The Relay Cash Flow Compass Report

EXPECTING GROWTH BUT FEELING BROKE





ANSWERS FROM COAST TO COAST

About the Cash Flow Compass

Based on original survey data and in-depth conversations with business owners and financial experts, the report reveals the hidden pressures behind small business growth—and the systems that support true financial resilience. This ongoing series is a resource and a rallying cry for business owners who want to grow with confidence and achieve true cash flow clarity.

Brought to you by Relay

Relay is a business banking platform built to help small business owners take control of their cash flow. We created the Cash Flow Compass Report to surface the financial realities that often go unseen-so business owners can make smarter decisions, build lasting stability, and grow with clarity.

Relay is a financial technology company and is not a bank. Banking services provided by Thread Bank, Member FDIC.

Table of Contents

| Introduction | 4 |
|------------------------------------|----|
| Six Key Findings | 7 |
| Growth Expectations vs. Reality | 10 |
| When Profit Doesn't Mean Stability | 14 |
| Confidence Without Control | 18 |
| Planning Through Uncertainty | 22 |
| Resilience in Practice | 26 |
| Turning Insight Into Action | 30 |

Methodology for publication

The survey was conducted in April/May 2025 by Research+Knowledge=Insight, an independent research company, in partnership with Relay. We surveyed 1,004 small and medium businesses owners across the US, from a wide range of sectors. All companies participating reported revenues of at least \$240,000/year. All companies reported having at least 2 employees or contractors. The margin of error is overall, plus or minus 3.0 percentage points, 19 times out of 20.

Small businesses are on the move. Many are expanding into new markets, launching new products, and—for 94% of them—expecting growth in the year ahead.

That's a lot of momentum! Confidence is high, the vibe is ambitious, the spreadsheets are color-coded. Time to break out the champagne and start drafting that second location announcement, right?

Well...not so fast.



Because beneath that optimism is a more complicated picture. Yes, business is picking upbut so is that "wait, where did all the money go?" feeling. More than half of business owners have less than 31 days of operating expenses on hand, and three-quarters say cash flow issues hurt their business in the past year.

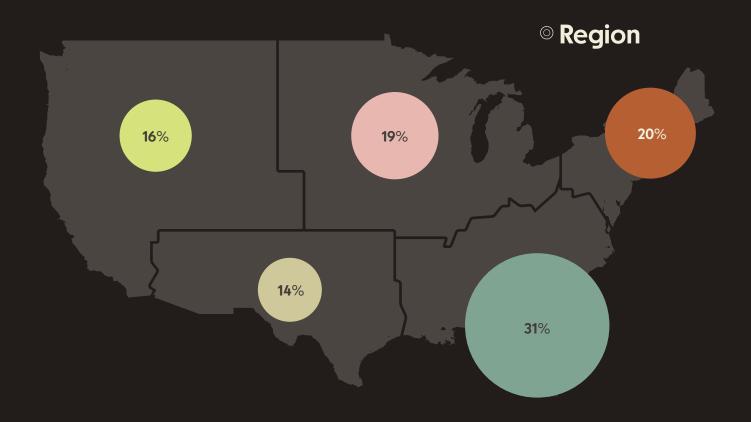
The paradox is hard to miss: revenue may be climbing, but the bank account doesn't always agree. Even as sales rise, many owners are still dealing with cash shortfalls, late payments, and the cruel irony of growing revenue with shrinking wiggle room.

And just to keep things interesting, 2025 hasn't exactly been a smooth ride. In the first few months of the year alone, small businesses have had to navigate fresh policy shifts, trade uncertainty, and the ongoing challenge of rising costs. It's not that growth isn't happening-it clearly is. The real question is: are businesses growing in a way that's truly sustainable—the kind of growth that's backed by healthy margins, clear financial visibility, and enough runway to absorb a bad month without derailing the whole plan?

The 2025 Relay Cash Flow Compass Report dives deep into exactly that. Based on survey responses from more than 1,000 small business owners across the U.S.-plus candid conversations with entrepreneurs and financial experts-the report digs into how today's business owners are really managing their money. It looks at where cash flow still breaks down, how those breakdowns shape decision-making, and what the most resilient businesses are doing differently to stay one step ahead.

Who's behind the numbers?

We surveyed more than 1,000 small businesses across the U.S., spanning a wide range of industries, regions, and revenue levels. Here's a look at who weighed in.

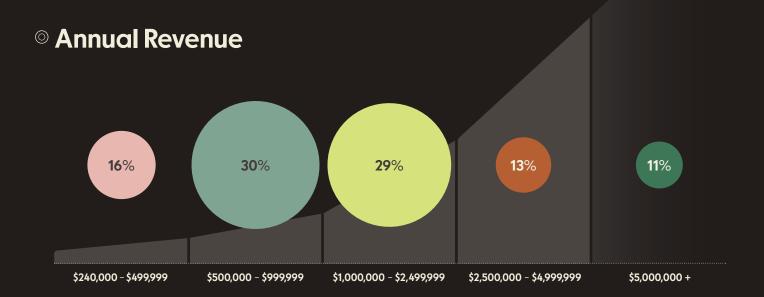


Number of employees



Top Sectors



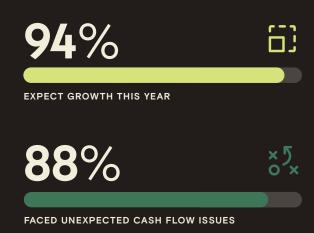


Six Key Findings

1

EVERYONE'S EXPECTING GROWTH. WHAT HAPPENS NEXT? STILL TBD.

94% of small businesses expect growth this year, and nearly a third are aiming for 20%+ revenue gains. That's big energy. But that optimism is paired with rising costs, policy curveballs, and a surprising lack of financial safety nets. More than half of businesses have less than 31 days of runway, and 88% were hit with unexpected cash flow issues in the past year. In short: momentum is strong—but the margin for error is thin.



MOST ARE MAKING MONEY. **KEEPING IT IS THE TRICKY PART.**

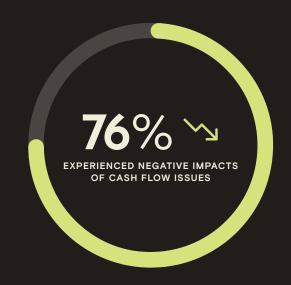
82% of businesses report healthy profit margins. That's the good news. The catch? **94%** also report barriers to profitability, including rising costs, staffing issues, and cash flow timing problems. So while the top line might be growing, the bottom line is under pressure—and many businesses are still figuring out how to keep more of what they earn.



3

WHEN CASH FLOW GETS MESSY, **GROWTH PLANS (AND GOOD** JUDGMENT) GO OUT THE WINDOW.

Cash flow issues aren't just annoying—they're expensive. 76% of business owners say these issues have negatively impacted their business in the past year, with nearly a third missing out on three or more key opportunities as a result. That includes stalled growth plans, lost customers, and the occasional 3 a.m. panic session.



4

EVEN SMART OWNERS GET STUCK REACTING TO MONEY PROBLEMS.

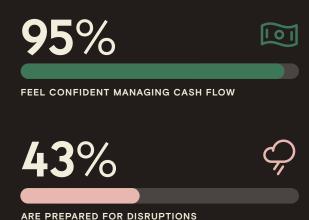
Cash flow problems are often framed as technical, but the real issue is behavioral. Only 31% of growing businesses say they're actively optimizing their cash flow. Meanwhile, most are reacting to shocks, juggling late payments, or navigating surprise fees without a buffer. It's not that owners aren't smart-it's that they're overwhelmed, overcommitted, and stuck reacting to money problems instead of getting ahead of them.



OOPS, THERE GOES THE BUDGET

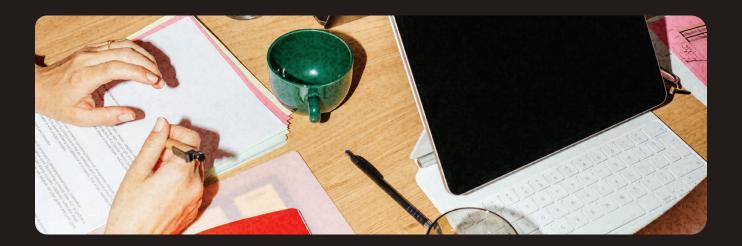
CONFIDENCE IS HIGH. CONTROL? NOT SO MUCH.

There's a confidence gap at play: 95% of business owners say they feel confident managing cash flow-yet only 43% had the reserves to weather recent disruptions. Many say they're "prepared," but the data politely disagrees. It's less about capability and more about having systems in place that make decision-making easier and less emotionally charged.



SURVIVAL TAKES GRIT. STABILITY TAKES A SYSTEM.

Businesses that weather the storms aren't necessarily the biggest or the most profitable. They're the ones that invest early in operations, build reserves, and stay proactive with pricing and planning. Resilient businesses don't hope for stability—they build it, one simple system at a time.





Everyone's predicting growth, but is anyone actually built for it?

Growth is exciting. New customers, new projects, more money moving through the business-it all looks and feels like progress. And based on our survey, 94% of small business owners expect to grow this year, with nearly a third targeting 20%+ revenue gains.

> **35**% **Technological** improvements

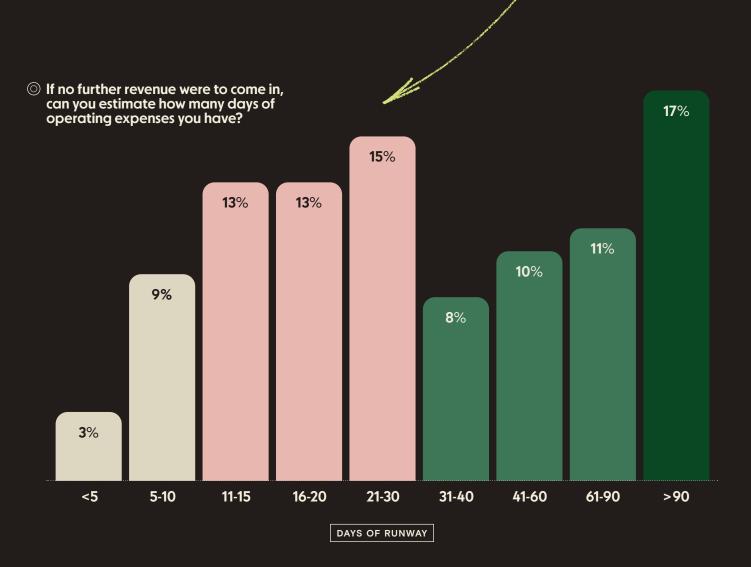
Where do you expect growth in your business to come from?

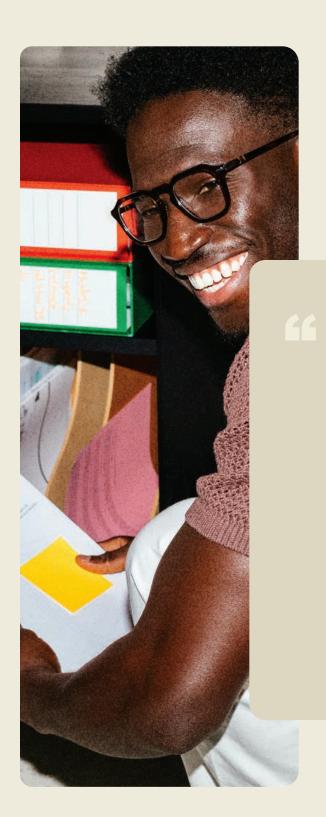
49% Loyal repeat 36% Launching customers new products, services, or location 41% 38% **Expansion** Increased demand into new 32% 33% from sales & customer New marketing segments Team partnerships efforts expansion or markets

1% Other

But one key component of growth is going unplanned for: cash flow. While nearly all the businesses we surveyed are taking steps to prepare for growing their businesses—like investing in new technology, expanding their marketing efforts, or promoting and training employees—they revealed that cash flow was not top of mind. In fact, despite the fact that 88% of business owners faced unexpected cash flow issues in the past year, optimizing cash flow ranked 7th overall among the ways owners are preparing for growth.

That disconnect matters—because many of these growing businesses are still walking a financial tightrope. More than half say they have less than 31 days of cash on hand, and the majority report getting hit with at least one major cash flow surprise in the past year—the kind that derails plans, delays payroll, or sends you scrambling for a short-term loan.





Growth isn't the problem—it's everything that comes with it. More customers, more moving parts, more chances to drop the ball. Without systems in place, momentum just turns into mayhem. The truth is, most businesses don't need to move faster. They need to slow down long enough to build something that can actually keep up. ■

That's where growth becomes profitable"

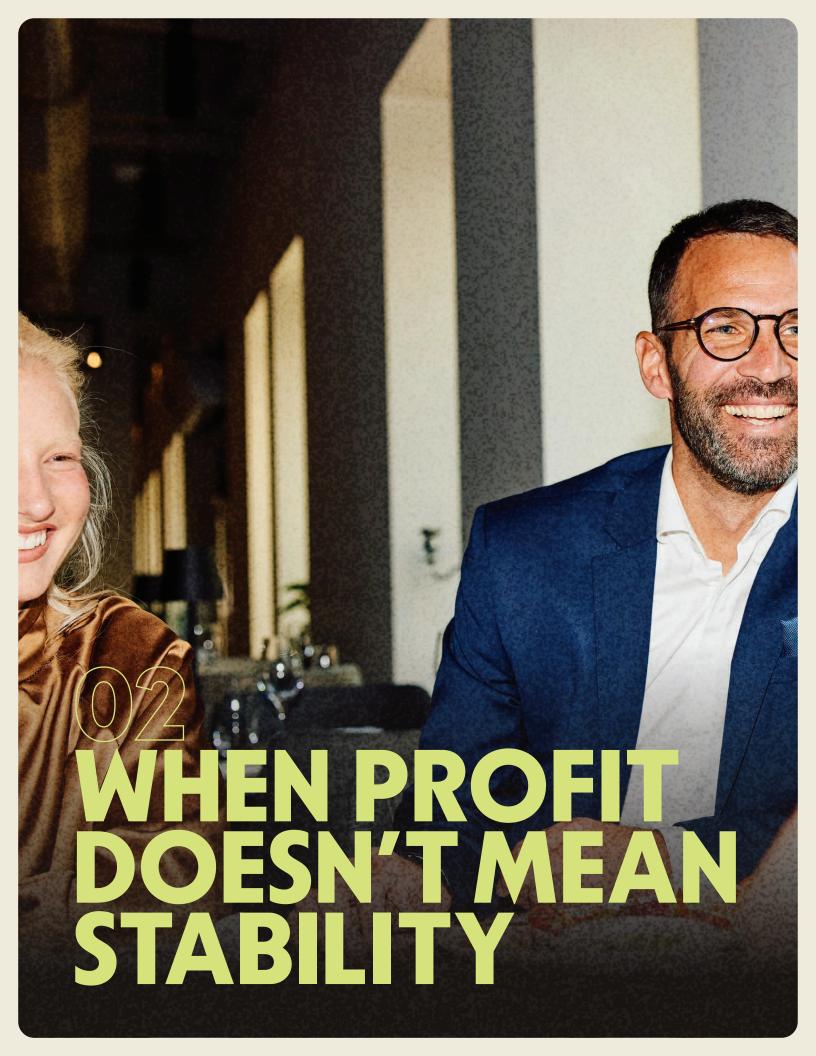
Selling more isn't always the win you think it is. More sales mean more promises to more people, which means more costs, more complexity, and more chances to screw it all up. The bigger you get, the harder it is to run clean.

Here's the trap: most entrepreneurs think growth will fix their problems. But growth doesn't fix anything. It just makes your problems louder and more expensive.

The real move? Do less, better. Tighten your offerings. Kill the one-offs. Get consistent. That's when efficiency shows up. That's when clarity kicks in.

First fix the profit. Then fix the noise. That's how you build something that lasts."

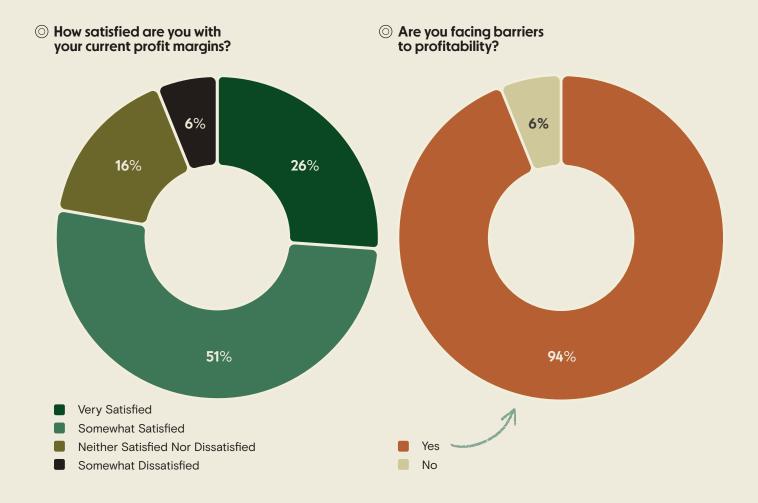
Mike Michalowicz | Author of Profit First



Profitable on paper, stretched in real life.

First, some good news: 82% of small businesses report being profitable. That's no small feat, and worthy of celebration (booyah!). But profitability alone isn't the finish line; what really matters is how that profit is managed—and how much of it you can hang on to.

Because here's the kicker: 94% also said they're facing barriers to profitability, including rising costs (42%), staffing challenges (28%), and cash flow timing issues (22%). In other words: yes, they're profitable. But also-help.



It's a classic case of "technically fine" finances. Margins are thin, expenses are creeping up, and many businesses are just one delayed payment away from a scramble. The profit exists, but it's





Now more good news: this is a solvable problem. With the right visibility and systems in place, that feeling of always scrambling starts to fade. You gain clarity. You make smarter, calmer decisions. And you turn profit from something abstract on a spreadsheet into something you can actually use.

We finally saw the problem and started playing a pro game."

We missed bills all the time. The unexpected thing shows up, or someone delivers on a project that you signed a contract on five months ago, and you forget about it. And that bill comes due and you're like, 'We don't have that. We didn't plan for that. We lost sight of it.'

Switching to Relay and using the Profit First method helped us play a pro game as a business. We were actually able to look down the line in a way that we hadn't been able to in the past. Using Relay—with the ability to very quickly earmark funds, put them aside, open accounts, close accounts as needed-allowed us to start making plans for big moves in the future and putting those funds aside today.

At the end of that very first month, we spent down to the penny what was in our OpEx account. And I remember, for the first time in my business life, not feeling afraid to see a bank account go to zero-because that's what it was for. It didn't impact our profit, or my personal compensation, or our team.

Cash comes in, it goes where it needs to go. And we know what we have in our budget for the month. It is a literal game changer.

Bryce Conlan | Co-Founder, Dance Motion Marketing

Relay is a financial technology company and is not a bank. Banking services provided by Thread Bank, Member FDIC.



Confident? Definitely. In control? Not so much.



When it comes to managing cash, most business owners feel like they've got it handled. 95% say they feel confident in their ability to manage cash flow effectively.

That confidence is a powerful asset—but it also sometimes doesn't match up with what's happening behind the scenes.

Only 43% of businesses had enough in reserves to cover recent cash flow disruptions, and just 31% say they're actively optimizing cash flow as part of their growth strategy. In fact, 76% say cash flow issues negatively affected business in the past year.

Have cash flow issues at your organization been responsible (even in part) for any of the following in the past 12 months?

- Missing out on growth opportunities
- Delayed/cancelled projects
- Losing customers/clients
- Reduced hours/shifts for employees 4.
- Personal thoughts about quitting
- Reduced customer experience
- Downsizing or layoffs
- Reduced or suspended employee benefits
- Failure to deliver services
- 10. Deferred investments or capital expenditures
- 11. Inaccurate or incomplete financial reporting
- 12. Other
- 13. None of the above

And these aren't just one-offs-half of all businesses report missing multiple opportunities over the last year, with 28% saying cash flow issues have been responsible for 3 or more opportunities missed. That's not bad luck—it's a pattern.

This isn't about denial. It's about overestimating control in a system that's still mostly reactive. A lot of owners are running their finances on instinct, patching things up in real time, and hoping it all works out. And it does feel like it's working—until the payments don't come in tomorrow... and the system you thought you had turns out to be a spreadsheet, a gut feeling, and a whole lot of crossed fingers.

But control isn't about doing everything perfectly—it's about building simple, repeatable habits that give you clarity over time. And the best way to start? Just start.



Just start. In a year, you'll be a pro."

Most small businesses fail because of poor cash flow managementbut business owners who review their financial statements weekly have a much higher success rate.

Knowing your numbers is the key to sustainability, growth, and long-term success. And if you're not sure where to start? Just start.

Review your profit and loss, balance sheet, and cash flow statement every week. Within a year, you'll be a pro-spotting patterns, uncovering insights, and making smarter decisions with confidence. That's how you stay healthy... in any economy."

Gretchen Roberts | CEO, Red Bike Advisors



Would you trust a robot to manage your cash flow?!

Yes 64%

Maybe

No 14%

Turns out, a lot of business owners would.

In our survey, 64% said they'd trust Al to manage their cash flow—doing everything from tracking income and expenses to flagging risks and predicting future shortfalls. And nearly one in three are already using Al tools to do just that.

The appeal? Smart tools can take care of the tedious stuff like categorizing expenses or reminding you to send an invoice—so you can focus on actual decision-making. And when 88% of businesses say they've faced unexpected cash flow issues this year, a little extra foresight doesn't sound too bad.

Of course, not everyone's sold just yet. 22% say they're undecided, and 14% say they wouldn't trust Al at all. That's fair—robots might be able to spot a cash crunch before it hits, but they can't stop you from rage-emailing your least favorite client.

Still, if AI can make cash flow a little more predictable (and a little less panic-inducing), it might be worth letting the robots have a shot.

The top AI tasks business owners want help with:

48%

TRACKING INCOME AND EXPENSES

46%

AUTOMATING BILLING AND PAYMENTS

39%

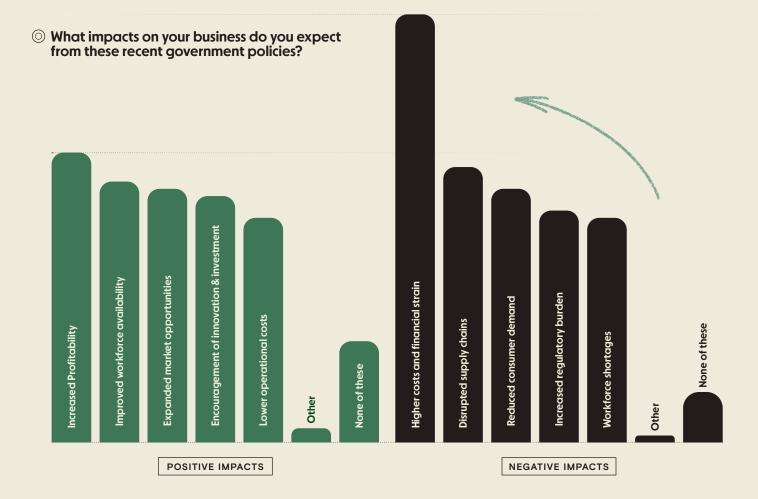
PREDICTING FUTURE CASH FLOW



How are we supposed to plan when everything keeps changing?

Business planning used to be a roadmap. Lately, however, it feels more like weather forecasting...with about the same accuracy. Policy changes have been coming in hot, and not always with a heads-up-a new tariff here, a shifting regulation there—and small business owners have been stuck playing catch-up.

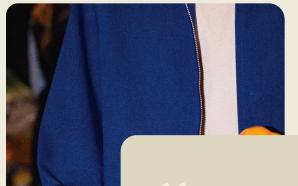
In just the first few months of 2025, 81% of small business owners say they've had to make moves in response to these shifts—whether raising prices (43%), changing suppliers (31%), or dealing with a decline in revenue (26%). And most don't see this as a short-term blip: 96% believe these changes will keep shaping their industry in the years ahead.



But what kind of impact? Well, that's where things start to get interesting. 53% are optimistic, seeing opportunities for growth, relief from financial pressure, or a path to innovation. But **44%** are bracing for trouble, expecting higher costs, regulatory strain, and weakened consumer demand. (The other 3%, basically).

That split matters, because even when owners are betting on the upside, the uncertainty alone is enough to stall momentum. You can't price confidently if your costs are volatile, you can't plan a launch if the rules might shift next quarter, and you can't grow sustainably if you're constantly reacting to someone else's playbook.

The most resilient businesses aren't just making bets-they're building backup plans. They're focusing on what they can control, staying agile, and making sure that when change comes, they're not caught flat-footed.



The solution: Focus on what's certain"

You know what really paralyzes business owners? Uncertainty. When you don't know what's coming-tariffs, inflation, costs jumping all over-it's like waiting for a diagnosis. The fear of what might be is worse than knowing the truth.

When things are clear, you can act. You can plan. You can move. But when everything's shifting, you freeze. You pull back. You stop leading and start reacting.

The way forward? Focus on what is certain. Lock in on what you do know. Build from there. Certainty gives you direction. Direction gives you power."

Mike Michalowicz | Author of Profit First



Built on grit, Powered by Grandma

(And your cousin. And your kid. And your partner who swore they wouldn't get involved...)

Small businesses might have one name on the paperwork—but behind the scenes, it's often a family affair.

Whether it's moral support, manual labor, or managing the books after dinner, families are the secret sauce behind many small business success stories.

But that support system isn't always future-proof. Nearly 1 in 5 say their would-be successor would need serious training to step in. So while the business might be built on love, legacy takes a little more planning.



1 IN 5 SUCCESSORS NEED SERIOUS TRAINING

80%

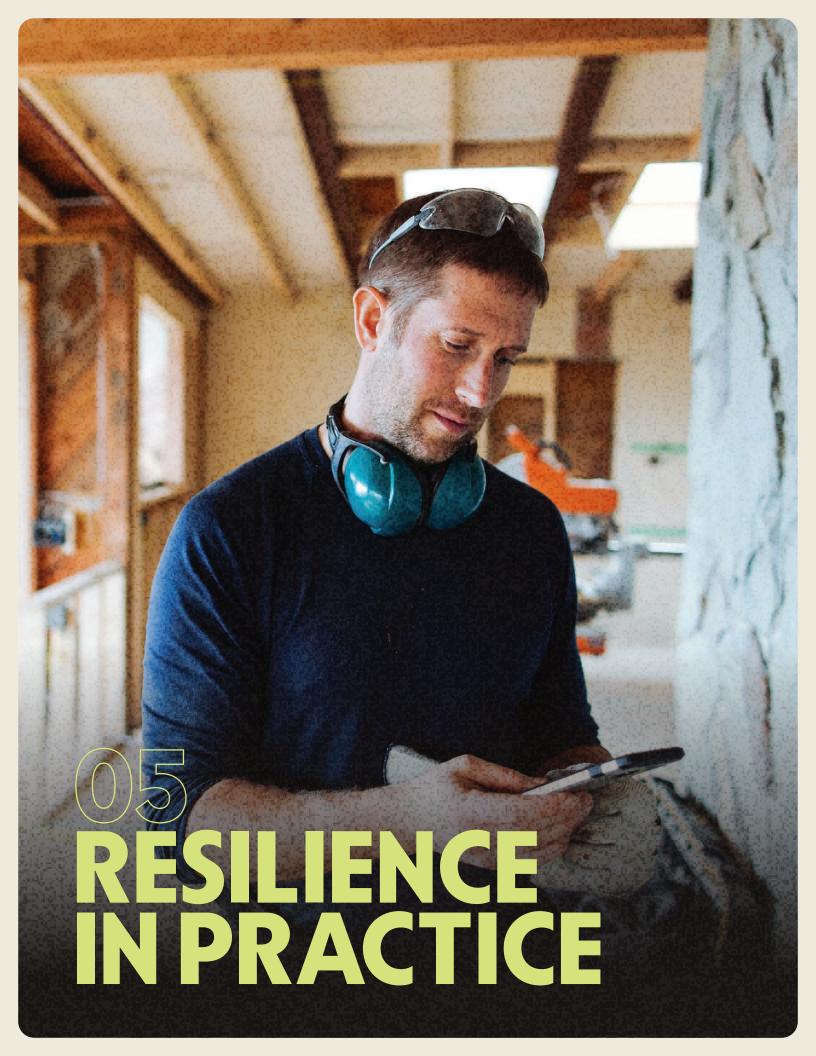
SAID FAMILY MEMBERS SUPPORT AS CUSTOMERS

64%

SAID FAMILY MEMBERS WORK IN THE BUSINESS

73%

HAVE SOMEONE WHO COULD TAKE OVER

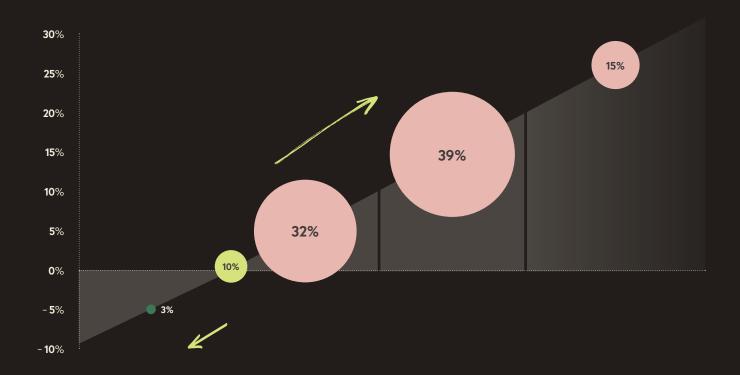


Resilience isn't a vibe, it's a practice.

If every business owner in 2025 can agree on one thing, it's probably this: sh*t's expensive right now. Since January, 86% of businesses have seen the cost of doing business go up, with an average increase of nearly 11%. And the tangible impact of that increase is no joke, with a quarter of all businesses calling it "extremely significant".

Meanwhile, just as rising costs are making everyone feel the squeeze, unexpected cash flow issues are hitting like clockwork. In the past few months alone, 88% of business owners dealt with at least one curveball, pointing to things like supply chain disruptions (29%), increased fees (27%), and interest rates (23%) as the cause of their cash flow woes.

Has the cost of running your business increased or decreased this year?



And here's the kicker: only 43% had enough cash reserves to cover the damage. The rest had to get scrappy just to stay afloat, doing things like:

- Tightening spending (27%)
- Negotiating payments (18%)
- Borrowing money (12%)

Despite all this, 94% of small business owners expect to grow this year. That's not delusion it's determination. But real resilience isn't just about grit, it's about systems. The most stable businesses aren't the ones with the highest profits or boldest plans-they're the ones with structure. They build cash reserves, track spending before it's a problem, and give every dollar a job.

That kind of shift doesn't happen overnight. It happens the moment you realize what's at stake and decide to do something about it.



Looking back, you want to shake that version of yourself..."

We had a couple good years in a row, and I thought we were fine. I wasn't checking the reports daily-I figured we were good. But then the money started flowing out. There was still cash in the bank, but it wasn't what it was. And when things started stacking up, we didn't act fast enough.

Looking back, you just want to shake the version of you then. Like, what are you doing? Get with it. Take action. It's not going to change itself.

That was the turning point. We hired a fractional CFO. We brought in Relay. We started looking at performance daily—real numbers, not gut feelings. And once we got clarity, we got control. That's what made the difference."

Nathan Schafer | Owner, Shafer Heating & Cooling LLC



Not all industries feel the same squeeze

Cash flow stress is nearly universal. But exactly how it shows up? That depends on what kind of business you run.

62%



OPTIMISTIC ABOUT ECONOMIC CLIMATE



DESCRIBE THE ECONOMY AS VOLATILE

1 in 3



REPORT DISRUPTIONS IN THE PAST YEAR

Take **real estate**: They're sitting on the longest average cash runway—55 days, compared to 43 days for small businesses overall. They're also among the most optimistic, with **62%** calling the economic climate prosperous or bouncing back, versus just 48% for businesses at large. And more than any other sector, they're betting on new partnerships to fuel growth, with 53% saying it will be their biggest driver this year.

Compare that to skilled trades businesses, who face a different kind of squeeze. Nearly half (47%) report that rising costs—for things like materials—have been a profitability blocker, and 53% describe the current economy as challenging or volatile. Trades business owners are also the least likely to have someone ready to take over their business: only 26% have someone ready to step in if they need to stop working.

Retail and ecommerce businesses, on the other hand. are feeling the pinch in their supply chains, where 1 in 3 report disruptions in the past year. Still, the majority have a positive outlook on the economy—and they're surprisingly open to innovation. Two-thirds say they'd trust Al with their financial management, more than any other sector.



Long story short: everyone's fighting the same economy, but not everyone's getting punched in the same place.



Ok... but what should I actually do with this information?

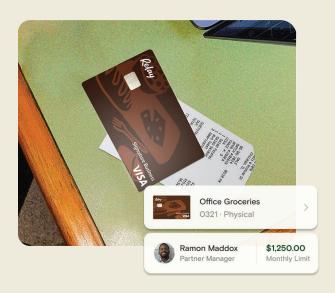
You've seen the numbers. Growth is happening—but healthy, stable, sustainable growth? That takes more than good intentions.

If there's one thing this report makes clear, it's that being profitable on paper doesn't mean you're in control. Most small business owners expect to grow this year. Most are also facing rising costs, mounting debt, and barely enough runway to make it through the month. They're doing everything right-and still waking up in the red.

The takeaway? Grit is essential. But structure is what keeps you standing. Here's what resilient businesses are doing differently:



Not just in theory, but in practice—by creating financial systems that help them stay ahead of what's coming. That means separating funds for key expenses, building in guardrails, and getting clear on what's safe to spend. Businesses that bank with Relay can use up to 50 checking accounts and auto-transfers to know exactly where their money is going, and avoid the chaos of operating from a single lump sum. And with built-in expense management, bill tracking, and invoicing, they can see what's already been spent, what's coming in, and what's about to go outso nothing slips through the cracks.



(\$) THEY SPEND WITH INTENTION

Overspending doesn't always look dramatic, but it adds up fast. The most stable businesses rein it in early by setting limits, reviewing purchases regularly, and aligning every dollar with a purpose. Relay helps support this kind of control with features like spending rules, receipt management, and bill approval workflows that make it easier to stay on budget and protect margin—without micromanaging every expense.

Relay is a financial technology company and is not a bank. Banking services provided by Thread Bank, Member FDIC.





THEY BUILD FOR THE FUTURE

Instead of waiting to see what's left, resilient businesses carve out profit proactively. They treat savings, buffers, and reinvestment as monthly priorities, not year-end hopes. With Relay, it's easy to automate transfers to designated accounts for profit, taxes, or reserves—so money is set aside before it can be spent, and businesses can move toward long-term goals with more confidence.



THEY PLAN BEFORE THE PANIC

Resilient businesses don't just react to what's happening, they get ahead of it. That means setting spending guardrails before the money goes out, and getting visibility into the numbers before the books close. With Relay, business owners can issue customizable cards to their team, set category-level limits, and track spending in real time, so every dollar is accounted for the moment it's spent. And with built-in accounting integrations, transactions are categorized instantly-no chasing receipts, no waiting for a month-end report to see where things went off track.



THEY GET HELP

Resilient business owners don't try to do it all themselves. Whether they work with a Profit First Professional, a fractional CFO, or a trusted bookkeeper, they know when to call in support. But getting help doesn't mean giving up control. With Relay, they can collaborate securely, giving team members and advisors the access they need (and nothing they don't). That means better decisions, shared accountability, and a financial system that scales alongside your business.

Entrepreneurs always come out on top."

Look around. Everything human-made started with an entrepreneur. Your phone, your chair, your coffee mug-someone built that. That's what we do. Entrepreneurs don't just survive hard times. We invent what's next.

Recessions and market crashes? We've seen it all. The best businesses aren't built during the boom. They're built in the rubble, when the weak fall away and the strong rise up. It's like a forest fire. The old, brittle trees burn off. But the strong ones get more sunlight, more space, more life.

Anyone can look successful when times are easy. But when the market tightens, the true players emerge. And they're the ones who lead the next decade."

Mike Michalowicz | Author of Profit First

Relay is a financial technology company and is not a bank. Banking services provided by Thread Bank, Member FDIC.

FINANCIAL STABILITY ISN'T LUCK. IT'S BUILT, WEEK BY WEEK, DECISION BY DECISION.

And if you feel like you're still figuring it out? You're in good company—because the ones who make it through aren't the ones who never struggle. They're the ones who keep going.

Relay



Visit relayfi.com

Relay is a financial technology company and is not a bank. Banking services provided by Thread Bank, Member FDIC. The Relay Visa® Debit Card is issued by Thread Bank, member FDIC, pursuant to a license from Visa U.S.A. Inc. and may be used anywhere Visa debit cards are accepted. The Relay Visa Credit® Card is issued by Thread Bank, Member FDIC, pursuant to a license from Visa U.S.A. Inc and may be used anywhere Visa credit cards are accepted. FDIC insurance is available for funds on deposit through Thread Bank, Member FDIC. Pass-through insurance coverage is subject to conditions. The interest rates and annual percentage yield on your account are accurate as of 04/29/2025 and are variable and subject to change based on the target range of the Federal Funds rate. For customers with accounts opened on or after 4/29/25 or existing customers that have been migrated to Relay's subscription plans, APY will vary between 1.03% and 3.03% depending on the subscription plan you are subscribed to: When you are subscribed to the Starter Plan, the interest rate on your savings accounts is 1.73% with an APY of 1.75%. When you are subscribed to the Scale Plan, the interest rate on your savings accounts is 2.99% with an APY of 3.03%.