

How To Get Paid On Time Every Time!

Presented By Shawn McCadden CR, CLC
www.shawnmccadden.com



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How To Get Paid On Time Every Time



"Attending your seminar earlier today was like finding the key to a door I've been trying to unlock for a long time... and then having it swing open to reveal a room full of all the tools I need to survive and succeed. I've paid to attend classes at top business schools, but got more out of yours than any of them. I can't thank you enough"

Shawn McCadden, CR, CLC, CAPS

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Remodel My Business, Inc.

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Shawn McCadden is a nationally-known speaker, business trainer, columnist and award-winning remodeler. As a Certified Remodeler, Certified Lead Carpenter, and RRP Certified Renovator Instructor McCadden has more than 30 years of personal experience in the remodeling and new home construction industries. He was the owner of his own multi-million-dollar design/build remodeling business, Custom Contracting, Inc., in Arlington, Massachusetts until he sold that business in May 2004; was the co-founder of the Residential Design/Build Institute, which trained best business practices to remodelers and contractors across the nation; and served as Director of Business Innovations for a nationally known kitchen and bath franchise.

Today, Shawn offers business consulting and coaching services for aspiring remodeling business owners who want more for and from their businesses and their lives. He also consults with construction-related product manufacturers and suppliers, helping them understand, find, educate and better serve remodelers. Shawn is one of the remodeling industry's leading experts on the EPA RRP Rule and is a Massachusetts Recognized RRP Instructor. As a professional speaker, he offers an impressive array of motivational, instructional and keynote presentations. Shawn is also available to facilitate meetings and focus groups for businesses and other entities.

Shawn has received many industry awards including the National Association of the Remodeling Industry's (NARI) Harold Hammerman Sprit of Education Award, several NARI CoTY Awards, Remodeling Magazine's BIG50, QR Magazines Top 500, and several awards from the American Society of Business Publication Editors (ASBPE) for his magazine columns.

An active member of NARI for over 20 years, McCadden has served as a NARI National Regional Vice President, a Massachusetts local NARI Board Representative and has been a long-time member of the NARI Certification Board. He writes for *Remodeling Magazine* and speaks at association meetings, industry trade shows and conventions throughout the year.

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Businesses Seldom Fail Because They Are Not Profitable

It is mainly because they run out of cash!



The Most Critical Consideration If You Want To Get Paid On Time...

- If the Customer is always right... Make sure they are wrong before you let them become customers!
- Manage your prospects expectations about payments and job progress before you let them sign your proposal!



"We've talked it over and we've decided that you must not really be a customer."

How To Get Paid On Time Every Time

People Only Treat You The Way You Let Them Treat You!

- Want cheapest price?
- Don't want to pay large deposits?
- Don't pay on time?
- Want to renegotiate everything?
- Who's powering your flywheel?



"Flywheel Effect"

Defining Cash Flow

- The difference in amount of cash available at the beginning of a period (opening balance) and the amount at the end of that period (closing balance)



What To Do To Avoid Under Billing

- Not the same as undercharging!
- Means you have done more work than the money collected to date
- Estimate projects in critical path order do you can anticipate cash flow
- Use "When Ready For" in your payment schedules
- Front Load! You are not the bank!

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Cash Vs. Accrual Accounting



- What is the difference?
- Why use one Vs. the other?

Benefits of Accrual Accounting

- Know before end of month what you will owe
- Know before you need to pay bills how much money you will or will not have.
- Keeps track of who you owe money to.
- Keeps track of who owes you money and when.

Your Role In Getting Paid

- Project payment schedules should match the cash flow needs of the project
- Payment schedule wording should support getting paid on time
- You must enforce your payment schedule terms!



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Defining Substantial Completion

- "Substantial completion of your project shall be considered the date that the project or an agreed upon specified part of a project is sufficiently completed, in accordance with the written specifications, so that the project or a specified part of the project can be utilized for the purpose for which it was intended. Remaining items of work, if any, generally consist of minor finishing work."



Don't Be Wimpy About Collecting Your Money!



Use Payment Schedules That Create And Protect Cash Flow

1. Estimate all tasks in critical path order
2. Group tasks to establish project/payment milestones
3. Add up costs between milestones and include overhead and profit
4. Establish payment amounts based on the total cost of the milestone plus maintain frontloading for safety
5. Word payments schedules to be due prior to start of each milestone



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Use Payment Schedules That Create And Protect Cash Flow

6. Collect the money needed to finance all of a milestone's tasks before you start it
7. Get a significant amount of the outstanding balance at the second to last payment
8. Make sure the project cannot be used for its intended purpose until after the second to last payment is received.
9. Make the final payment due on "Substantial Completion"
10. Make sure the final payment is far less than your expected net profit but a comfortable amount for your prospect



Your Proposal Can Help You Get Paid!

- Each task in the estimate you created should be described in your proposal
- List the tasks in critical path order
- Include clarity:
 - About what is included
 - About what is not included
- Doing all this can help your prospect:
 - See when payments are due
 - See where their money will be used
 - Justify to themselves when a payment is due



The Pre-Completion Process Can Help You Get Paid



- Confirms the project accounting and final balance due
- Confirms when the final payment is due
- Confirms the payment vs. warrantee policy
- **Gets the client's commitment and signature!**

Come to My Session Tomorrow to Learn More!

How To Get Paid On Time Every Time

Summary From A First Born!

- If the Customer is always right... Make sure they are wrong before you let them become customers!
- Manage your prospects expectations about payments and job progress before you let them sign your proposal!
- Structure your estimates so you can predict your cash flow needs on each project
- Word your payment terms to protect your cash flow and your business
- Use the Precompletion process to help you close out your projects with clarity
- Eat your spinach!



**Thanks for the
Opportunity!**



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PRE-COMPLETION QUALITY CONTROL CHECKLIST

Project:

Owner:

Items to be completed as follows:

Final project balance due on completion of the above listed items is: \$ _____

NOTE: See attached statement for project history

It is agreed that when the above list of items is completed, the project will be considered substantially complete and approval for final payment will be authorized. Any omitted items will be covered by Builders Warranty after final payment has been received.

Respectfully submitted:

Construction Company

Date: _____

Signature: _____ Title: _____
(Contractor's representative)

Date: _____

Signature: _____
(Homeowner)