10 Cash Flow Leaks

Every Service Business Should Fix

Most service businesses aren't losing money on bad sales. They're losing it in the gap between doing the work and getting paid for it.

cashflowsystems.co | Rita Cuellar, Founder

The 10 Leaks

1

Leak #1: No Consistent Invoicing Schedule

Invoices go out whenever there's time, not on a set date. Irregular billing trains customers to pay irregularly — and that's on you, not them.

Fix: Pick one day per week to batch all invoices and send on the same schedule every time.

2

Leak #2: Invoice Terms That Nobody Reads

"Net 30" buried at the bottom of a PDF nobody opened is not a payment agreement. If terms aren't discussed before the work starts, they don't exist.

Fix: Confirm payment terms verbally or in writing before the job begins, not after it's done.

3

Leak #3: No Follow-Up Until It's Really Late

Most service businesses wait 60-90 days before following up on unpaid invoices. By then, the customer has spent that cash elsewhere.

Fix: Build a follow-up trigger at 7 days past due, not 60.

4

Leak #4: Tracking Receivables in Your Head

"I think they owe me around $8,000" is not a collections system. Without a real AR aging report, you can't see what's at risk.

Fix: Run a weekly AR aging report — every open invoice, the dollar amount, days outstanding.

5

Leak #5: No Cash Application Process

Customers pay, but payments don't get matched to the right invoice. The aging report goes wrong, double-billing happens, and you're chasing money you already collected.

Fix: Designate one person or time block to apply cash daily and reconcile against the AR report.

6

Leak #6: Mixing Up Revenue and Cash

You closed a $15,000 job. It shows as revenue on your P&L. The customer hasn't paid yet. Spending to that number before cash arrives is how profitable businesses run short.

Fix: Track cash received separately from revenue earned. Never spend receivables that haven't arrived.

7

Leak #7: Letting Disputes Sit

A customer disputes an invoice. You avoid the conversation. The invoice ages out of collectability. Silence costs more than the dispute ever did.

Fix: Address disputes within 48 hours. A bad resolution beats an aging dispute that turns into a write-off.

8

Leak #8: No Escalation Path for Overdue Accounts

Every account gets the same gentle reminder email, regardless of how late or how much is owed. Treating a 90-day $12,000 balance like a 31-day $400 invoice loses both.

Fix: Tiered response — written reminder at 30 days, phone call at 60, formal escalation at 90.

9

Leak #9: Discounting to Collect, Not to Close

Offering 10% off to close a new client is a business decision. Offering 10% off to collect a 90-day invoice is giving away money you already earned.

Fix: Don't discount aged receivables. Offer a payment plan if cash flow is the issue — not a price cut.

10

Leak #10: No One Owns AR

In most small service businesses, AR belongs to everyone and no one. The owner checks it when things feel tight. Nobody follows up unless someone complains.

Fix: Assign AR ownership explicitly — even 2 hours a week for one person. What gets owned gets done.

Ready to fix the leaks?

Now that you can see where the cash is going, the next step is building a system to stop it. The Weekly AR Health Check gives you a 15-20 minute weekly process to catch unpaid invoices before they turn into a cash flow problem. Everything else — the trackers, the dashboards, the done-for-you tools — lives at cashflowsystems.co.

Get the Weekly AR Health Check → cashflowsystems.co

See all tools and services → cashflowsystems.co/services