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SMALL BUSINESS

The State of Small Business in 2022: Majority of Owners Have Less Than \$5,000 Free Cash Flow

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Financial concerns abound for small business owners, yet many are not prepared to face them. While more than one in three (36%) of respondents were concerned about inflation impacting their business financially in the year ahead, the majority (57%) of small business owners have less than \$5,000 set aside for financial crises.

Those are results from a survey by [Wave](#), a money management solution for small businesses. The survey showed that majority of businesses grows even larger when looking at business owners who are the sole employee of their company, with nearly seven out of 10 (69%) having less than \$5,000 cash on hand.

When it comes to preparedness, almost half (48%) of respondents said they would be unable to pivot to additional revenue streams in the wake of a financial crisis. Those who could pivot were most likely to turn to a side hustle (54%) or digital revenue stream (24%) to keep their business afloat.

According to the [U.S. Census Bureau](#), 5.4 million new business applications were filed in 2021, outpacing any year on record thus far. With more small businesses than ever in the mix, Wave's survey highlights financial concerns for this growing segment of the workforce.

Additional noteworthy findings include:

- **Small business owners are mindful about filing taxes, but concerns are widespread and some unacknowledged:** While nearly four in five (79%) respondents voiced they have already thought about filing their taxes, 39% are concerned about the impact of new tax regulations in the year ahead. Even further, nearly one in four (24%) were not aware of any new [tax regulations pertaining to third-party payments](#) for business owners, even though half (51%) of respondents accept payments through third-parties. Other top of mind concerns pertaining to tax filing include COVID-19 business loan impact on tax filing (23%) and condensing revenue streams (17%).
- **Big digital changes lie ahead of small business owners:** While a majority currently accept PayPal and 31% use another mobile payment app, one in 10 plan to transition away from digital payments platforms in light of the new tax regulations for third-party payment platforms. With that, some business owners are seeking new ways to get more digitally native and focus on becoming profitable, with 23% of respondents stating they plan to use bookkeeping software for the first time this year and 15% saying they will embed payments digitally to get paid faster.
- **Financial bad habits range among small business owners:** The number one worst financial habit for small business owners is not giving themselves a salary, with nearly one in four (26%) fessing up to this. Over one in three (35%) admit to blurring the lines between their personal and business accounts, with 21% of respondents declaring this their worst financial habit. Amongst microbusinesses (defined by the US Small Business Administration as having fewer than 10 employees^[2]), less than half (48%) even have a small business bank account set up to run their finances. More than one in 10 (13%) of small business owners admit to keeping track of receipts by storing them in a drawer or shoebox.

“As we embark on another uncertain year, it is more crucial than ever for small business owners to stay prepared through a focus on increased cash flow and a better understanding of how to handle their money,” said Kirk Simpson, co-founder and CEO of Wave. “Our survey highlights the new challenges that are top of mind for business owners, but also shows the new opportunities for success as we emerge

from the pandemic. With the proper money management tools and financial habits in place to help prepare for business emergencies, small business owners can set themselves up for success and handle anything that comes their way in 2022.”

Wave helps small businesses owners manage cash flow through intelligent bookkeeping and financial solutions that are integrated and easy to use. From customizable, professional invoicing software that can remind customers of payment due dates, to powerful invoice management features that enable business owners to track customer activity in one place, Wave’s solutions are built to enable better cash flow. With Wave Money—the no-fee business bank account—business owners get fast access to funds deposited into their account, and when they spend on their Wave Money debit card, their bookkeeping is managed automatically.

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