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Resourceful Designer Episode 339: Accepting Credit Card Payments

Today, I wanna talk about accepting credit card payments. Now if this is something you already do, you go ahead and skip this episode. That's fine. Although you may learn something, I don't know. I'm gonna give you some ideas and that, so you may wanna stick around. But I wanted to talk about this because earlier this week, I received an email from Phil. Phil sent me an email, first of all, just thanking me for the podcast and telling me how much the podcast has helped him as he's making the transition from a working for an employer to he had started doing some stuff on his own, started his own business on the side, and now he's taking it full time. In his thanking me and all that stuff, he does mention that he has one client who was asking him to pay by credit cards, and he wasn't sure how to go about doing that having never done it before. Now, this is one of those things that, you know, you kinda take it for granted. I've been accepting credit cards for years, and to me, it's just it's not a big deal. But sometimes you forget that for somebody who is not used to doing that, it can be quite the endeavor to try to figure out exactly what you have to do if you wanna accept credit cards from your clients.

Now the first thing that I should touch on is why you should be accepting credit cards from your clients. Well, the main reason is simplicity. Some clients just find it a lot easier to take out their credit card and pay that way. They wanna be able to pay online. They get your invoice, and they just log on and pay it. It's a proven fact that invoices get paid much faster when there's a credit card payment option involved. In fact, I've it's it's funny. I've sent out invoices And by the time I I I'd sent out multiple invoices, and then I'd go in and I check my system to make sure all the invoices that go gone out.

And I look and I'll say, well, the one of them is missing. I'm sure I sent it. I remember sending that one. And I'll I'll look and it's the reason it's not listed in the list there is because it's already been paid. The person received the email paid it within 2 minutes of receiving it. So by the time I went to check all the outstanding invoices, that one wasn't listed anymore because I had already received the money. And that's just one of the reasons why to accept credit card payments. It's easier if you're gonna do recurring payments for anything, like, I offer website maintenance and, hosting plans.

And that's something you're gonna wanna do on credit card because it's every month. You don't wanna have to send an invoice out to a client every month and then them have to send you a check or whatever transfer, whatever they do. It's a lot simpler to do if you can accept credit card payments. And in my case, with Podcast Branding, my other business that I do, that one there, I kind of productized it. Meaning, clients pay me upfront. They're placing an order for a specific product, which happens to be artwork, but they pay me upfront. They go through. They fill out their order form.

They enter their credit card. They pay me. And that's how I find out that I got an order is when I get paid, which is great. But I couldn't do that without credit cards. Now, don't get me wrong. I I love accepting credit cards, but I much prefer receive an e transfer, an Internet Internet, or, interact transfer, or a check from a client. A lot of my local clients still pay me by check, and I love that because there's no additional fees. I don't lose anything.

There's no transaction fees. There's no credit card fees. If I send somebody a bill for $1,000, I'm getting $1,000 in my bank. Where with a credit card, if I send somebody a $1,000 bill, what ends up in my bank will be 980 some or 990 some dollars. I don't know the exact percentage, But that's just something that you have to take into consideration if you are using credit cards that there will be an additional fee. And to some people, that is a deterrent. They don't want to accept credit cards because of those fees. Well, if that's the case, the easiest thing to do is just raise your rates.

You know, if you're quoting on a job and you think that there's a chance the client pays by credit card, add a little bit onto the job. You know, instead of charging a $1,000, say the job's gonna cost a 1,020 or a 1,050. Enough to cover whatever extra charges there are from the credit card. I see so many people hemming and hawing about, oh, all the fees, the bank fees, and the credit card fees that I have to pay. But if you incorporate it into your pricing, then what's to worry? And don't forget that all these fees that you pay, whether it's a credit card fee or a bank fee or whatever, all these things are tax deductible. They're part of running your business. It is an expense. So if you charge somebody $1,000 and they take off, I I'm just gonna use an arbitrary number, they take off $20 in fees.

Well, that $20, you can claim that as an expense because you had to pay those fees. The client's not paying them. You're paying them, so those fees are tax deductible. So keep that in mind. Now, if you do wanna set up, an option for credit cards. Say this is something you're not already offering and you decide you wanna start accepting credit cards. To me and and I could be wrong in this. This is just my limited knowledge about it.

But to me, the easiest thing to do is to set up a PayPal account. PayPal allows people to pay by credit cards. You can set up an account very easily and start accepting credit cards right away. You just send them an invoice via PayPal. When they receive it, they have the option of paying via their PayPal account if they already have a PayPal account, or they can pay via credit card if they don't have a PayPal account. Or they could pay by credit card even if they do have a PayPal account. But the option is there from them. Then the money goes into your PayPal account and then you can leave it there and and pay for stuff out of PayPal.

I have a PayPal account and I accept some money through there. And sometimes I'll have a balance there and for example, when I pay Wayne, Wayne Henderson from media voiceovers.com, the guy who does my voice over work, I just ordered a new batch from him and he sent me an invoice. Well, I had enough money in my PayPal account that I was able to pay him. And the money that's in that PayPal account came from clients that were paying via credit card that just, you know, this is the way they they wanted to set up. So I did it that way. And from some other things. I get other money that Cotes sent in through PayPal. So the money that sits in the PayPal account, you can use it to pay other things like I did with Wayne.

And you also have the option to connect it to your bank account and transfer the money or withdraw the money to your account. And it'll automatically PayPal when I say it. PayPal will automatically do whatever conversion to your currency. So in my case, a lot of the money I receive in my PayPal account of most of the money, I should say, is in US funds, but I'm in Canada. So whenever I withdraw the funds, it'll tell me. You're withdrawing, say, a $100 American. Well, that'll put, whatever, a 120 some dollars into your bank in Canadian funds. It'll do the currency conversion for me, which is very convenient.

So in my opinion, PayPal is the easiest way to set it up. If you're gonna do it on a one time fee, maybe you you only have the one client that wants to pay you by credit card, or maybe it's a one off project that they wanna pay by credit Mark, just set up a PayPal account and send them an invoice through PayPal. Let them pay it, and then either transfer the money to your bank or leave it in your PayPal account to pay for other things. But if you wanna do this on a regular basis, there are other options you can use. One is to use a popular kind of accounting program. I know a lot of people use something like

FreshBooks or QuickBooks, and there's lots of other ones out there. And a lot of these will accept credit card payments. Some of them will do it through Stripe.

Some of them will do it through there's another one called Square. And there may be other options as well. And there's gonna be a fee involved with that, of course. But those things allow you to create and send the invoice and get paid. They monitor things. Some of them will keep sending reminders to clients, which is great. So if the client doesn't pay in whatever 7 days, 14 days, a month, If they'll get reminder emails telling them that, oh, this bill is outstanding. Do you wanna pay? Here's a button.

Click here and pay with your credit card. So they make it very easy. Now, of course, if you're using something like FreshBooks or QuickBooks, there is a fee for using the software. It's a subscription, I believe. I don't use either of them, but I believe it's a subscription. You pay monthly for the use of that software, and it keeps track of all your bookkeeping. You can also do some other stuff in there. I'm not a 100% sure, but that is an option using something like that.

Now I did mention Stripe. Stripe is what a lot of these accounting softwares connect to. They connect and accept payments through Stripe. What a lot of people don't know is you can actually go to Stripe yourself and create an account. In fact, that's how I do a lot of my billing. My recurring billing, I actually like doing it through Stripe Mark so than my accounting software. I set up what's called subscriptions in Stripe. So so for my monthly website hosting and maintenance program, I set them all up through Stripe, and it just bills the credit card.

And they it doesn't even send them an invoice for them to pay. What happens is that that once the credit card's on file, it just automatically deducts that amount from the credit card every single month, and it go it goes it collects it into Stripe. And then after a couple of days, it gets transferred to my bank account. So it's very, very easy. I set all my recurring payments up through Stripe. I find it very easy to set up. They've got a great dashboard with all sorts of stuff to to monitor and keep track of things. And it's very easy.

Now for normal invoicing, like, if I create a project, I build a website, I design a a logo or whatever, I use wave app. It's at waveapp.com. They do have a free version, and that's what I'm using. So I'm not paying a monthly fee for my accounting. Now, they do have a paid version that offers some extra services. But for what I need, I just need something to be able to invoice and to be able to collect money. And the free version will do that. Now, of course, they take a percentage of it.

So you're paying a small percentage to wave and you're paying paying a small percentage or part of that percentage is for Stripe. And that's just part of doing business. It's part of my expenses. And it's to facilitate, to make it easier to accept payments. Especially if you're doing international. Because now I can invoice somebody in Canada and I could tell them, you know, pay me in Canadian funds. When I send the invoice, I indicate that this invoice is in Canadian funds. And when they click the pay with their credit card, it's being paid in Canadian.

Or if I have an American client, I could tell them this invoice is in US funds. Or in, well, yeah, I guess you can do other funds as well. I only bill in US. So if you happen to be in Europe or in Asia or in Australia, I'm billing them in US funds. So I'll create the invoice in US funds and send it to them. And then once again, once it gets paid, it gets transferred to Canadian funds for myself when it transfers to my bank. So it's actually very easy to set up. You can use something like, as I said, you can go to Stripe.

Stripe doesn't cost you anything. It's free to set up an account. There's no monthly or recurring fees other than a percentage of the money you're collecting. And as I said, I use waveapp@waveapp.com. And that one there, again, it's free. That was after I I had used for years. When I started my business, I was using a software from Mark called Billings. That's all it was.

It was called Billings. And I loved it. The software did everything I wanted it to do. I absolutely loved it except it did not accept credit card payments. So when it came time for me to go international because when I was using billings, most of my clients were local. And at that time, if they wanted to pay by credit card, I just say, sorry. I don't accept them. And, you'd have to send me a check.

Now back then, a lot of people were writing check. Today, in 2024, as I'm recording this, there are a lot of people who who don't write checks anymore. They don't even have checks if they needed to write them. So it's a different world than it was 10, 15 years ago. So eventually, I ended up buying a software. I bought something off AppSumo. I remember the software was called Billy App. And Billy was an invoicing app.

And it was great. I used it for a bit, and then they got sold to another company called Easy Billing 360. And they made some improvements on the software, and it was great. I loved it. They end up eventually rebranded to Billways, and they didn't change the software. They just rebranded and changed the interface the the look of the interface, but it still was the exact same features and everything. And then a year or 2 after that, they decided to shut down. They sent a notice saying that as of whatever date, the you would no longer be able to use the software.

And at that point, I asked around and that's when I found out about Wave or or Wave app. I think people just call it Wave, but I found out about Wave and looked into it because I was looking into FreshBooks and QuickBooks and all the other ones. There's Honey and there's Bonsai and there's a whole bunch of invoicing apps made specifically for freelancers and people like us, design business owners, solopreneurs. But Wave just seemed to offer, a lot more, and it was free. And unlike these other ones, which were inexpensive, there was no recurring payment, Wave has been around for years. So I know it's not a new thing because free is never a good business model. Most businesses that offer free things end up closing eventually. But in this case, Wave, they had been doing this for a long time, so I had confidence in them.

And I signed up, and I have no regrets. So all of this just because Phil sent me an email and said, you know, he doesn't know what to do. He has a client that wants to pay him by credit card, and he didn't know how to go about that. He thought he'd have to go through his bank and set up a merchant account and all sorts of stuff, which can be very, very complicated. But no, you don't need any of that. If it's just a simple here and there, PayPal account will do great for you. Or you can set up and do everything through Stripe. Now Stripe is not the as I said, it has a good dashboard that shows you things, but it's not a very good user interface because it's not meant for that, but even though you can use it for that.

And that's why a lot of these other softwares such as Wave. I use Wave for all these other things. Well, Wave is paid or connected through Stripe. So when somebody makes a payment through Wave, it's actually going through my Stripe dashboard. And you do if you're sign signing up for Wave. You do actually have to create your own Stripe account in order to connect them. But if that's the case, just go directly to Stripe if you want. And I know there's lots and lots of other options out there.

You ask, a dozen designers, you're gonna get, you know, 6 or 7 different options that they're using in order to do their invoicing. But all of this to say that if you wanna accept credit cards, and if Phil is asking, I know that there must be lots of other designers out there that are thinking the same thing. How do I accept credit cards? I don't know what to do. So that's what I wanted to share is that it's not hard to do. Very easy. A PayPal account, a Stripe account. You can set up a free wave account. And all of these will allow you to accept credit cards.

And, yes, you're gonna have to pay a fee. There's gonna be a service charge for them. And that's the only thing you're paying. That's how they make money. It's every transaction. They take a a small, like, 1 or 2 percent from the transaction. And that's how they stay in business. That's how they can offer these free businesses.

But that small percentage that they do take away, you can compensate for that by raising your rates or including it in your price. Now I will warn you, the one thing you cannot do is say, here or cannot do. It's bad etiquette to say, here, here's your invoice for a $1,000. Oh, if you wanna pay by credit card, then please add 2% or 3% onto the invoice. So it'll be a $1,030 if you wanna pay and that covers the credit card fee. I personally think that's bad etiquette. It's bad practice. It used to be illegal.

Visa and Mastercard, the 2 major credit card companies used to say you were not allowed to do that. But they changed several years ago where now if you want, and some businesses will actually do that, there's an additional fee if you pay by credit card. What some people do is they'll say, here's the invoice for a $1,000. If you wanna pay by check, you can take 2% off, like, you know, deduct 2% and send a check-in or something like that. Again, to cover the fees. In my opinion, raise your rates if you really are worried about those small fees. Raise your rates to cover for them and just let the the invoice go through. You don't have to tell the people that they're getting they're paying extra or they're saving or anything like that.

Just here's the price. This is what you pay me. You get your money, and the company gets their small percentage. And that small percentage at the end of the year when it comes tax time, you get to claim it as a business expense. So that's what I wanted to cover today. A very simple topic. But if Phil was wondering about it, I'm sure many other people are. And I thought, you know, I should make an episode about it and just share how simple it is to accept credit card payments from your clients.