Small Business Owner
Financial Health

CAPITAL MATTERS
Agenda

1. Welcome
2. Small Business Financial Health
3. Small Group Activity
4. Solutions
5. Closing
Financial Health comes about when your financial systems help you build resilience and pursue opportunities.
ABOUT

Our mission is to improve financial health for all.

The Financial Health Network is a trusted resource for business leaders, policymakers, and innovators united in a mission to improve the financial health of their customers, employees, and communities. We envision a future where all people, especially the most vulnerable, have the financial systems they need to be resilient and thrive.
What We Do

- Research and analysis
- Membership services
- Innovation support
- Measurement tools
- Consulting
Small Business Financial Health

Why does financial health matter for entrepreneurs?
Measuring Financial Health

1. Spend less than income
2. Pay bills on time and in full
3. Have sufficient liquid savings
4. Have sufficient long-term savings
5. Have a sustainable debt load
6. Have a prime credit score
7. Have appropriate insurance
8. Plan ahead for expenses

Financial Health Score®

FinHealthNetwork.org/score
4 in 5 small businesses do not have employees

Number of Small Businesses

SBA 2018 Small Business Profiles
SBA 2018 Non-employer Fact Sheet
Financial health is fundamental to an entrepreneur’s ability to start, run, and grow a business

27 Million Microbusinesses (0 – 4 employees)
Small Business Financial Challenges

64% of employer firms faced financial challenges in the last 12 months

40% Paying operating expenses
31% Credit Availability
36% No Financial Challenges
27% Making payments on debt
17% Purchasing inventory or supplies to fulfill contracts
9% Other financial challenges

From Small Business Credit Survey – Federal Reserve 2019
To Address这些 Financial Challenges

69% of employer firms used personal funds to address a financial challenge

- Used personal funds: 69%
- Took out additional debt: 45%
- Cut staff, hours, and/or downsized operations: 32%
- Made a late payment or did not pay: 28%
- Other action: 9%

From Small Business Credit Survey – Federal Reserve 2019
Small Business Owner Financial Health Needs

- Manage finances separately
- Build savings
- Build personal credit
- Plan for volatility
Summary of in-market solutions

Manage finances separately
- Incorporate personal financial management into entrepreneurship programs
- Lower barriers to business account opening
- Streamline tax management

Build savings
- Promote microsavings
- Transform one person’s savings into another’s cushion

Build personal credit
- Provide pathways to strong personal credit scores
- Help small business owners make informed credit decisions

Plan for volatility
- Offer financial planning assistance that addresses the business and the personal
Directions

> Divide in groups of 6 - 8

> Every group should have:
  > Small post-its
  > Markers
  > A profile of your business owner
  > Activity forms
Brainstorming
Round 1 - Current Market Assessment

> What products or services in the market would best help entrepreneurs meet their goals?

> What are their relative advantages and limitations?

> Are there opportunities to improve market offerings in ways that would protect and build the entrepreneur’s financial health?
Round 2 - Innovation and Tech

> How does technology change the options available?

> If you could design a product for the entrepreneur, what would it look like? How would you utilize tech?
Round 3 - Partnerships

> How could partnerships be utilized to help bring about solutions to small business needs?

> What types of cross-sector partnerships might be possible and productive?
Round 4 - Policy

> Are there current regulatory barriers preventing high-potential solutions from reaching entrepreneurs?

> Are there policy actions that could help improve small business financial health or bring about new solutions?
Develop Your Idea
When developing your idea think about the following:

> How will this service address the needs of our entrepreneurs?
> Which of the four components we identified does it address?
  > Manage personal and business income and expenses separately
  > Protect personal savings to support resiliency
  > Establish, build, and maintain a prime credit score
  > Plan for personal and business volatility
> Think about the pros and cons of this product/service/policy/tech innovation
> What resources you will need to build this idea?
> How will the service and product be structured?
  > Non-profit?
  > For profit?
> How would it be funded?
Share Back
Share Back

> Tell us about your solutions:
  > Is it a service, product, or policy?
  > How does it work? How will it be implemented?
  > Do you have a target audience?

> Which of the factors of business financial health does it cover?
Promising Solutions
Promising Solutions

- Lower barriers to opening a business account
- Help small business owners make informed credit decisions
- Combine coaching and capital
Financial Health Network Resources

Finhealthnetwork.org

WHEN BUSINESS GETS PERSONAL
Addressing the Financial Health Needs of Small Business Owners

Solving the Cash Crunch
Helping Small Businesses Access Check Funds Faster
November 2018

June 2019
Thank You

Laura Cummings
e-mail: lcummings@finhealthnetwork.org

Karla Henriquez
e-mail: khenriquez@finhealthnetwork.org