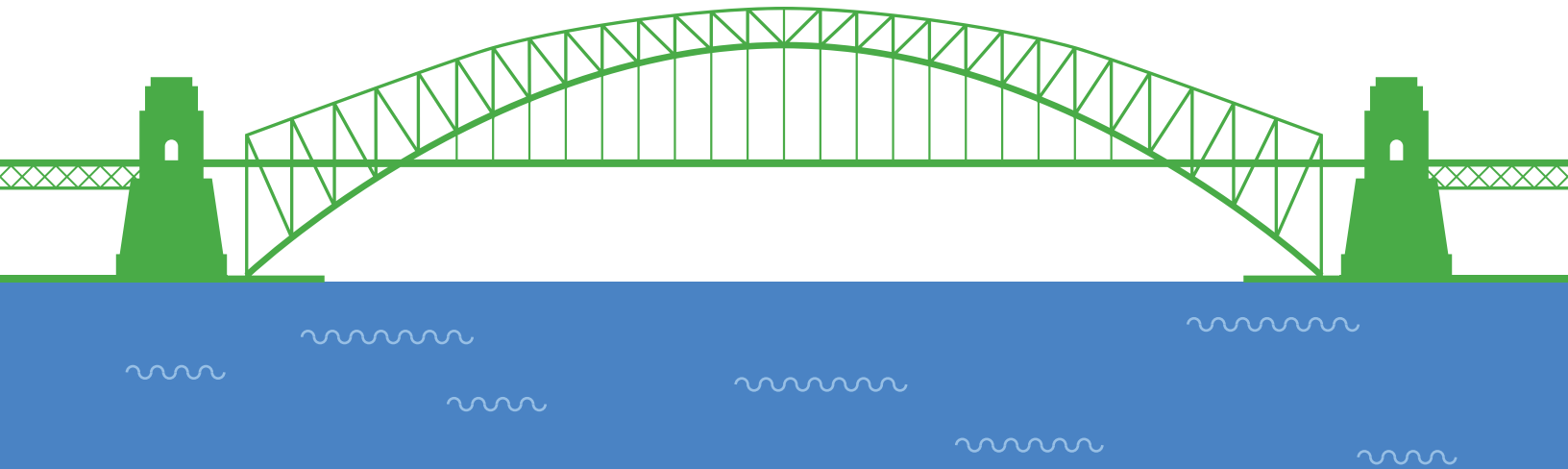


# Bridging the Gap

How Boosting Financial Literacy Leads To Small Business Success



# Making Small Business **Success** Possible

Starting a small business is one of the most empowering journeys anyone can take. It's about **having an idea, seizing the potential, and using an uncompromising drive to get the job done.**

The entrepreneurial journey is also marked by an unrelenting series of obstacles – whether it's tax filing requirements, juggling inventory, or managing payroll.

The single biggest reason that more **small businesses don't succeed** is that they **lack the financial literacy skills** needed to navigate the obstacles.

At Intuit, we're committed to giving small business owners the tools they need to successfully navigate their entrepreneurial journey.

This report provides a compelling picture of how to create more small business success.



# Bridging The Financial Literacy Gap

How big is the gap? The evidence comes directly from small-business owners themselves.

**We asked 500 small business owners from across Canada to take a 10 question financial literacy quiz. The quiz included questions such as:**

- ? What is the role of the balance sheet?
- ? What is the definition of accruals?
- ? How can short-term cash-flow be improved?



**2% did great:** (9 - 10 correct)  
**16% did good:** (7 - 8 correct)

**39% was basic:** (5 - 6 correct)  
**44% was below basic:** (0 - 4 correct)

# Root Causes

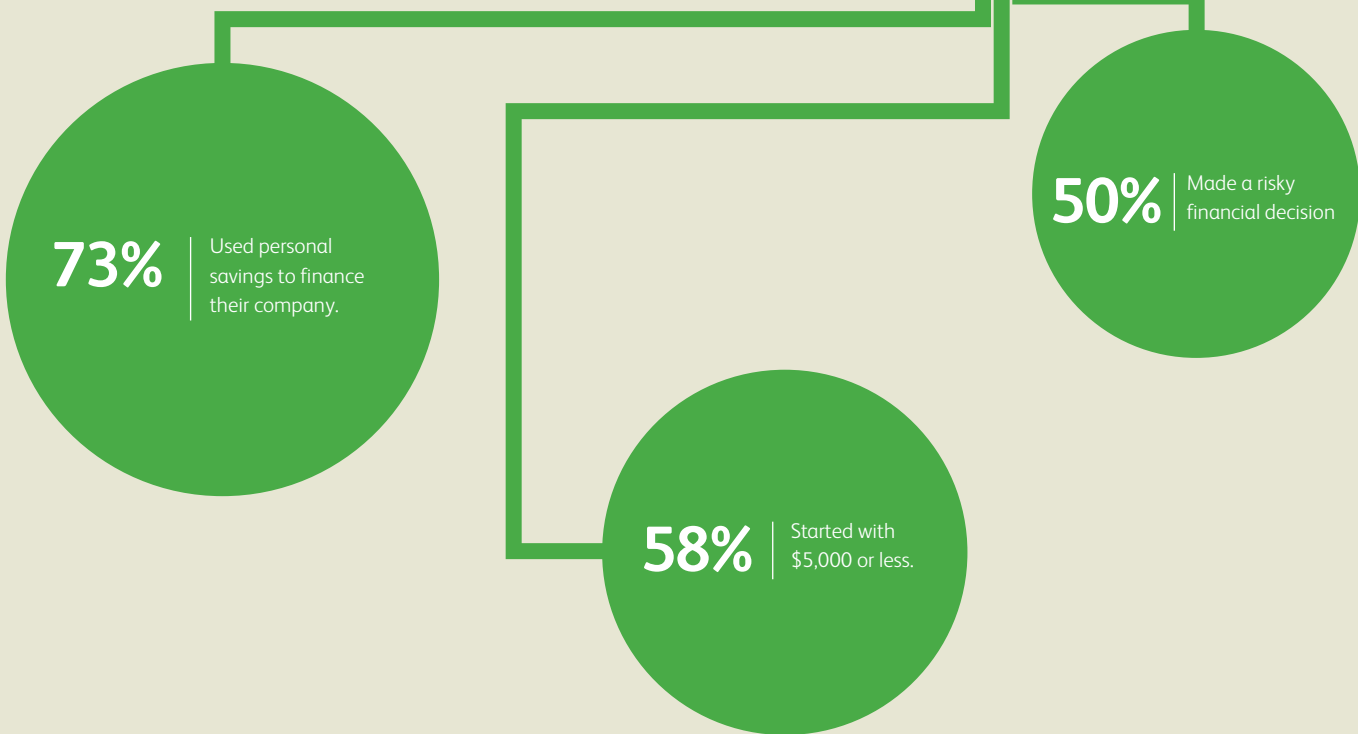
There is significant attention devoted to ensuring that Canadian consumers are armed with the financial literacy skills they need to navigate the big financial challenges that dot our lives.



Government, the banking industry, and not-for-profit groups do a good job in ensuring that Canadians are supported in making the big decisions, whether it's opening a student banking account, buying a first home, or saving for retirement.

**At Intuit, we believe that the same attention should be paid to ensuring that small businesses have the financial literacy resources and tools they need to succeed.**

The fact is that small businesses – those with fewer than 100 employees – share far more in common with consumers than might be apparent.



# The **Survival** Rates

Statistics Canada tells us that each and every year, there are almost as many small businesses:


- Exiting the marketplace – 89,800
- As there are new ones created – 98,600

In tough economic times, small businesses are even more vulnerable. For example, in the midst of the global economic turmoil of 2008:

- There were 64,540 new businesses created
- But 94,790 were lost
- That's a net loss of 30,250 small businesses

## The Biggest **Challenges**

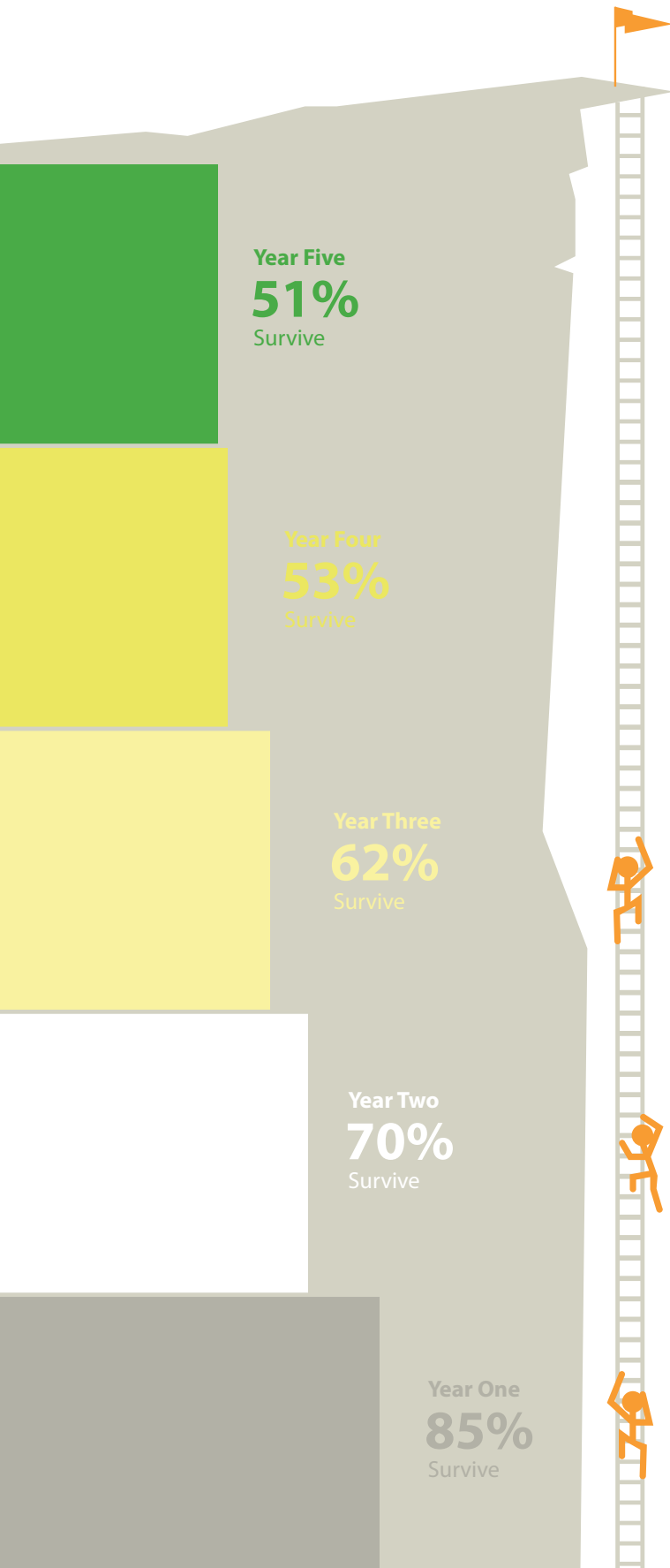
We asked Canadian small business operators what challenges they faced when starting out. Here's what they said:



**51%** had a good understanding of how to manage finances

**31%** knew they had a lot to learn

**11%** sought professional help



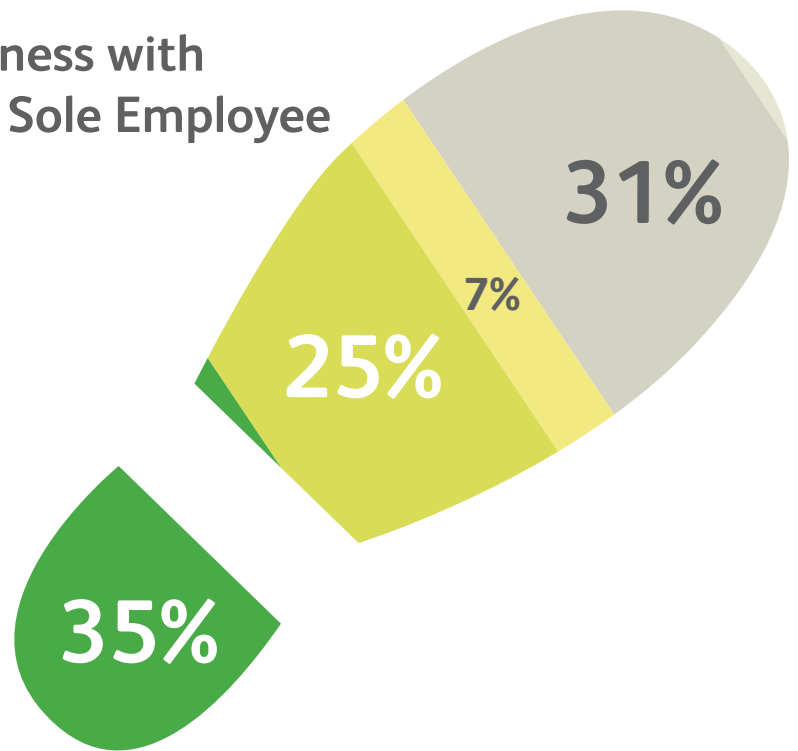
# Small **Steps** First

The smallest of the small businesses – those made up of **one sole employee** – face the **biggest challenge in reaching out for the financial literacy help** they so desperately need.

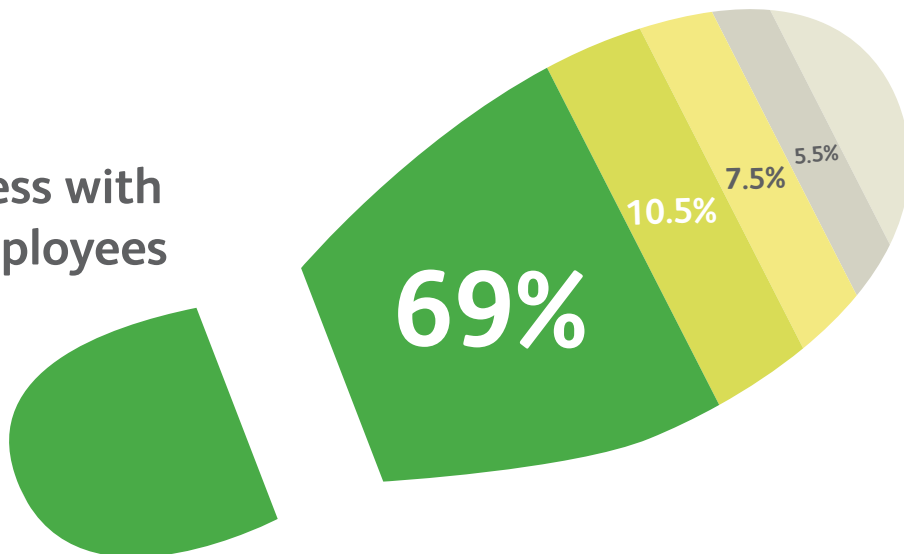
**We asked what played the biggest role in driving home the realization that they needed to pay more attention to financial management.**

- “I’ve always realized that financial management is the one of the most important things I should spend time with”
- “I realized it was important when I started to do business taxes for the first time”
- “I realized it was important when my accountant told me it was”
- None of the above

## Business with One Sole Employee



## Business with 6+ Employees

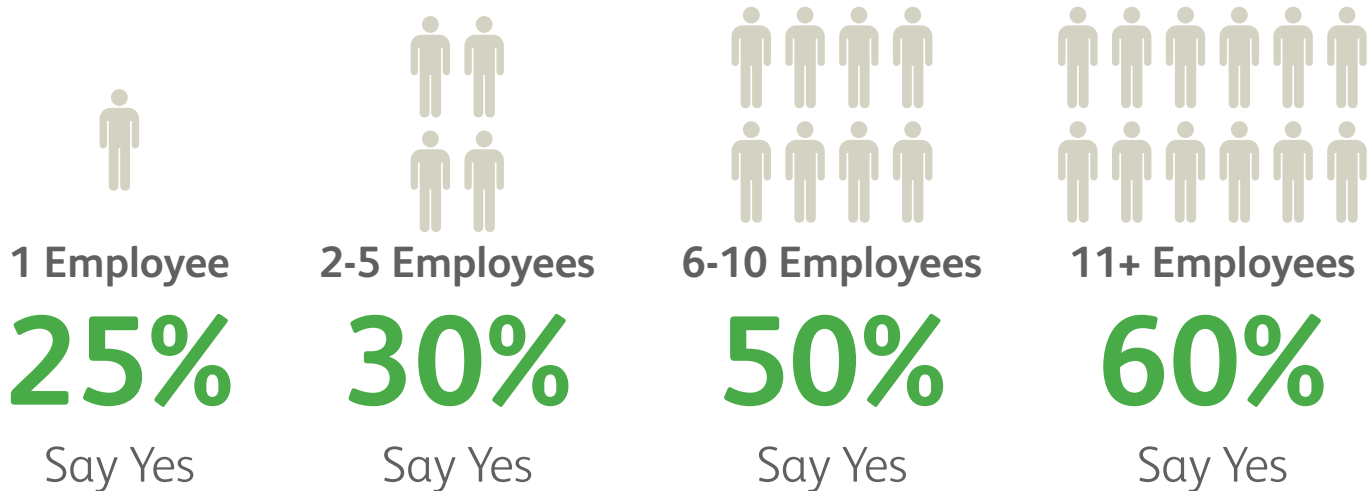


# Early Returns on the **Bigger** Investments

It's not all doom and gloom. There are encouraging signs that small business owners see the value of bridging the financial literacy divide.

In fact, **as small businesses become larger** and more complex, they are **increasingly likely to see a direct benefit** in working to boost their financial management skill set.

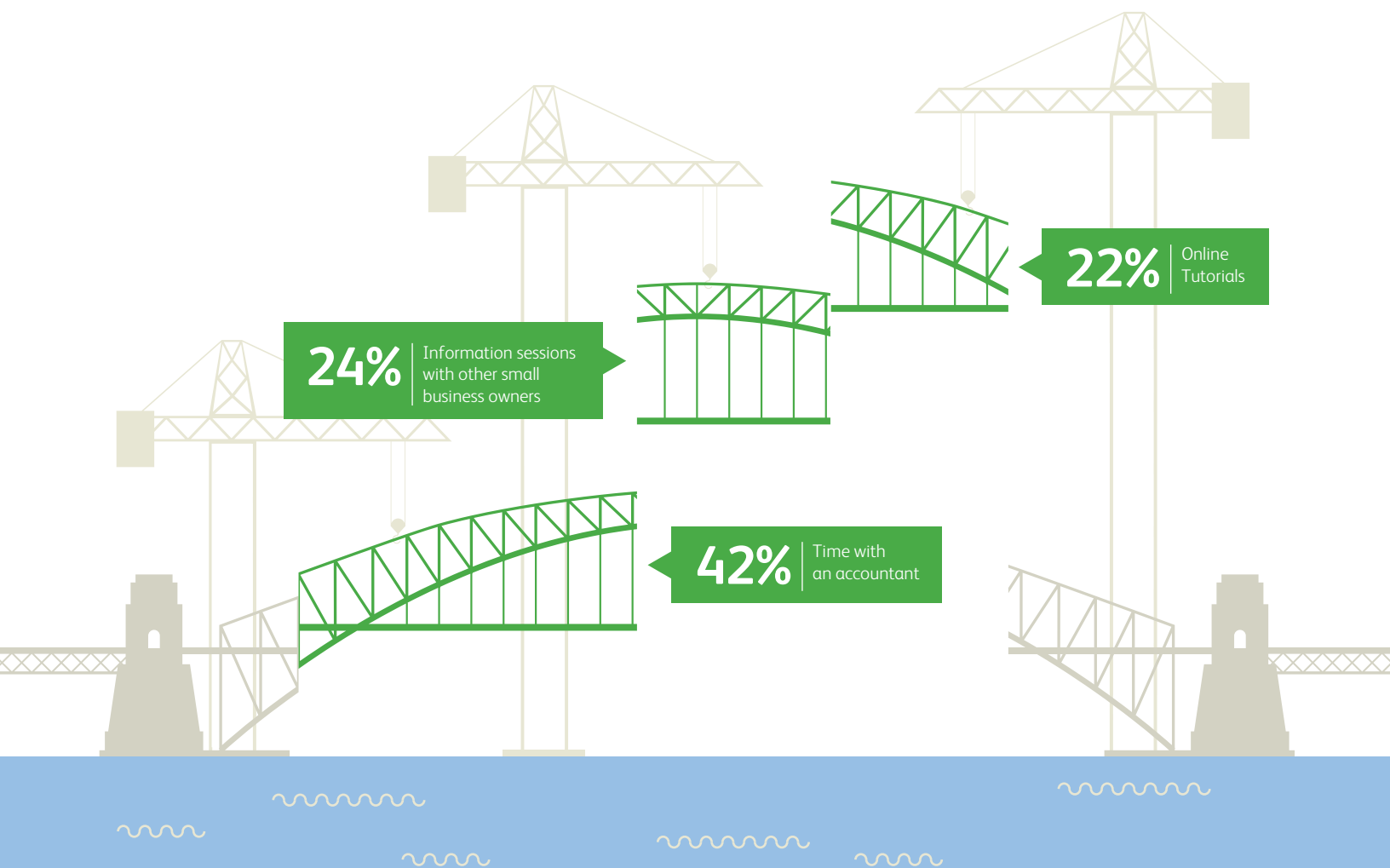
**We asked small businesses if they believed that financial training would make them more profitable:**



# A Bridge Building Toolkit

There is clear direction from small business owners themselves that **financial literacy is a problem worth tackling**, and that there are some specific ways we can go about it.

We asked small business owners what they were most eager to see in their financial literacy toolbox. They told us their top three picks were:



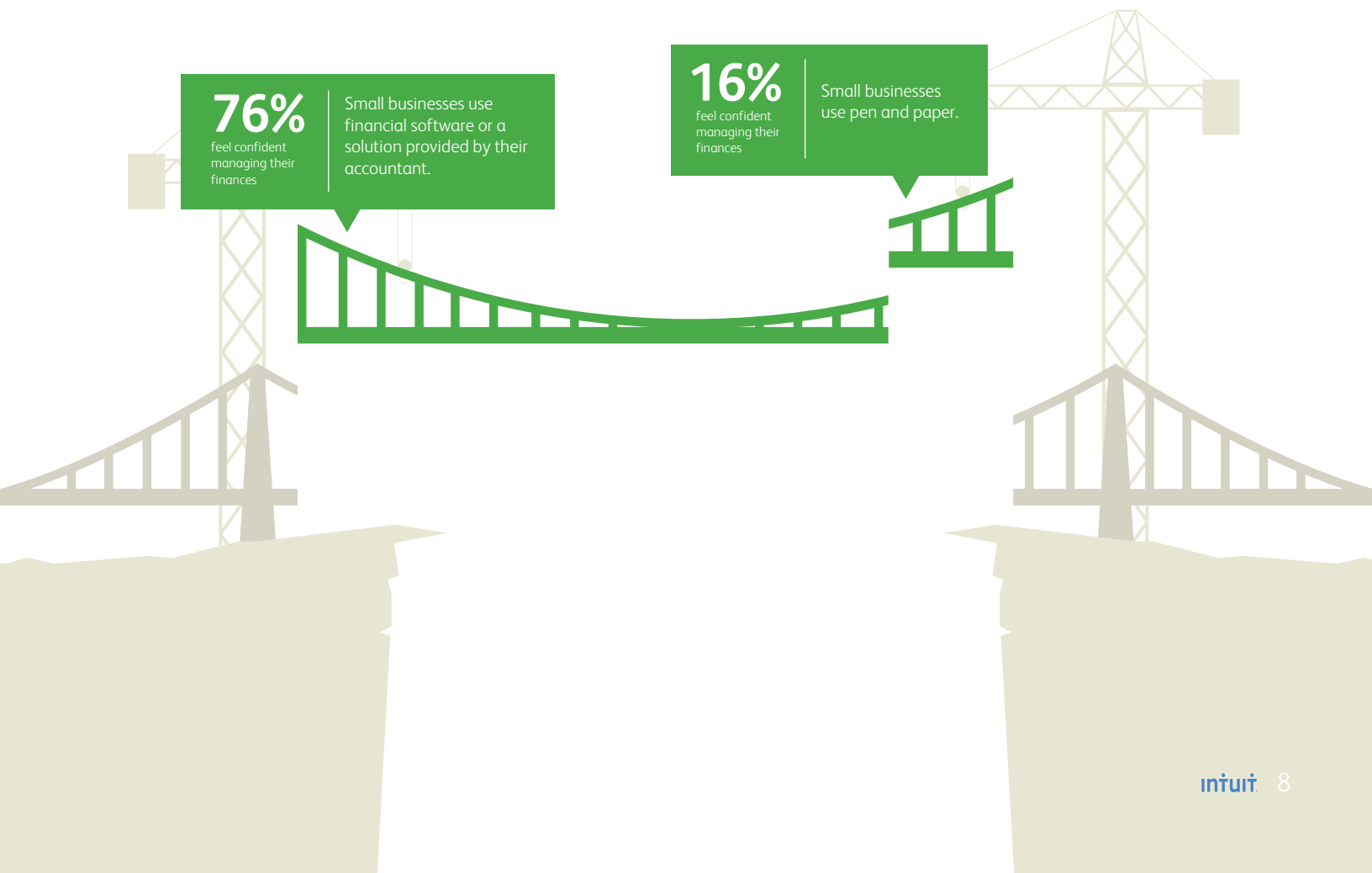


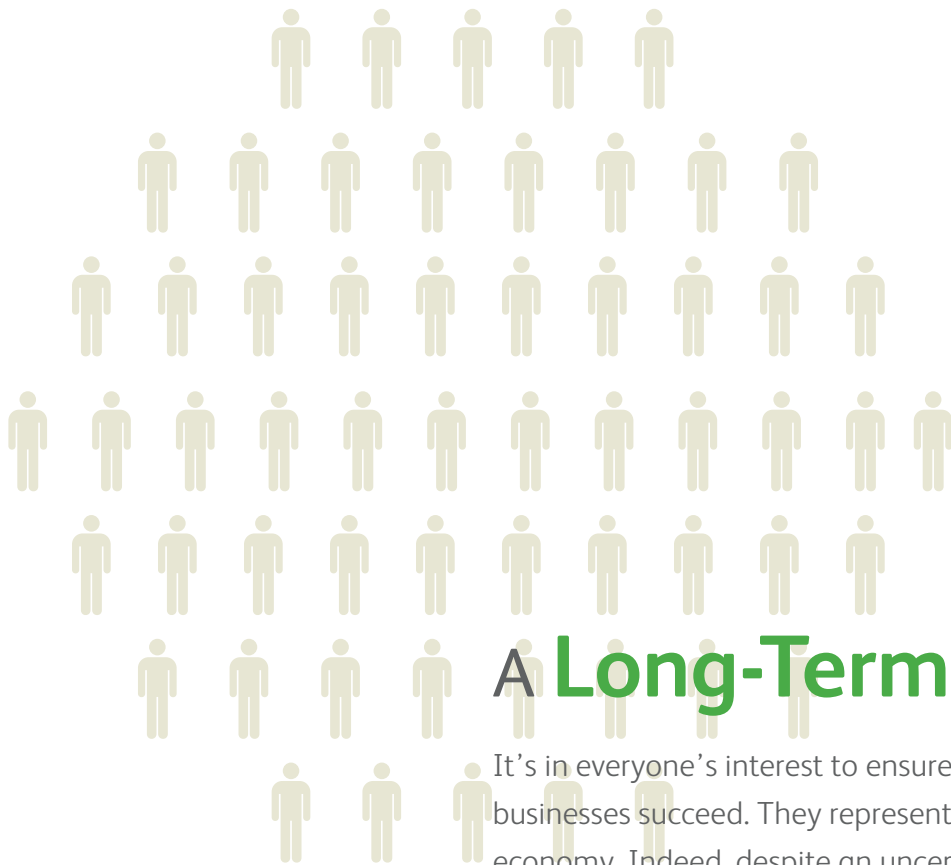
# Building Towards A New Horizon

Small business owners understand the benefits of leveraging financial management solutions.

In fact, our study found that there is a direct pay off for seeking professional help and taking advantage of tools.

Small business owners who identify as having an advanced understanding of financial management are five times more likely to use software or a solution provided by an accountant than manual methods, such as pen and paper.





## A **Long-Term** Commitment

It's in everyone's interest to ensure that Canadian small businesses succeed. They represent the backbone of our economy. Indeed, despite an uncertain economic climate, **they produced 20,000 jobs in the last year alone.**

Yet we know that only half of all small businesses reach their fifth anniversary. That's too many lost jobs, too many lost investments, and too much lost potential.

The single most important thing we can do to **ensure that more small businesses succeed is to agree to work together on a long-term plan to boost financial literacy capacity** among Canadian small businesses.

Government, industry, and not-for-profit groups need to join together to tackle this challenge over the long-term.

We can all do a better job in **helping small businesses navigate the obstacles that dot the entrepreneurial journey.**

Working together, we can make more small business success possible.

# Top Tips for Small **Business** Success

## Why Financial Literacy Is The Key To Success At Each Stage Of The Small Business Cycle

So are the risks paying off? Statistics Canada shows us that there are no guarantees. Only **half (51%) of Canadian small businesses are still standing on their five year anniversary.**

We believe that **boosting financial literacy** is the single best way to ensure that more small business **make it to year five** – and beyond.

