xero
FOR GOOD
FINANCIAL FITNESS

Bridging Australia's small business financial fitness gap

Australia 2026

Contents

Foreword

Australian small businesses are not set up for success

Angad Soin
Managing Director AU/NZ &
Global Chief Strategy Officer, Xero

Starting a small business is a leap of faith. No matter what's behind the decision – be it passion, a great idea, an entrepreneurial instinct, or a set of circumstances that leave no other choice – uncertainty is guaranteed. Especially when it comes to the numbers.

From saving or securing the initial capital to set up a business, to decoding tax and compliance obligations, financial management can feel like a complete minefield. There's so much to know, but the hard truth is, these skills are learned on the job. They come through trial and error, late-night research, or – ideally – under the guidance of a trusted advisor. But that requires two things early-stage founders rarely have to spare: time and money.

Imagine how it feels to read a financial statement if English isn't your first language, or to set up digital payments if you didn't grow up around technology. For those facing demographic or social disadvantages, navigating this steep learning curve is even tougher.

This report shines a light on these exact challenges – and it reveals a critical disconnect. Too many business owners don't know if they made a profit last month and are not paying themselves a wage; this is not a recipe for long-term success.

The accountants and bookkeepers who work with small businesses daily are clear: the majority believe small businesses lack the foundational skills to manage their finances effectively. This isn't a failure of intent; it often comes down to a lack of confidence in core knowledge, which creates a behavioral ripple effect – like putting off dealing with financial issues until they become fires. And if you're navigating that curve while also facing a language barrier or a disability, the margin for error shrinks even further.

This isn't a failure of the individual. It's a failure of the system. Too many Australian small business owners are not set up for success. And this is exactly why Xero For Good: Financial fitness exists. The program is entirely free and intentionally designed for efficient learning to address the two shortcomings we know exist for early-stage founders.

We have built a dedicated resource hub, made with small businesses, for small businesses. The learning resources are built for small businesses' most scarce resource: time. The hub was also built with respect to ethnicity, age, disability, and a range of other factors to make it accessible to most.

In support of self-learning, there's the Xero For Good Ambassador Program, offering those most in need free mentoring from a Xero accountant or bookkeeper. Advisors are the ultimate champions of the small business community, but not every entrepreneur has the means to seek out their help. We also know that self-guided learning only goes so far.

Empowering small businesses to build financial fitness is one part of the equation. But moving the needle requires more than individual effort – it requires systemic change. The Xero For Good: Financial fitness taskforce brings together industry experts and thought leaders to lobby for outcomes that ensure more entrepreneurs can access practical support at a national level.

Financial literacy shouldn't be a privilege. It should be a fundamental right. Every entrepreneur deserves a fair shot. Not just those with time, money, or the right network. All of them.

This is our contribution to making that happen.

Xero FOR GOOD

FINANCIAL FITNESS

Xero For Good: Financial fitness is a free educational program designed to help small business owners build financial confidence through practical resources, mentorship and community support. It is designed to make financial learning feel more accessible, relevant and actionable for the businesses that need it most.

At the centre of the program is the **dedicated Xero For Good: Financial fitness resource hub**, built with small businesses, for small businesses. With short videos and easy-to-navigate guides covering topics like cash flow, financial statements, budgeting and business finances, the hub gives owners a simple, self-serve way to strengthen foundational financial knowledge.

For small businesses facing additional barriers, the **Xero For Good Ambassador Program** adds tailored human support. The program offers free mentoring from Xero accountants and bookkeepers, helping small businesses apply what they learn from the hub to their own circumstances and build confidence over time.

The program is also backed by the **Xero For Good: Financial fitness taskforce**, which brings together representatives from government, industry bodies, and small business leaders and supporters to help address the barriers limiting financial confidence among small businesses. The taskforce draws on primary research, and policy and grassroots insights, turning them into practical ideas for government and stakeholders.

Together, the resource hub, Ambassador Program and taskforce are designed to turn insight into action, helping more small businesses access the knowledge, guidance and support they need to build stronger financial futures.

Australian small businesses are not set up for success

Before reading on, it's important that this data s viewed within the right context.

Running a small business is hard; there's no doubt about that. Combine this with the fact that almost no one starts a business because they enjoy managing their finances. These skills are often learned on the job through making mistakes, desktop research, or – ideally – under the guidance of a trusted advisor.

With this in mind, **our report uncovers significant blind spots in small business owners' financial literacy. Importantly, these gaps exist through no fault of their own**. The reality is, most business owners are not set up for success.

According to the research:

3 in 4

small businesses agree **Australia's education system doesn't equip future entrepreneurs with the financial skills they need to run a business.**

84%

of advisors also agree with this statement.

The purpose of this report is to help small businesses feel less alone. What's more, we aim to highlight possible solutions to help more entrepreneurs build confidence to bridge the financial fitness gap.

An expert's take on the link between financial literacy and small business mental health

Dr Leanne Faulkner
Small Business
Mental Health Expert

Dr Leanne Faulkner (PhD) is a small business mental health expert. Her story begins in 2004, when she founded the skincare brand Billie Goat Soap. Leanne grew the business from her kitchen into a multimillion-dollar international outfit. However, Leanne says this rapid growth came at the expense of her mental health. In seeking out help, she soon realised that tailored support for entrepreneurs didn't exist. It was this discovery that set her on a new path: completing a PhD on small business mental health challenges and how they differ structurally from those of employees. Today, Leanne's work sees her advocate for business owners through her expert advisory service.

Q. Tell us about your research on mental health in small business.

"While exercise or sleep are good mental health habits, they don't address the root cause of stress. This is what I wanted to dig into with my PhD, and what I found is that stress lies between what business owners imagine their lives to be and what their reality actually looks like. When there's a disconnect between them, stress can manifest.

"Central to this is feeling like we're always in control at work. That's what makes us feel powerful, and when we have a sense of power as business owners, we're more able to exercise choices about how we want to work, where we want to work, and who we want to work with. When we have complete control over these choices, we're less likely to feel stressed and anxious."

Q. How does financial literacy play a role in this?

"The more financially literate a small business owner is, the better equipped they are to have control, and make choices about work on their own terms. For example, in my research I found that those who did a sales forecast or understood their profit margins were able to be more selective about the work they said 'yes' to, and the price they charged. Having this level of planning gave them greater control over their estimated income for the forecasted period, and in turn, they had more power and confidence to make strategic decisions about the work they wanted to pursue. Whereas those without these financial tools were more prone to be reactive, rather than proactive. They believed it was feast or famine and, therefore, felt they had to say 'yes' to everything.

"Financial literacy means exercising more choices about working well. This is where the Xero For Good: Financial fitness program can really make a difference. By teaching those foundational skills to more entrepreneurs, the more in control they'll feel. This means the life they imagined for themselves will be closer to the reality they're living now."

Chapter one

Benchmarking financial fitness among Australian small businesses

Financial fitness is a tale of contradictions for many small businesses

While most small businesses consider themselves confident with financial management, it's still an ambiguous topic for many.

Case in point: one in three business owners feel they aren't equipped with all the financial skills they need.

Interestingly, men are less likely to agree they're a 'numbers person' (64%) compared to women (72%).

Percentage of small businesses who agree with these statements

85%
I'm confident in my understanding and handling of financial issues

66%
I have all the financial skills I need to effectively manage my business

66%
I consider myself a 'numbers person'

87%
There's more financial admin involved in business ownership than I realised

57%
Financial uncertainty keeps me up at night

50%
I find the language and jargon around financial management to be too complicated

Small businesses experiencing social or demographic disadvantages have significantly less financial confidence overall

Financial capability is often learned through experience, favouring those with greater access, more time, and support systems when mistakes happen. But for small business owners experiencing social or demographic disadvantages, they're less likely to have these privileges. Without opportunities to learn, it's harder to build confidence. What's more, the day-to-day challenges of running a business could plausibly compound for someone also navigating discrimination or disability, fuelling self-doubt.

Percentage of small businesses who agree with these statements

xero FOR GOOD
AMBASSADOR

These findings are why the Xero For Good Ambassador Program exists. Offering free mentoring to small businesses from Xero accountants and bookkeepers, it gives those who are most in need an opportunity to access support and implement what they've learned from the Xero For Good: Financial fitness resource hub. **Learn more.**

What's behind these beliefs? Limited financial foresight

Many small business owners say they've experienced these scenarios at least **three times in the past two years:**

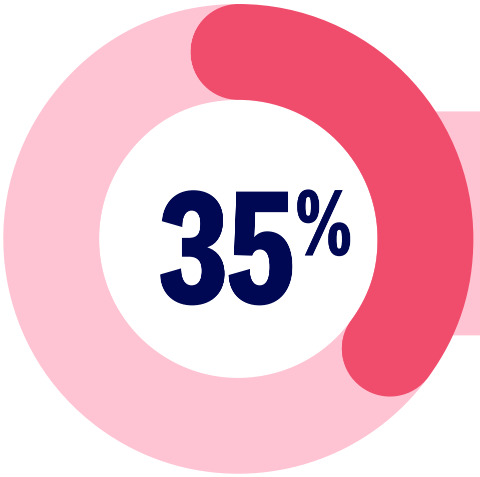
48%
experienced difficulties with cash flow

47%
received a large, unexpected expense

It seems many small businesses have confidence in their real-time financial position; almost three-quarters say they know how much revenue they need to cover their expenses (73%), and the difference between making a profit and having cash available to meet expenses (72%). However, our research revealed some blind spots when it comes to financial planning and forecasting. Whether it's a lack of time or a need for more education, not knowing what's around the corner can leave small businesses exposed to more risk.

52%
don't often have controls in place to prevent late payments.

40%
don't often set aside funds to meet large expenses (e.g. tax bills).



don't often know whether their business made a profit last month.

Small businesses experiencing demographic or social disadvantages are less likely to know how much revenue they need to cover expenses (55%), and the difference between making a profit and having cash available to meet expenses (52%). They're also **less likely to know whether their business made a profit last month (47%)**.

Financial ambiguity creates practical and emotional ripple effects for small business owners

51%

say **growing their business is harder than expected.**

41%

say they're **too afraid to ask questions about financial management** because they feel they should already know the answers.

This rises to 69% among small businesses experiencing demographic or social disadvantages.

32%

aren't regularly paying themselves a wage.

Most of those who do regularly pay themselves a wage claim to do this *often but not always*. Only 21% of all small businesses *always* do so.

By gender, men are less likely to regularly pay themselves a wage (44%) compared to women (26%).

22%

feel overwhelmed when they think about dealing with business finances.

18%

ignore messages from the ATO because they don't understand them.

This rises to 35% among small businesses experiencing demographic or social disadvantages.

Spotlight on creative small businesses

For those working in creative industries, it's easy to understand the appeal of entrepreneurship. Whether it's about having greater control over their ideas and ways of working, or the diversity that comes with freelance or campaign-based work, it offers a kind of freedom. However, the line between passion and business discipline can easily blur. Combine this with the fact that many freelancers operate independently without the support of a team, and work can be seasonal or ad-hoc leading to unpredictable cash flow.

With all of this in mind, we wanted to understand how creative small businesses feel about their financial fitness. The results show a marked difference when compared with those not in creative fields, suggesting that creative entrepreneurs may be especially vulnerable to the financial ambiguity and digital misconceptions that can come with running a passion-led business.

62%

of creative small businesses are **too afraid to ask questions about financial management** because they feel they should already know the answers. Just 29% of non-creative businesses feel the same.

4 in 5

creative small businesses think the language and jargon around financial management is too complicated, compared to 34% of non-creative businesses.

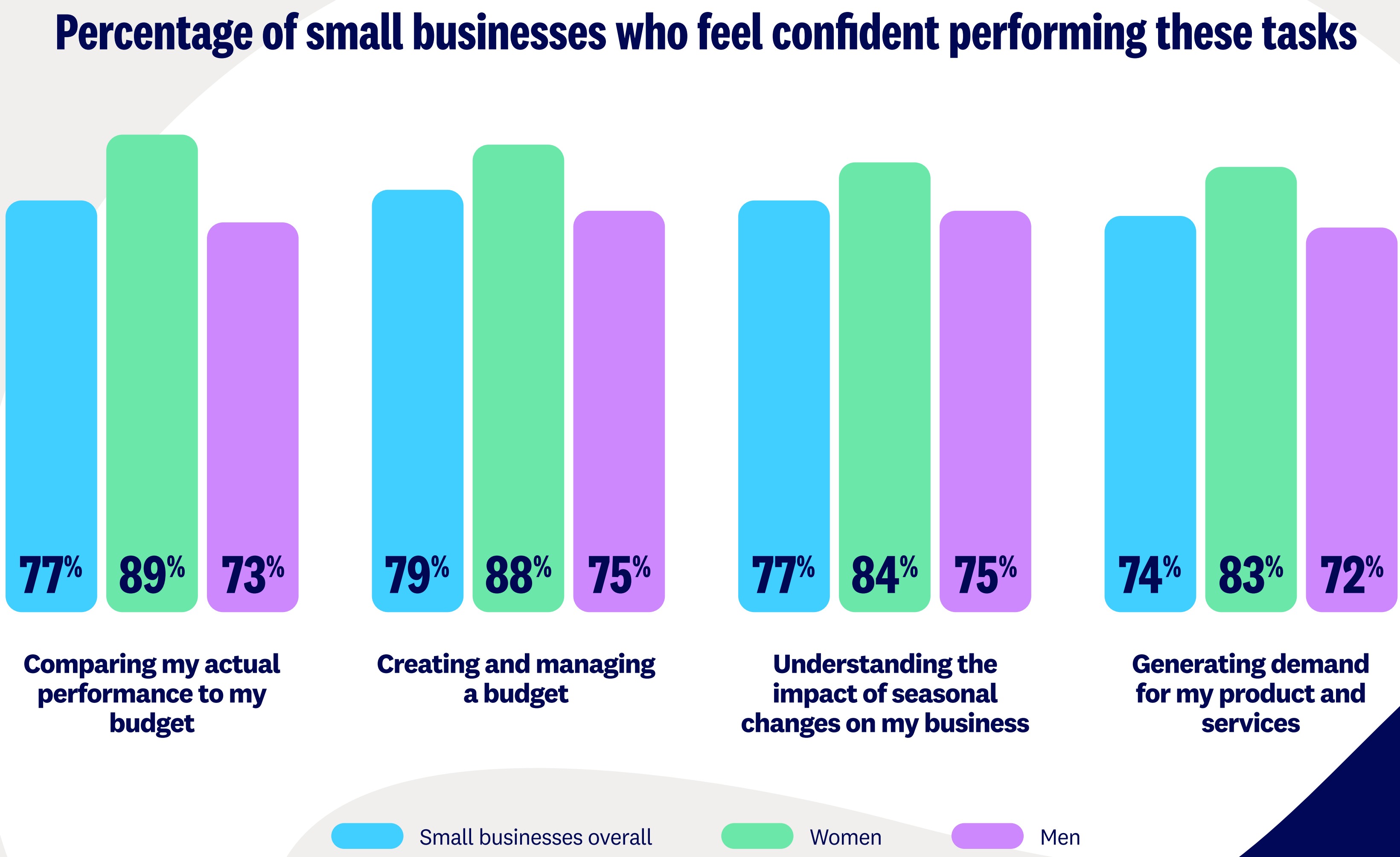
79%

of creative small businesses believe the world of business costs, expenses and taxation is too complicated.

Just under a third (32%) of non-creative businesses feel the same.

Many small businesses feel confident in everyday tasks, women even more so

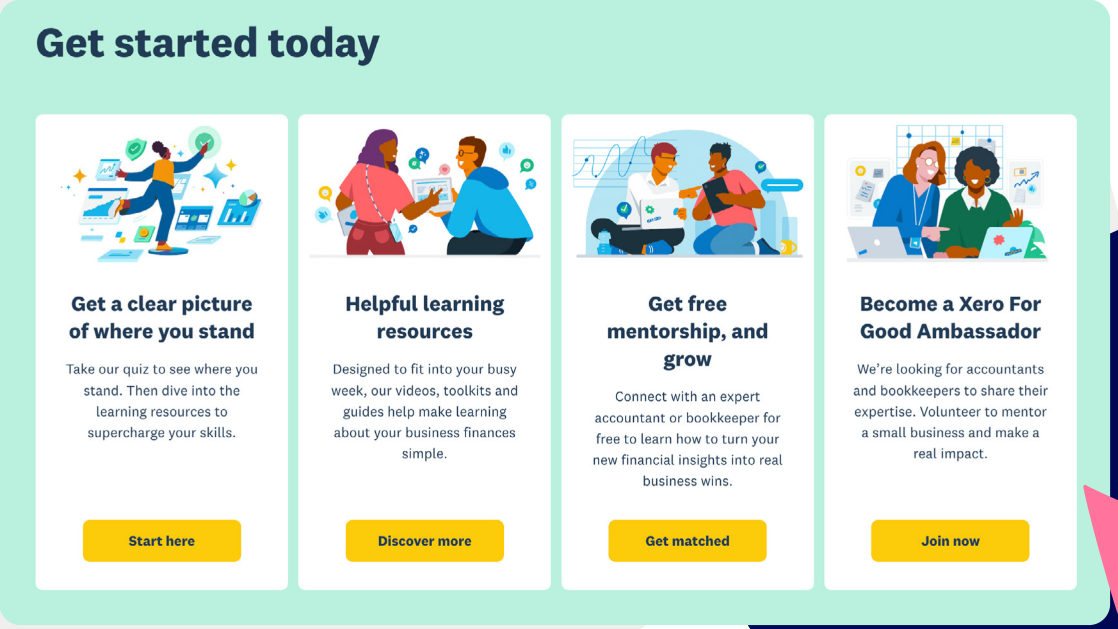
If two-thirds of small businesses believe they have all the financial skills they need to manage their business, there's clearly a range of processes they feel most equipped to handle. It's worth remembering, however, that confidence and capability are not one in the same – something many advisors will attest to (more on this in chapter three).



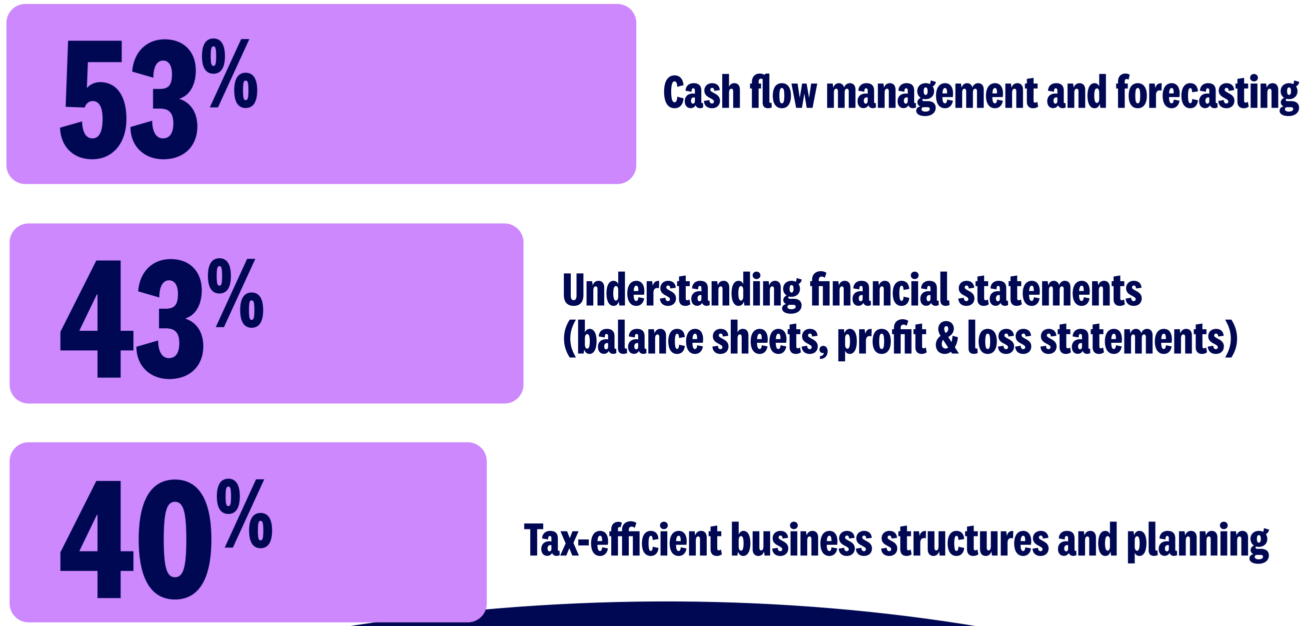
The findings showed that **women are more likely to report higher levels of confidence than men in performing different tasks, overall. Specifically in the areas highlighted in the graph above.**

Boosting financial fitness starts with firming up foundational knowledge

The top areas where small businesses feel they could improve their financial understanding are general, but foundational. As we know, it's the everyday tasks – such as bills, invoicing and payroll – where they feel most confident.



Where small businesses feel they could improve their understanding of financial concepts and issues



The **Xero For Good: Financial fitness resource hub** is an accessible way for small businesses to upskill on foundational financial knowledge at their own pace. With videos, toolkits and insights on a range of topics from **cash flow and financial statements, to business finances and budgeting**, small businesses can level up their financial knowledge in a quick and easy-to-digest format. **Learn more.**

Case study

From overwhelmed to empowered: How mentoring helped Urban Floral Farmlet unlock financial confidence

Marisa Vodanovich
Founder of Urban Floral Farmlet

Trudi Ballantyne
Director of STEM Rural Accountants

Marisa Vodanovich and Trudi Ballantyne met through the 2025 pilot of the Xero For Good Ambassador Program in Aotearoa New Zealand. Now, at the end of their mentoring partnership, the pair reflect on what they've learned and gained from the experience.

Marisa Vodanovich comes from a family of gardeners. Naturally, this meant her teenage years saw her resist a career in floristry, turning instead to marketing and communications. Fast forward through a long tenure in corporate, and in the depths of the pandemic, Marisa found herself facing two redundancies within 18 months. In what she describes as a full-circle moment, she returned to gardening to find solace. Her floral arrangements quickly caught the attention of her local community, and what started as a hobby soon became a tangible business opportunity.

"I was at a point in my life where I wanted more flexibility, and taking on another corporate job didn't seem viable. So I thought, 'Why don't I give this a crack?' That's when I decided to turn my quarter-acre block in suburban Auckland into a flower farm," says Marisa.

Today, Urban Floral Farmlet sells flowers and bouquets through local retailers and a subscription service, alongside farm workshops and tours. But getting the business to this point has been a journey for Marisa.

As a creative person, she's never considered herself a 'numbers person'. It's a sentiment that's shared among small business owners in creative industries, with 79 percent believing the world of business costs, expenses and taxation is too complicated. "I was just so overwhelmed; I knew I needed help," says Marisa. "While I had my accountant, I wanted guidance that was less technical – to work out my numbers in a manageable, bite-sized way."

It was through the Xero For Good Ambassador Program that Marisa met Trudi Ballantyne, Director of STEM Rural Accountants and member of the Xero Partner Advisory Council. Trudi had volunteered to be a mentor through the program, which connects small business owners with accountants and bookkeepers to help them build financial confidence over time.

For Trudi, becoming a Xero For Good Ambassador was a chance to return to the roots of her profession. "Most of us became accountants not to do compliance work but to help people succeed. When we step outside our bubble and interact with businesses beyond our usual client base, it's an opportunity to sharpen our people skills. I saw mentoring as a real opportunity to practice empathy and share knowledge that not all small business owners have access to."

A mentoring partnership built on trust, and small, achievable steps

Trudi came into Marisa's life at the perfect time. The numbers were weighing on Marisa and keeping her away from the demands of the farm.

She says, "There were close to 2,000 reconciliations that I needed to get under control. It felt like an impossible task, but Trudi helped me break everything down into smaller steps that felt achievable. Once we got over this hurdle, I felt like I finally had the bandwidth to look at my business and establish whether it was sustainable moving forward. Having that time back allowed me to put together a plan – one that's better for my business and my wellbeing."

Like Marisa, the majority (91 percent) of small business owners admit they put off dealing with their business finances. While many say it's due to a lack of time or other priorities, two-thirds of advisors believe it stems from a lack of confidence. For Trudi, this became a key focus.

"I wasn't there to teach accounting or to give Marisa all the answers; I wanted to help her build confidence and empower her to make informed decisions," says Trudi.

This assurance has seen Marisa apply learnings from the Xero For Good: Financial fitness hub into practice. For example, she used to spend an entire day manually completing her GST, but with everything she's learned through the program, it now takes her five minutes, she says.

For Trudi, this kind of progress is what's made the Xero For Good Ambassador Program so rewarding. "I'm just really proud to be a part of what Marisa's achieved, and I have every confidence in Urban Floral Farmlet's future," she says.

Trudi and Marisa's tips for a successful mentoring relationship

1. Build trust first

Before launching into the numbers, spend some time getting to know one another. From a mentor's perspective, the more context you have about who someone is and the type of business they're operating in, the better positioned you are to help them. With this in mind, prioritise listening.

2. Celebrate progress, not perfection

There'll be stumbling blocks on the path to progress, but keep in mind that building financial fitness takes time and practice. So be sure to mark the wins, no matter how small they are.

3. Remember, you get out what you put in

Signing up to the Xero For Good Ambassador Program is a worthwhile commitment, but to get the most out of it, you have to want to be there. Be sure to show up, keep an open mind, and follow through on what you say you'll do as a mentee.

Learn more about and sign up for the Xero For Good Ambassador Program in Australia here.

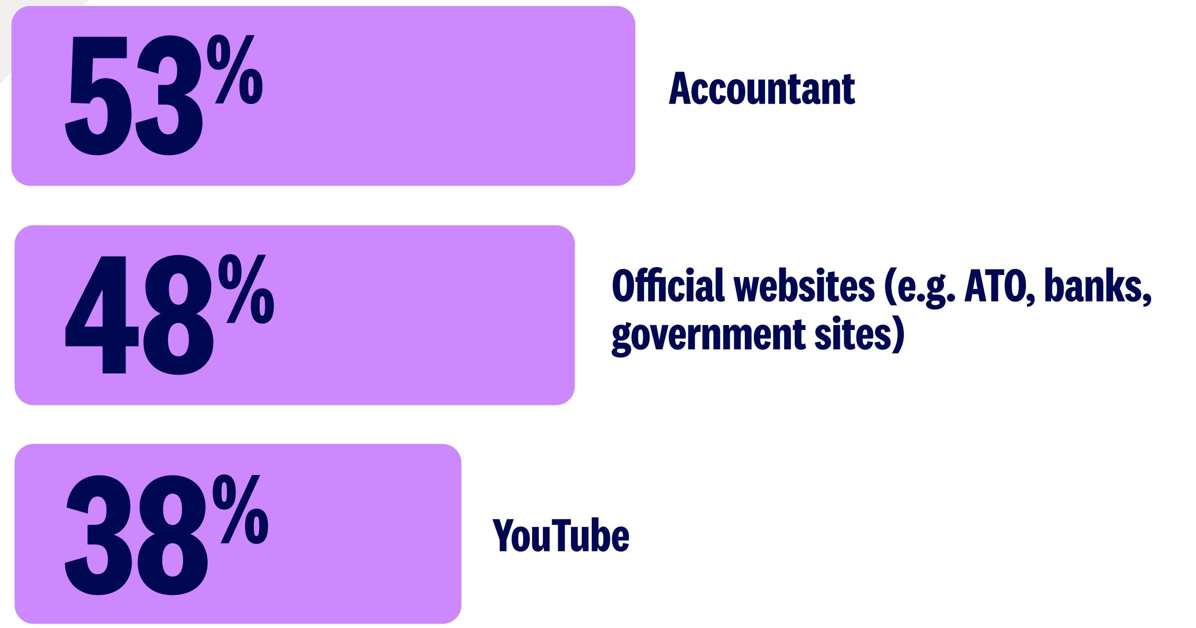
Chapter two

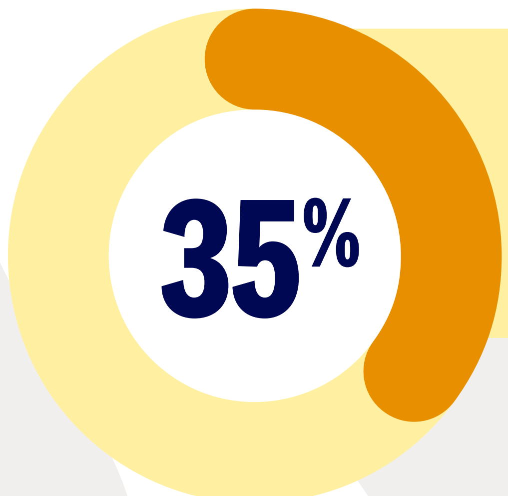
The behaviours, mindsets and myths hindering financial literacy

Professional advisors remain the most common source of advice, but AI is on the rise

Of course, there's no universal guidebook for managing the financial side of a small business. So where do business owners go for advice? While it's heartening to see that the most commonly sought after source is a qualified accountant, artificial intelligence (AI) appears to be on the rise. This highlights the ongoing importance of advisors in overlaying their insights and experience to complement the power of Large Language Models (LLMs).

The top sources small businesses turn to for advice



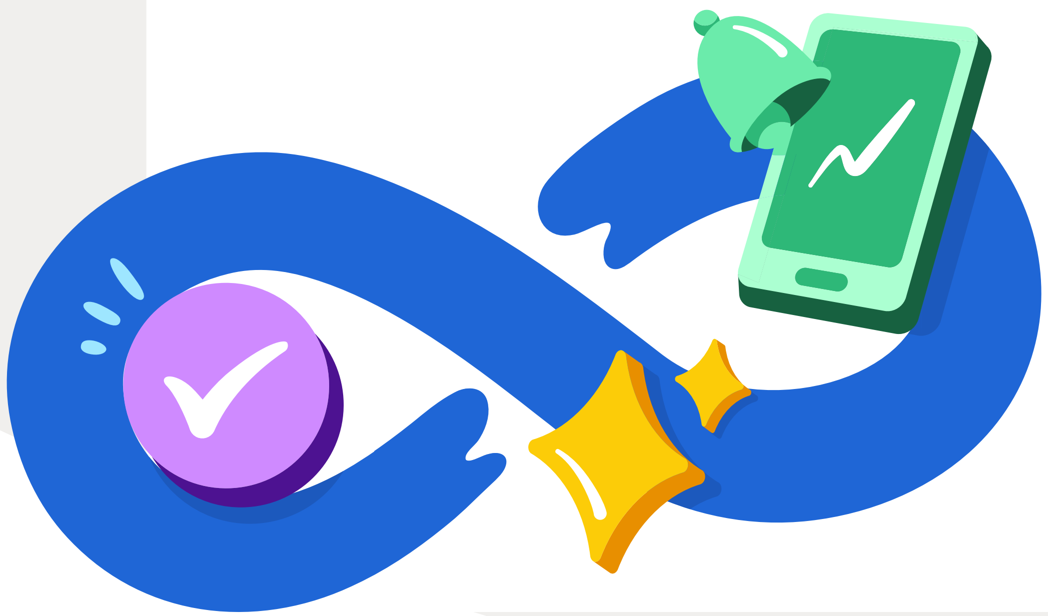


of small businesses **consider public AI a trusted source for business advice**. Almost one in five (16%) say it's where they *most commonly* go for guidance.

An expert's take on the dos and don'ts of using AI for small businesses

Sarah Lawrance
Founder & CEO,
Hot Toast and Hot Toast AI

Sarah Lawrance is the Founder and CEO of Hot Toast and Hot Toast AI, and a member of the Xero Partner Advisory Council (XPAC). Sarah is a leading voice in the financial technology space, and an advocate for helping business owners scale with financial confidence.



Q. How are you seeing small businesses interact with AI for financial guidance?

"The fact that just over a third of small businesses consider AI a trusted source for business advice doesn't surprise me. In the accounting industry, we're seeing many clients come to us after throwing their numbers into a public LLM, such as Gemini or ChatGPT.

"This tells me small businesses *want* to better understand their numbers and are trying to self-educate. As advisors, we have an opportunity to step in and say, 'What are you trying to figure out, and what does this mean for your business? Let's work through it together using the technology we have at our disposal'."

Q. What are your top tips for small businesses on using AI safely?

"As a start, it's really important to have a formal AI governance structure for your business. **The AI Institute of Australia's resource on *Creating an AI policy* is a great place to start. They also have a range of training modules, tools and templates specifically designed for small businesses.**

"Secondly, if you have a team, providing them with training is critical. You need to ensure your people understand how they can and can't use AI to avoid pitfalls, such as sharing sensitive data.

"Another tip is to always have a human in the loop. This means there's a real person checking and verifying anything that goes into and comes out of an LLM. Remember, AI often gets things wrong, so you have to stress-test the information or advice it's giving you.

"Ultimately, AI is black and white, but real businesses operate in the grey. Use it for high-level research and play around with prompts, but remember that advisors exist because we provide human judgement and critical thinking."

Advisors believe financial misinformation runs rampant, especially on social media

95% of accountants and bookkeepers believe small businesses receive incorrect information about business finances.

The top sources where advisors think misinformation about business finances comes from

61%
Social media

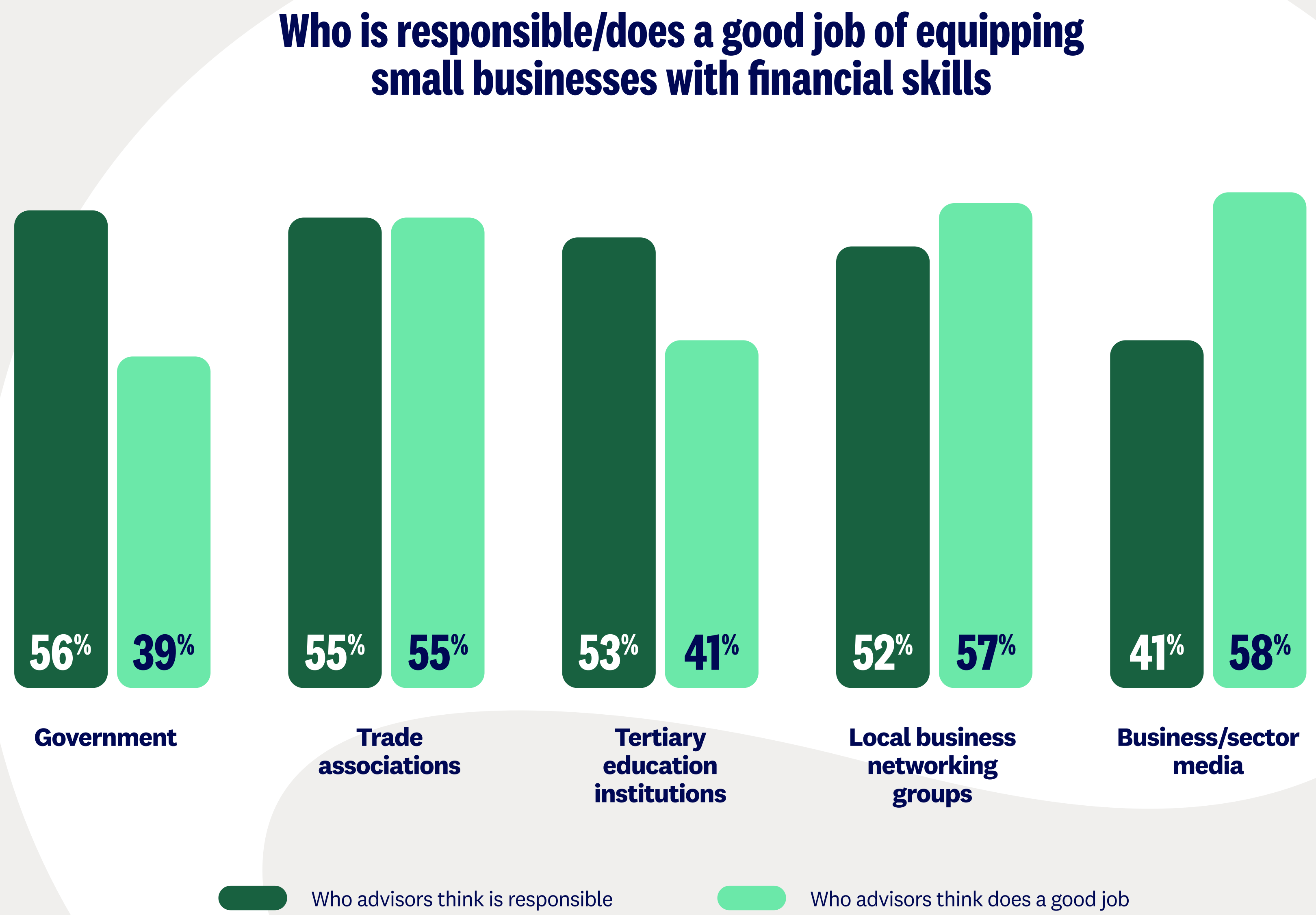
55%
Friends and family

49%
AI
e.g. ChatGPT, Gemini

Financial education can come from a number of sources, but who offers quality information?

Advisors are most likely to agree that formal institutions and the wider small business ecosystem are key to equipping small businesses with financial skills. However, when asked who they think is doing a good job at this already, trade associations are the only ones that align with their expectations.

It's also worth reiterating that **84% of advisors agree Australia's education system doesn't equip future entrepreneurs with the financial skills they need to run a business. Three in four small businesses feel the same.**



We asked small business owners 10 questions about basic business management. Just over a third (37%) could answer all of them correctly

Interestingly, small businesses with 1 to 10 employees appear to have the strongest knowledge, with 63% passing the test. Meanwhile, businesses with >21 employees were the least likely to pass with just a 23% success rate. As a business grows, its financial compliance requirements often become more complex (e.g. payroll, tax, GST) – so it's crucial the owner or key decision maker can navigate these areas with confidence.

✓ Correct answer: True   ✗ Correct answer: False

The government will reimburse the full cost and tax of items bought for the business.
✗ **70% answered correctly**

Standard deductions (e.g.mileage, uniforms) are automatic and don't need to be supported by documentation.
✗ **69% answered correctly**

It's fine to run your business from your personal bank account to keep things streamlined.
✗ **68% answered correctly**

You don't need to keep receipts for card transactions because they are on your bank statement.
✗ **77% answered correctly**

You don't have to worry about tax if you're not registered for GST.
✗ **83% answered correctly**

A business owner can use business money for personal purposes.
✗ **68% answered correctly**

Cash earnings need to be recorded and declared.
✓ **83% answered correctly**

Anyone with an ABN is an independent contractor and not an employee.
✗ **70% answered correctly**

My accountant is responsible for my tax return.
✗ **61% answered correctly**

Personal expenses are deductible if you require them to run the business.
✗ **66% answered correctly**

Financial folklore: What are the most common myths?

As we now know, the vast majority (95%) of accountants and bookkeepers believe small businesses receive misinformation about their finances. But how does this translate into beliefs? These are the most common myths advisors come across among their clients.

Percentage of advisors who have encountered these misconceptions when working with small businesses

49%

The belief that **the government would reimburse them for the entire cost of a business expense, rather than just being able to offset such items against their profits.**

45%

The belief that **if they make a mistake** (e.g. misinterpreting modern awards), **there will be no consequences** because they genuinely didn't know better.

43%

The belief that **they can claim back the entire expense of an item rather than just tax.**

Chapter three

Feelings versus facts: Why advisors are seeing a confidence gap

There's a gap between how confident small businesses feel, and how advisors perceive this

Where small businesses feel confident with their finances, advisors say they rarely work with clients who can perform certain financial tasks. **For example, 87% of small businesses feel confident using online accounting software, yet only 56% of advisors say they work with clients who can perform this task. Similarly, 79% of small businesses feel confident monitoring and analysing business performance and cash flow, but only 44% of advisors work with clients who can do this.**

85%

of small businesses say they're **confident in their understanding and handling of financial issues.**

However

90%

of advisors believe small businesses actually **lack the skills to manage the financial side of their business effectively.**

Advisors are seeing confidence levels range among small businesses

According to advisors, small businesses are a mixed bag when it comes to confidence levels. Many say their clients are **not confident** or **overconfident**. As to why? A lack of knowledge, time to learn, and general anxiousness are the most commonly cited reasons. These factors likely exacerbate one another.

The top reasons why advisors believe their clients lack financial confidence

53% They find the language and jargon to be too confusing

49% They don't have enough time to learn about it

49% It makes them feel anxious

33% On average, **a third** of practices' clients are **overconfident.**

56% On average, **over half** of practices' clients are **not confident.**

Financial uncertainty can lead to real-world consequences for small businesses

88%

of advisors say their **clients put off dealing with financial issues.** The same amount say that **clients don't pay close enough attention to their financial management.**

An unintended consequence of clients putting off dealing with financial issues is that almost a quarter (23%) of advisors regularly find out about mistakes their clients have made after it's too late to fix them. Meanwhile, one in three regularly find out about mistakes their clients have made while there's still time to correct them.

The most common mistakes advisors come across include:

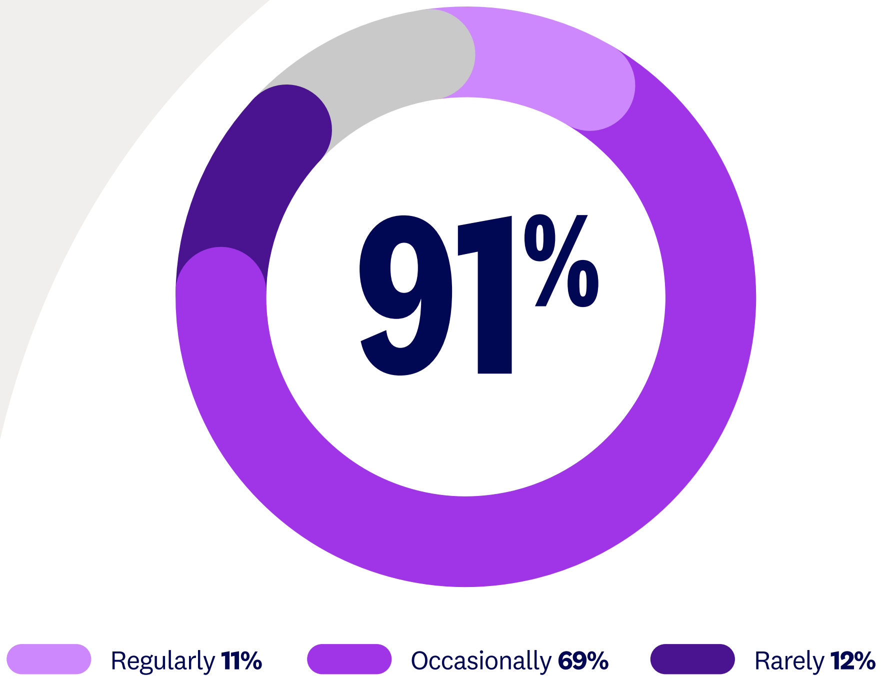
47%	**Attempting to claim business expenses that aren't valid**
42%	**Failing to set aside enough money to cover bills and supplier expenses**
41%	**Failing to claim all the business expenses they're entitled to**

Percentage of advisors who have encountered these errors or mistakes when working with clients

Many small businesses don't see their finances as a priority; advisors believe avoidance comes from low confidence

While the majority of small businesses agree they can put off dealing with financial issues, many claim it's not because they lack financial confidence. Rather, time constraints and prioritisation rank as they top reasons for procrastinating. Advisors largely take a different view; in their opinion, a lack of confidence is driving this avoidant tendency.

Proportion of small business owners who put off dealing with their business finances



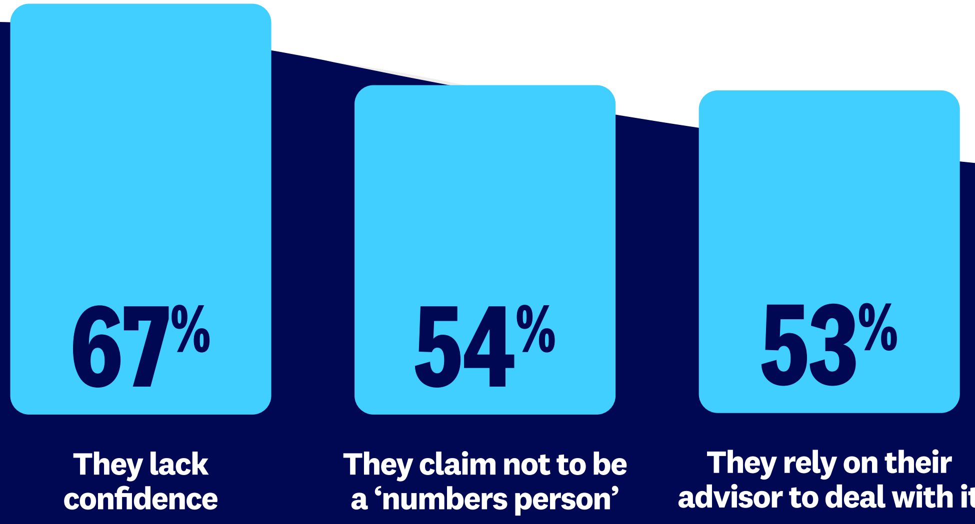
Among those experiencing demographic or social disadvantages, 91% put off dealing with their business finances at least occasionally.

Why?

56% say they're **too busy**

56% say they **have other important priorities**

According to advisors, the most common reasons clients put off dealing with their finances are:



Case study

How the founder of Well Fed Workshop is learning the value of financial fitness to spend more time doing what he loves

Joseph Fernando
Founder of Well Fed Workshop

Joseph Fernando is the founder of Well Fed Workshop. A year into running his own furniture-making business, he reflects on the highs and lows – from what he's most proud of, to the business admin he's put on the back burner. Now into a new financial year, Joseph shares why he's determined to take control of his numbers, and how he's looking to the Xero For Good: Financial fitness resource hub and his accountant to make this happen.

Photography by Matthew McQuiggan

For furniture maker Joseph Fernando, the path to small business ownership was somewhat inevitable. After finishing his apprenticeship with a Melbourne-based studio, he felt creatively capped; a story so often heard among craftspeople who crave control over their ideas and ways of working.

His partner – a fellow creative and interior designer – was 12 months into owning her own business, which inspired him to take the leap into self-employment. Serendipitously, a studio space also became available at the perfect time.

"It felt like a great opportunity to deliver projects that represented who I was and what I wanted to produce. Everything fell into place; it would've been silly not to take the opportunity," he says.

Now, a year into running Well Fed Workshop, Joseph is building on what he's learned as a small business owner to work smarter and more efficiently. Central to this is how he's managing the operational side of his business – namely, the numbers.

Balancing business admin with being 'on the tools'

While Joseph's previous roles in project management saw him handle customer-facing tasks, such as quoting and invoicing jobs, he had no exposure to backend financials. This, he says, has been a steep learning curve with running his own business.

"If I'm not in the workshop fabricating, then I'm not generating revenue. This means that most of the admin is handled outside regular business hours. Generating work hasn't been an issue – which has been a pleasant surprise – but the challenges have more to do with planning: giving myself time to finalise the tasks that require the most attention, and moving through this list without spending too much time away from the workshop. Because that's what ultimately slows cash flow," he says.

When time is your most valuable commodity, it becomes all too easy to work in the business rather than on it – and many entrepreneurs are in the same boat. Among those who admit to putting off dealing with their business finances, about half say it's because they're too busy (56 percent), or they have other important priorities (50 percent).

This is where the Xero For Good: Financial fitness resource hub has come in handy, says Joseph. With short videos and easy-to-navigate guides, the content is designed for time-poor business owners looking for an accessible way to upskill in their foundational knowledge.

"The topics covered in the resource hub are things that many small business owners, including myself, either overlook or neglect until it's too late. I resonated a lot with the stress container concept and will give it more thought as I want to get better at managing my own stress levels. Working through the budget module has also been great because I'll be undertaking my first real budget at the end of the month," he says.

Building confidence with small steps and the right support

Creating a budget is just one part of Joseph's overarching goal to level up his financial knowledge in FY27. To help achieve this, he's recently started working with an accountant.

"I think having this kind of support is what will make me more effective at the things that I'm good at. I also want to be able to use Xero to the best of my ability so, for me, working with an accountant is about developing a better understanding of those operational elements, too," he says.

His tips for other entrepreneurs looking to do the same? Dedicate time to learning about the numbers sooner rather than later. While most (85 percent) small business owners say they would invest more heavily in financial education if they really believed in its benefits, to Joseph, they're crystal clear.

> "Having that foundational financial knowledge gives you the tools to make educated decisions and ultimately sets you up to be more sustainable. The alternative is learning through mistakes, which can be costly," he says.

Looking back on all that he's achieved with Well Fed Workshop to date, Joseph is most fulfilled by what he's creating. "Everything that leaves the workshop is something I've put a lot of time and effort into; it's something that I'm proud of," he says.

With the right support and a strong desire to build his financial fitness in FY27, Joseph will no doubt have even more time to focus on what he loves most: spending countless hours in his workshop crafting timeless furniture.

Explore the Xero For Good: Financial fitness resource hub here.

Chapter four

Moving the needle on financial fitness: Turning confidence into capability

The biggest barrier to improving financial confidence isn't resources or time, it's that small businesses don't yet see the *value* of financial education

85%

of small businesses say they would **invest more heavily in financial education if they really believed in its benefits.**

So, what *would* encourage small business owners to spend time improving their financial skills and knowledge?

These are the top responses:

60%
If it helped me learn about my business

57%
If it made my business more efficient and productive – this is especially true for women (65%) when compared to men (54%)

56%
If it helped me keep costs down

The data in this report points to the many benefits small businesses could experience if financial education became a priority. From reduced stress and anxiety, to fewer mistakes and unexpected expenses, to greater clarity of their financial position now and in the future.

Ultimately, knowledge is power. The more understanding and awareness small business owners have, the more empowered they are to make informed financial decisions that lead to better outcomes, overall.

Boosting financial confidence and literacy would supercharge small business efficiency, growth, and profitability, according to advisors

When asked about the potential impact of boosting small businesses' financial literacy and confidence, advisors say small businesses could run more efficiently (60%), have a better chance to grow (58%), and become more profitable (57%). **These are the proof points small businesses need in order to see the value of financial education**. What's more, advisors believe strengthening digital skills would lead to a broad range of benefits for small businesses.

Why advisors believe strengthening digital skills could help small businesses run their finances better

Percentages show advisors (NET) who agree with these benefits

78% Small businesses would become more efficient

72% It would make it easier for small businesses to manage their finances

71% Small businesses would have more accurate financial records with fewer errors and mistakes

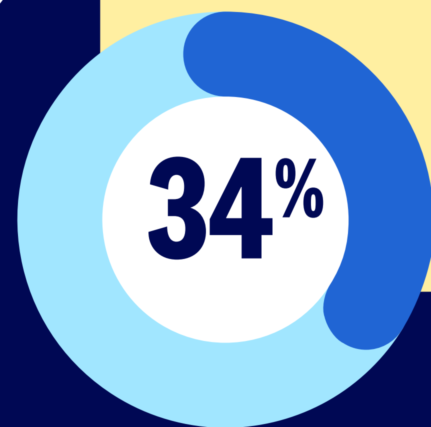
57% Small businesses would become more knowledgable about their financial position

Advisors see digital skills as the catalyst for financial confidence

89% of advisors believe that **stronger digital skills is key to unlocking financial confidence** in small businesses.

87% of advisors say **small businesses could run their businesses better if they had stronger digital skills.**

While the majority of advisors know what would help boost financial confidence, small businesses don't know what they don't know. An inadvertent consequence of this is that many may be trusting public LLMs that don't know their business the same way an advisor would or that aren't connected to an accounting software. This could leave them vulnerable to misinformation and other risks associated with data security.



Just over a third (34%) of small businesses believe AI does the same job as digital accounting tools. This rises to 56% among creative businesses.

Advisors are pointing to a clear need for improving financial confidence and literacy among small businesses. But in order to see this happen, the true value of this education must be better communicated to business owners.

So, how can Australia better support small businesses with financial literacy?

Australia's small business owners don't lack drive; too often, they lack the support systems needed to build financial confidence from the ground up.

The findings in this report make one thing clear: **improving financial literacy requires more than information alone – it calls for earlier education, clearer and more trusted guidance, stronger digital capability, and easier access to advisors who can turn knowledge into action.**

If Australia can close this gap, more entrepreneurs will have the confidence to stay on top of their finances, make smarter decisions, and create businesses that are more resilient in the long term.

Methodology

Xero commissioned this report in partnership with One Picture, an independent research agency, to examine financial confidence levels among Australian small business owners, and how accountants and bookkeepers perceive this in 2026.

The findings are based on discussions and a survey conducted between 20 March and 15 April 2026, with a random sample of 750 small business decision-makers, and 500 accountants and bookkeepers working in practice and serving small business and sole trader clients.

Small business sample:

Non-employing	Small	Medium	Large
0 employees (self-employed)	1-20 employees	21-100 employees	101-200 employees
n=71	n=347	n=289	n=43
100%			

n=500

Accountant and bookkeeper sample:

Micro	Small	Medium	Large
1-10 employees (incl. sole practitioners)	11-20 employees	21-50 employees	51+ employees
n=209	n=76	n=131	n=83
100%			

n=500

Please note that some survey options have been edited for readability.

In some tables, percentages may not add up to 100 percent due to rounding. Where percentages exceed 100 percent, respondents were able to select more than one answer.

The information and commentary in this report is a guide only and should not be taken as taxation, financial or legal advice. We recommend you check with an independent expert that what you're doing is right for you and your business.

Definitions

Advisor/advisors: refers to an external accountant, bookkeeper or other qualified finance professional who offers advice on running a business.

Small businesses experiencing social or demographic disadvantages: refers to those who 'agreed' or 'strongly agreed' with the following statements:

- My business has faced challenges or been affected due to my gender, ethnicity, disability, or socio-economic status.
- My business has faced challenges influenced by my status as an ex-military veteran, ex-prisoner, young individual with limited experience/opportunity, or other specific situations I have encountered.

Creative small businesses: refers to those who 'agreed' or 'strongly agreed' with the following statement:

- My business has experienced cash flow issues because I prioritise my creative or mission-driven work over generating income.

Appendix

Source: Small business survey

Page 5. Q: How strongly do you agree or disagree with the following?

Chapter one: Benchmarking financial fitness among Australian small businesses

Source: Small business survey

Page 8. Q: How strongly do you agree or disagree with the following statements?

Page 9. Q: How strongly do you agree or disagree with the following statements?

Page 10. Q: How often do the following apply to you?

Q: Thinking about managing your business' finances, how often has your business experienced the following in the last two years, if at all?

Page 11. Q: We'd now like you to think back to before you started managing or running a business. Are the following more or less difficult than you originally expected?

Q: How strongly do you agree or disagree with the following statements?

Q. How often do the following apply to you?

Page 12. Q: How strongly do you agree or disagree with the following statements?

Page 13. Q: How confident or unconfident do you feel performing the following tasks?

Q: And how confident or unconfident do you feel performing the following tasks?

Page 14. Q: Which, if any, of the following financial concepts and issues related to your business do you feel you should understand better?

Chapter two: The behaviours, mindsets and myths hindering financial literacy

Source: Small business survey

Page 18. Q: Which of the following sources have you turned to/used for advice about your business?

Q: Which of the following sources do you most commonly go to for advice about your business?

Source: Accountant and bookkeeper survey

Page 20. Q: Where do you think small business owners and sole traders receive incorrect information about business finances?

Source: Accountant and bookkeeper survey

Page 21. Q: Who do you think is responsible for equipping small business owners and sole traders with the financial skills and knowledge they need to run a business?

Q: Which of the following organisations and platforms do you think do a good job of equipping small business owners and sole traders with the financial skills and knowledge?

Q: How strongly do you agree or disagree with the following?

Source: Small business survey

Page 22. Q: For each of the following statements please indicate whether you believe it to be true or false.

Source: Accountant and bookkeeper survey

Page 23. Q: Which of the following common misconceptions have you encountered when dealing with small business owners and sole traders?

Q: Where do you think small business owners and sole traders receive incorrect information about business finances?

Chapter three: Feelings versus facts: Why advisors are seeing a confidence gap

Source: Small business survey

Page 25. Q: How strongly do you agree or disagree with the following statements?

Q: How confident or unconfident do you feel performing the following tasks?

Source: Accountant and bookkeeper survey

Q: To what extent do you agree or disagree with the following statements?

Q: How often do you work with small business owners and sole traders who know how to do the following (to the best of your knowledge)?

Page 26. Q: What proportion of your small business and sole trader client base are confident, not confident or overconfident in their ability to manage their business finances?

Q: In your opinion, which of the following are reasons that small business owners and sole traders lack confidence in their financial management?

Page 27. Q: To what extent do you agree or disagree with the following statements?

Q: How often do you find out about mistakes made by small business owners and sole traders while there is still time for you to correct them without significant consequences?

Q: And how often do you find out about mistakes made by small business owners and sole traders after it's too late (i.e. there is nothing you can do to correct them)?

Q: Which of the following errors or mistakes have you known any small business owners or sole traders to make because of a lack of financial literacy/confidence?

Q: How often do your small business clients make mistakes because of a lack of financial literacy or confidence?

Source: Small business survey

Page 28. Q: Do you ever put off dealing with your business' finances?

Q: You indicated you put off dealing with your business' finances at least sometimes. Which of the following best describes why this is?

Source: Accountant and bookkeeper survey

Q: Why do you believe that small business owners and sole traders put off dealing with financial issues?

Chapter four: Moving the needle on financial fitness: Turning confidence into capability

Source: Small business survey

Page 32. Q: How strongly do you agree or disagree with the following statements?

Q: Which of the following reasons, if any, would encourage you to spend time improving your financial skills and knowledge?

Source: Accountant and bookkeeper survey

Page 33. Q: What benefits do you think small business owners and sole traders would gain if they strengthened their financial literacy and confidence?

Q: Why do you believe that having stronger digital skills could help small business owners and sole traders run their finances better?

Page 34. Q: To what extent do you agree or disagree with the following statements?

Source: Small business survey

Q: How strongly do you agree or disagree with the following?

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