



Business - Securing Your Financial Health - Financial Retainers

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ABOUT THE AUTHOR

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There are times when you may be providing services for individuals who pay or have a retainer paid on their behalf. This practice allows you to have more control, especially in cases where there is a risk that clients may decide not to pay you unless you say what they want you to say. It also allows you to have good cash flow while reducing your accounts receivable balance.

There are several things that you need to do regarding financial retainers:

1. Ensure that taking retainers is allowed by your regulatory body - Lawyers usually take retainers to cover future hours of service as well as costs for photocopying and filing. As the balance is used, they ask the client to "top up" the retainer balance. Not all professional bodies allow you to take a retainer from your clients and you therefore need to ensure that you can do this before proceeding.
2. Keep excellent records - Make sure that you document all the time and expenses which are applied to the retainer. I find that sending invoices to the clients as they occur helps them to understand how and when the money is being used.
3. Know the limitations - Some laws require that you keep retainers in a separate account or have procedures that protect the money from being used inappropriately. Check with your regulatory body and accountant regarding this.
4. Give advance notice to clients or third-party payers regarding the need for additional funds. I am working with a client whose fees are paid through a retainer by her lawyer. After each appointment, I send the lawyer an invoice and balance on account. Before the account is completely depleted, I advise the lawyer of the need to "top up" the account. That allows the necessary time for her office to prepare and mail a cheque to me before the retainer is gone.
5. Return any balances when the work is done - It is important to your reputation that you return any balances to the client or payer after your services are complete. I suggest, however, that you have a discussion with the parties before cutting a cheque to ensure that your work is done and then document that conversation. This prevents risk and embarrassment should you be asked to provide further services after the refund has been processed.

There are many times that I wished I had taken a retainer - especially in child custody and access cases. It is far easier to do this than to have to go to Small Claims Court in an attempt to collect unpaid fees. You will be able to focus better on the process and needs of the client when you are not concerned about payment for services.