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# Strategies to Improve Accounts Receivable and Boost Cash Flow

1. Set Clear Payment Terms from the Start

Your accounts receivable process starts well before you send an invoice. If your payment terms are vague or inconsistent, you're setting yourself up for misunderstandings. Make sure each new client or contract includes clearly stated terms like: due date, late payment penalties or interest, and any early payment incentives.

2. Invoice Promptly and Accurately

Delays in sending invoices almost always mean delays in payment. It sounds simple, but many businesses wait days or even weeks after finishing the work before issuing an invoice. By then, the urgency is gone, and clients are less likely to prioritize it. Aim to invoice immediately after services are delivered or projects are completed.
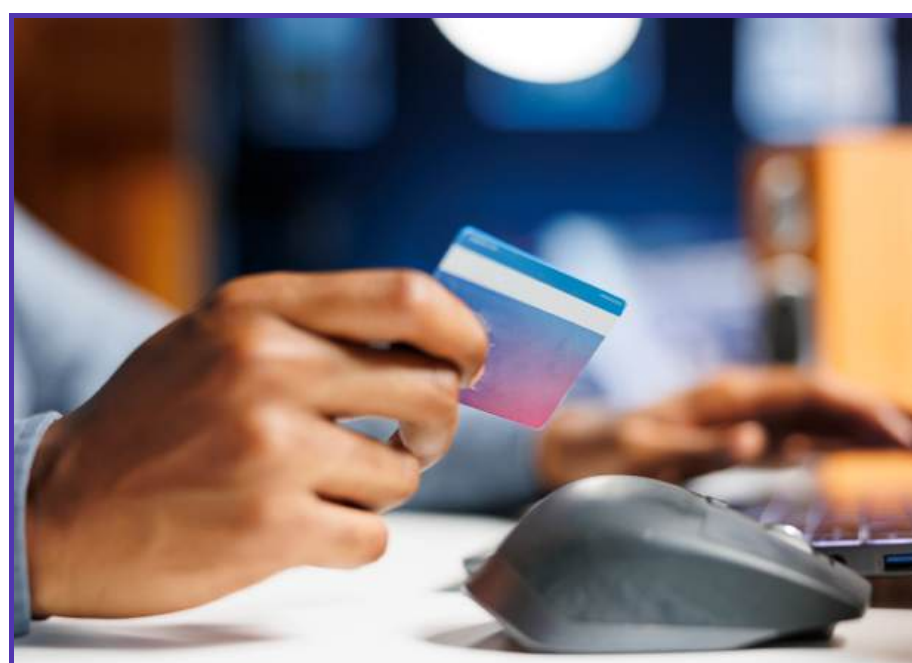
3. Automate Payment Reminders Without Losing the Human Touch

Chasing payments manually is exhausting and inefficient. You can save time and speed up collections by using accounting billing software to automate reminder emails as due dates approach. A good system will allow you to customize tone and frequency and escalate reminders for severely overdue invoices.
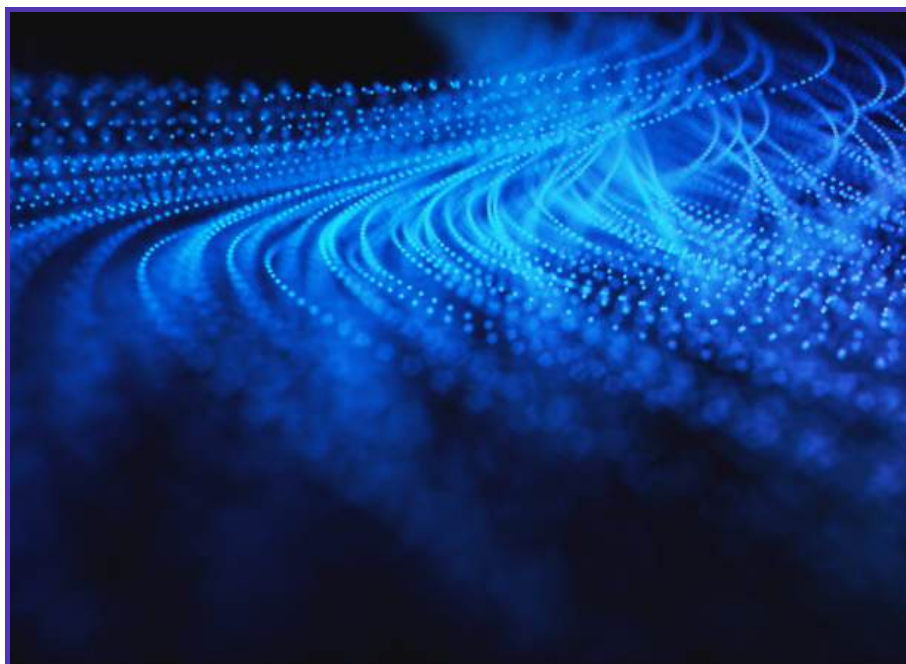
4. Offer Multiple Payment Options

Your clients are more likely to pay you quickly if you make it easy for them. Restricting payments to paper checks or bank wires adds friction to the process. Instead, offer a variety of digital payment methods, such as ACH transfers, credit and debit cards, online portals, or payment links and digital wallets (if applicable to your industry).

5. Monitor AR Aging Reports Consistently

Accounts receivable aging reports give you a clear view of unpaid invoices and how long they've been outstanding, usually in ranges such as 0–30, 31–60, or 61–90 days. Review them every week and flag accounts as soon as they move into a later stage. The longer an invoice sits unpaid, the harder it is to collect without added effort.
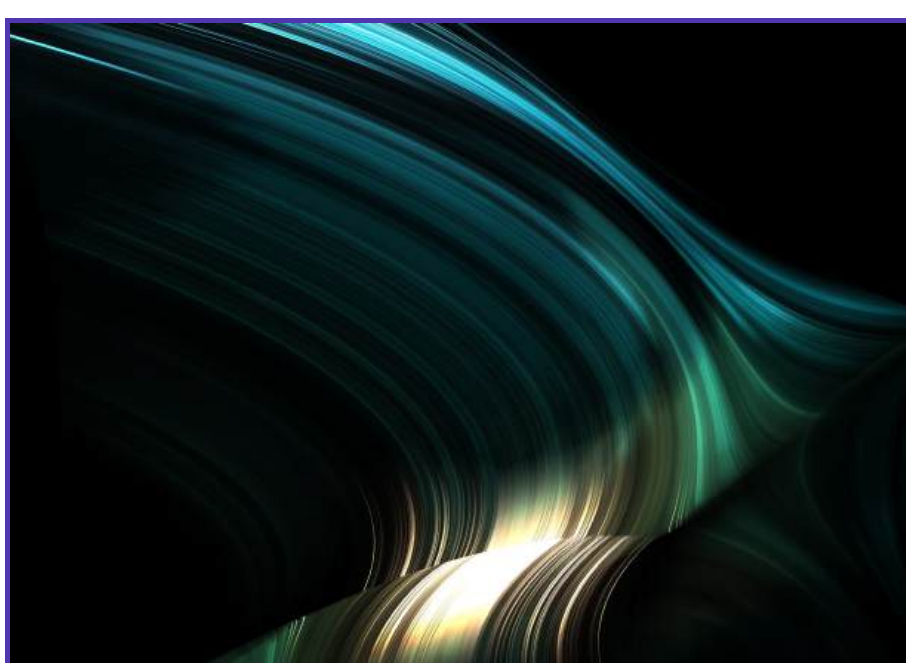
6. Set a Formal Collections Process

Even with clear communication, some clients will delay payments. A simple workflow could be: first reminder, automated email three days before the due date, second reminder, manual email five days after the due date, third reminder, phone call or personal message at 14 days and final notice: escalation or service suspension.

7. Reward Prompt Payers (and Discourage Late Ones)

While penalties for late payment can deter delays, incentives for early or on-time payments can positively reinforce better behavior. On the flip side, you might consider enforcing modest late fees or interest on overdue invoices (if you've included those terms in your contracts). This gives clients more reason to prioritize paying you over other vendors.

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