards as mailings.”

McCaslin wanted to set her sights on conferences where she can meet face-to-face with potential clients, which include administrators of medical groups, hospitals and medical associations.

“The trouble was finding extra money to pay to go to conferences, as there are fees incurred in having a booth,” McCaslin says.

That’s where the NASE grant comes in.

“It’s actually what we’ve done with the grant. We paid for our entry fees to have a booth and be a vendor at conferences in North Carolina and Tennessee.”

McCaslin didn’t stop there with her new marketing strategy. She also decided to investigate government bids and contracts for transcription services.

“We are going to take some of the grant money to have a proposal written for us,” she explains. “We found a company that does that, and to have the bid written by people who do this should give us a chance to get this contract with the Navy.”

And landing a government contract could mean explosive growth for MedLinks Transcription.

“It could double us in size. We could hire 30 more employees. It could really grow our business.”

McCaslin admits that she’s nervous as well as excited about the possibilities that the NASE grant has provided to her business.

And there’s one more emotion, too.

“We’re tickled to death about winning the grant.”

## The Designer

### Nicole Pulley

Joined the NASE in 2008

Business name: Interior Affairs

Website: [interioraffarissa.com](http://interioraffarissa.com)

Business location: San Antonio, Texas

Number of years in business: 5

Timing is everything for Nicole Pulley.

Before launching Interior Affairs, she served as director of education for the San Antonio Apartment Association for 14 years. Those years gave her extensive knowledge of the multifamily housing industry and a thorough understanding of the needs of the owners.

So when she launched Interior Affairs in 2006, Pulley’s experience allowed her to meet the exact needs of the multifamily niche market. Her home-based company focuses on interior decorating and design for existing apartment complexes, new construction, senior communities and more.

She specializes in clubrooms, leasing centers, offices, fitness centers and every other interior aspect of a multifamily community. The challenge, says Pulley,

is timing—pitching the right services to the right person at the right time.

The \$5,000 grant she received from the NASE should help her meet that challenge in a number of ways.

Pulley says that she purchased professional marketing materials, including brochures that showcase her company’s capabilities. She also participated in trade shows to promote Interior Affairs. And she plans to expand her business by hiring an employee.

“I’m hoping that by using the grant funds wisely, they will help increase business and increase exposure and allow us to get more business, get more regular clients, and continue growing the business,” Pulley says.

“I’m thankful to the NASE for the opportunity to help grow my small business and am looking forward to a prosperous future.” ■

## More NASE Grant Recipients

The NASE also awarded Growth Grants to these members in 2010.

**Pat Bennett**  
Wicked Coursing  
La Mesa, Calif.

**Bernard Bonin**  
Bernie’s Italian Ice  
South Hadley, Mass.

**Latifa Bradwell**  
Epartykits.com  
Detroit, Mich.

**Ilana Diallo**  
Hand In Hand  
Financial  
Charlotte, N.C.

**Edward Frye**  
Frye Brothers  
Plumbing Inc.  
Finleyville, Pa.

**Edward Guerentz**  
Specialty Home  
Improvement  
Cary, Ill.

**Todd Gustafson**  
ComputerSolutions LLC  
Rockland, Maine

**Tracey Ingram**  
Institute of Accent  
Modification  
Chicago, Ill.

**Vicki Meyerhoff  
Smith**  
Bigfork Bigphoto  
Bigfork, Mont.

**Karen Moloney  
Delpha**  
KMD Billing  
Norristown, Pa.

**Andrea Robertson**  
Fight Call LLC  
Phoenix, Ariz.

**Michael Wolniewicz**  
MW Furniture Design  
Chester Gap, Va.

**Sheila Wyne**  
Sheila Wyne Studios  
Anchorage, Alaska



# STANDING



## For Micro-Businesses Year-Round

By Kristie Arslan

In the past year, creating jobs and growing the economy have been the subjects of many debates here in Washington, D.C. When it comes to this topic, the NASE knows that our nation's entrepreneurs are helping to lead the way. May is a particularly special month for small business. The Small Business Administration's **National Small Business Week** takes place this year from May 16th-20th. The NASE is serving as an NSBW co-sponsor for the 10th year in a row.

Small businesses should receive recognition for the differences they make every day in their own lives and for their families and surrounding communities. The NASE has spent the last several years emphasizing to lawmakers in Washington, D.C. that self-employment is the creation of a job that is just as important as the creation of any factory or office job. The simple

fact is that small businesses contribute about \$1 trillion to the U.S. economy and more than three-quarters of the nation's small business population are self-employed businesses.

How can we guarantee that micro-businesses get more recognition every day? By ensuring that our public policy focuses on all small businesses, not just big business or specific industries. The NASE continues to work with federal agencies and your lawmakers in Congress to put a stop to complex tax regulations that create an unfair playing field.

Did you know that sole proprietors are the only business entity that cannot deduct their health insurance premiums as a business expense? Even large corporations are permitted to deduct these costs. Or that many home-based business owners elect not to take the home office deduction, simply because the required one-page form has the phrase "See Instructions" listed in 17 different places? Allowing sole proprietors to deduct health insurance premiums as a business expense and creating an optional standard home office deduction are small changes to the tax code that would have a positive effect on business owners' bottom lines.

Just because tax season is over does not mean that these issues go away, as many micro-businesses work to gather data for their tax forms year-round. In addition, the more thorough this research is the greater likelihood that the business owner will receive a larger tax refund. The NASE knows that many business owners often use all or part of their tax refund for their business, from buying new equipment, paying for a continuing education class or hiring a part-time employee. Thus, the larger the tax refund, the more that can be done to improve or grow the company.

The NASE is devoted to simplifying the tax code so that micro-businesses can spend more time concentrating on their companies. We work to make sure that the nation's smallest businesses are appreciated for what they do best—create jobs and opportunities for the families and communities around them. This month, remember that the nation salutes your contributions, but also remember that the NASE is working behind the scenes to make your life easier. ■

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