Research Paper

Pulse Points: Financial Health Differences Among Entrepreneurs

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Introduction

The labor market upheaval following the COVID-19 pandemic spurred a monumental rise in entrepreneurship across the U.S., reshaping the small business landscape.[1] Since 2020, the country has seen historic levels of new business formation, with an increasing share of businesses owned by women, Black, Asian, and Hispanic entrepreneurs.[2,3]

The American economy relies on entrepreneurship, and those who start businesses employ many people and drive economic growth.[4] As a result, policymakers tout the benefits of entrepreneurship for both supporting the economy and closing gaps in wealth-building and economic mobility.[5]

Findings from the 2024 Financial Health Pulse® Trends Report reveal that households with at least one business owner – referred to in this report as "entrepreneur households" – tend to be financially healthier than those without any business owners, or "non-entrepreneur households." Significantly more entrepreneur households were Financially Healthy (36% vs. 30%), and significantly fewer were vulnerable (9% vs.17%).[6] These findings align with other research showing that business owners in the U.S. have a higher median net worth and nearly 40% more in liquid assets than non-business owners.[7,8]

Successful entrepreneurship has been linked to increased wealth, income, and reductions in poverty.[9] However, the connection between entrepreneurship and financial health is likely two-fold: households with stronger financial health are better-positioned to start businesses, while successful business ownership can further improve household financial health by increasing income and building wealth.

Despite the potential benefits of running a successful business, entrepreneurship can also put household finances at risk. Entrepreneurs often rely on personal savings and credit to start and fund

[1] John Haltiwanger, "Entrepreneurship in the twenty-first century," Small Business Economics, October 2021.
[2] Eric Van Nostrand, "Small Business and Entrepreneurship in the Post-COVID Expansion," U.S. Department of the Treasury, September 2024.
[3] Justin Barnette and Andrew Glover, "Puzzlingly Divergent Trends in Household Wealth and Business Formation," Federal Reserve Bank of Kansas City, May 2021.
[4] Eric Van Nostrand, "Small Business and Entrepreneurship in the Post-COVID Expansion," U.S. Department of the Treasury, September 2024.
[5] "Record-Shattering 20 Million Business Applications Filed Under Biden-Harris Administration," U.S. Small Business Administration, November 2024.
[6] Andrew Warren & Wanjira Chege, "Financial Health Pulse® 2024 U.S. Trends Report," Financial Health Network, September 2024.
[7] Chris Wheat, Chi Mac, & Nicholas Tremper, "Small business owner liquid wealth at firm startup and exit," JPMorgan Chase, May 2022.
[8] Brian Headd, "The Importance of Business Ownership to Wealth," U.S. Small Business Administration, August 2021.
[9] Michael H. Morris & Reginald Tucker, "Poverty and Entrepreneurship in Developed Economies: Re-Assessing the Roles of Policy and Community Action," Journal of Poverty, April 2020.

their businesses.[10] Starting a business is inherently risky: 18% of private-sector businesses close within the first year, 50% close after five years, and 65% close after 10 years.[11] These rates are even higher for Black-owned businesses, likely due to disparities in access to small business loans due to discrimination, the generational effects of redlining, and longstanding inequality in wealth and income.[12,13] Business failure can have serious negative consequences for an entrepreneur's finances and ability to build future wealth.

Research also shows that lower-income entrepreneurs typically start with less liquid wealth and are less likely to receive external financing for their businesses, inhibiting business growth and profitability.[14,15,16,17,18,19] Entrepreneurs in low-income areas often lack access to financial services like accounting and financial counseling, and they are also less likely to inherit a business or have familial support.[20,21,22] Many low-income entrepreneurs start businesses in their local neighborhoods, in overly saturated markets with low profitability, and have difficulty finding highly qualified workers.[23,24,25] Together, these factors make it difficult for low-income households to start

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[10] "The Megaphone of Main Street: Startups," SCORE.
[11] "Small Business Statistics," Chamber of Commerce, July 2024.
[12] Teresa Kroeger & Graham Wright, "Entrepreneurship and the Racial Wealth Gap: The Impact of Entrepreneurial Success or Failure on the Wealth Mobility of Black and White Families," Journal of Economics, Race, and Policy, February 2021.
[13] Research shows that lenders are less likely to encourage Black business owners from applying for loans than white owners, that majority-Black census tracts receive fewer loans than white ones when accounting for firm size and credit quality, and that white firms were twice as likely to be approved for small business funding from the Paycheck Protection Plan than Black and Latino-owned firms, even with comparable credit. See:

- "CFPB Pilot Study Finds Differential Treatment in Small Business Lending Markets," Consumer Financial Protection Bureau, November 2024.
- "Credit Survey Finds White-Owned Small Businesses Were Twice as Likely to be Fully Approved for Financing as Black- and Latino-Owned Firms," Federal Reserve Bank of New York, April 2021.
- Dan Immergluck, "Redlining Redux: Black Neighborhoods, Black-Owned Firms, and the Regulatory Cold Shoulder," Urban Affairs Review, September 2002.

[14] "Entrepreneurial Ecosystem Building Playbook 3.0," Kauffman Foundation, 2019.
[15] Chris Wheat, Chi Mac, & Nicholas Tremper, "Small business owner liquid wealth at firm startup and exit," JPMorganChase, May 2022.
[16] Casey J. Frid, David M. Wyman, Bill Gartner, & Diana H. Hechavarria, "Low-wealth Entrepreneurs and Access to External Financing," International Journal of Entrepreneurial Behavior and Research, 2016.
[17] Amber Lee, Bruce Mitchell, & Anneliese Lederer, "Disinvestment, Discouragement, and Inequity in Small Business Lending," National Community Reinvestment Coalition, 2019.
[18] Casey J. Frid, David M. Wyman, Bill Gartner, & Diana H. Hechavarria, "Low-wealth Entrepreneurs and Access to External Financing," International Journal of Entrepreneurial Behavior and Research, 2016.
[19] Amber Lee, Bruce Mitchell, & Anneliese Lederer, "Disinvestment, Discouragement, and Inequity in Small Business Lending," National Community Reinvestment Coalition, 2019.
[20] Jin Huang & Baorong Guo, "The Financial Capability and Financial Well-Being of Low-Income Entrepreneurs," Center for Social Development, School at Washington University, January 2020.
[21] Maurice Kugler, Marios Michaelides, Neha Nanda, & Cassandra Agbayani, "Entrepreneurship in Low-Income Areas," U.S. Small Business Administration, September 2017.
[22] Myrto Karaflos, "Inclusive Entrepreneurship Is Key To Unlocking Equal Opportunity," The Progressive Policy Institute and Prosperity Now, February 2023.
[23] Michael H. Morris, Susana C. Santos & Xaver Neumeyer, "Entrepreneurship as a solution to poverty in developed economies," Business Horizons, 2020.
[24] Joyce Klein, "Building Wealth Inclusively Through Business Ownership," Aspen Institute, 2021.
[25] Maurice Kugler, Marios Michaelides, Neha Nanda, & Cassandra Agbayani, "Entrepreneurship in Low-Income Areas," U.S. Small Business Administration, September 2017.

and sustain businesses that contribute to household financial health. Because Black, Latinx, and female entrepreneurs are more likely to be from low-income households, these challenges also contribute to racial and gender differences in business ownership.[26,27]

While research has shown that entrepreneur households tend to be more financially healthy overall than non-entrepreneur households, less is known about how the relationship between entrepreneurship and household financial health varies by income. **Our findings indicate that the financial health advantage for entrepreneurs is substantial for low- and moderate-income (LMI) households but nearly nonexistent for middle- and upper-income (MUI) households. We also find that entrepreneur incomes are more complex and variable than non-entrepreneur incomes, and that LMI entrepreneurs are far less financially healthy than their MUI counterparts.**

This report aims to help financial institutions, community organizations, and policymakers gauge the financial risks and challenges of entrepreneurs and non-entrepreneurs alike. By investigating the financial health of entrepreneur households by income, we offer new insights that cross-sector stakeholders can use to create targeted solutions that support entrepreneurs and non-entrepreneurs across the income spectrum.

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[26] Ibid.
[27] Teresa Kroeger & Graham Wright, "Entrepreneurship and the Racial Wealth Gap: The Impact of Entrepreneurial Success or Failure on the Wealth Mobility of Black and White Families," Journal of Economics, Race, and Policy, February 2021.

The Demographics of Entrepreneur Households

Entrepreneur households are demographically different from non-entrepreneur households. These differences likely stem from complex variations in access to entrepreneurship, motivations for entrepreneurship, and business success and failure rates. Overall, entrepreneur households are less likely to be Black, single, or of retirement age.

Table 1. Entrepreneur households are less likely to be Black, single, or of retirement age.

Percentage in each demographic group, by entrepreneur status.

Race and ethnicity	Entrepreneur households	Non-entrepreneur households
Black	9%*	12%
Latinx	10%	11%
White	62%	61%
Household gender composition	**Entrepreneur households**	**Non-entrepreneur households**
Single woman	13%*	21%
Single man	11%*	17%
Married or partnered	76%*	62%
Age	**Entrepreneur households**	**Non-entrepreneur households**
18-35 years old	28%	24%
36-64 years old	62%*	52%
65+ years old	10%*	24%
N	699	6,543

Note: Financial Health Pulse Survey 2024 data. Other racial and gender identities were omitted due to small sample sizes. Percentages may not add to 100% because of omitted categories and rounding.
* Statistically significant relative to non-entrepreneur households (p<0.05).

Black households are underrepresented among entrepreneurs.

Despite efforts to promote entrepreneurship as a method to help narrow economic inequality between Black and other American households, Black households remain underrepresented among business owners.[28] Around 9% of entrepreneur households are Black, compared with 12% of non-entrepreneur households (Table 1). Historic disinvestment, discrimination, and persistent wealth and income gaps make it much harder for Black entrepreneurs to start and sustain businesses.[29] For example, experimental studies have shown that Black entrepreneurs are consistently denied small business loans at significantly higher rates than white applicants, even with equal or superior qualifications.[30]

Both single men and single women are underrepresented among entrepreneurs.

Around three-quarters (76%) of entrepreneur households are married or partnered, compared with 62% of non-entrepreneur households (Table 1). As a result, both single men and single women are underrepresented among business owners. Additional income, wealth, and other forms of social support from a partner may make it easier for people in coupled households to start and sustain a business.

Entrepreneurs are less likely to be of retirement age.

Entrepreneur households are more likely to be in their prime working years and less likely to be of retirement age. Sixty-two percent of entrepreneur households are 36–64 years old, compared with 52% of non-entrepreneur households. Only 10% of entrepreneur households are 65 or older, compared with 24% of non-entrepreneur households (Table 1). This may reflect some generational disparities in entrepreneurial activity, but also likely reflects lifecycle differences in employment status. People over the age of 65 are less likely to be engaged in any type of work, including business ownership.

The demographics of entrepreneur households vary by income.

Racial, ethnic, and household gender composition differences between entrepreneurs and non-entrepreneurs vary by income. For instance, among LMI households, entrepreneurs are more likely to be Latinx than non-entrepreneurs (18% vs. 13%) and less likely to be white (40% vs. 53%) (Table 2). These patterns do not hold for MUI households. Similarly, single women entrepreneurs are substantially underrepresented among LMI households, but not among MUI households.

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[28] Joyce Klein, "Building Wealth Inclusively Through Business Ownership," Aspen Institute, 2021.
[29] Teresa Kroeger & Graham Wright, "Entrepreneurship and the Racial Wealth Gap: The Impact of Entrepreneurial Success or Failure on the Wealth Mobility of Black and White Families," Journal of Economics, Race, and Policy, February 2021.
[30] Maura L. Scott, Sterling A. Bone & Marina Cozac, "Revealing and Mitigating Racial Bias and Discrimination in Financial Services," Journal of Marketing Research, May 2023.

These findings could have important implications for programs seeking to close socioeconomic, racial and ethnic, or other disparities in small business ownership or to help LMI communities pursue entrepreneurship. For example, programs or policies specifically targeting LMI entrepreneurs are likely to reach more Latinx and fewer white households than programs targeting LMI households generally. These interventions may also reach fewer single female households. Other demographic differences between entrepreneurs and non-entrepreneurs show similar patterns for both LMI and MUI households (see Appendix Table A2 for full table).

Table 2. Racial, ethnic, and gender differences vary by income across LMI and MUI groups.

Percentage in each demographic group, by entrepreneur status and income.

Demographic	LMI entrepreneur (<80% AMI)	LMI non-entrepreneur (<80% AMI)	MUI entrepreneur (>80% AMI)	MUI non-entrepreneur (>80% AMI)
Latinx	18%[2,3,4]	13%[1,3,4]	6%[1,2]	9%[1,2]
White	40%[2,3,4]	53%[1,3,4]	73%[1,2]	69%[1,2]
Single woman	20%[2,3,4]	32%[1,3,4]	9%[1,2]	11%[1,2]
N	194	2,982	489	3,417

Note: Financial Health Pulse Survey 2024 data. AMI is defined as the median household income for a respondent's Metropolitan Statistical Area (MSA) or county.

[1] Statistically significant relative to LMI entrepreneurs ($p<0.05$).

[2] Statistically significant relative to LMI non-entrepreneurs ($p<0.05$).

[3] Statistically significant relative to MUI entrepreneurs ($p<0.05$).

[4] Statistically significant relative to MUI non-entrepreneurs ($p<0.05$).

The Financial Characteristics of Entrepreneur Households

There are also substantial differences in the financial characteristics of entrepreneur and non-entrepreneur households. Overall, entrepreneur households tend to have more assets and more sources of income. However, they are also more likely to hold most types of debt and their income is often more volatile. These differences may be influenced by the financial impacts of starting a business – whether positive, negative, or ambiguous – as well as by the pre-existing financial characteristics of households that choose to start businesses.

Entrepreneurs have more assets.

Entrepreneur households are more likely than non-entrepreneur households to report having a positive net worth (72% vs. 62%), owning investments (74% vs. 65%), and owning a home (73% vs. 60%) (Table 3). These differences likely reflect both the wealth-building potential of entrepreneurship and how pre-existing wealth reduces barriers to starting a business.[31,32,33,34,35]

Table 3. Entrepreneur households are more likely to hold wealth than non-entrepreneur households.

Percentage with each financial characteristic, by entrepreneur status.

Financial characteristic	Entrepreneur households	Non-entrepreneur households
Has a positive net worth	72%*	62%
Owns investments	74%*	65%
Owns their home	73%*	60%
N	699	6,543

Note: Financial Health Pulse Survey 2024 data. Investment ownership is defined as having an employer-provided retirement account, retirement account not provided by an employer, or any non-retirement investment accounts.

* Statistically significant relative to non-entrepreneur households (p<0.05).

[31] Justin Barnette & Andrew Glover, "Puzzlingly Divergent Trends in Household Wealth and Business Formation," Federal Reserve Bank of Kansas City, May 2021.
[32] Joyce Klein, "Building Wealth Inclusively Through Business Ownership," Aspen Institute, 2021.
[33] Chris Wheat, Chi Mac, & Nicholas Tremper, "Small business owner liquid wealth at firm startup and exit," JPMorgan Chase, May 2022.
[34] Brian Headd, "The Importance of Business Ownership to Wealth," U.S. Small Business Administration, August 2021.
[35] Chris Wheat, Chi Mac, & Nicholas Tremper, "Small business owner liquid wealth at firm startup and exit," JPMorgan Chase, May 2022.

Entrepreneurs are more likely to hold most types of debt.

The higher net worth of entrepreneurs comes in spite of the fact that they are more likely to hold most types of debt. Fifty-two percent of entrepreneur households have a mortgage, compared with only 35% of non-entrepreneur households, likely reflecting differences in homeownership (Table 4). They are also more likely to hold revolving credit debt (41% vs. 36%), auto loans (45% vs. 36%), and student loans (26% vs. 20%). One exception to this pattern: 18% of non-entrepreneur households report having medical debt, compared with only 14% of entrepreneur households.

Table 4. Entrepreneur households hold mortgages, revolving credit card balances, and many other types of debt more often.

Percentage with each financial characteristic, by entrepreneur status.

Financial characteristic	Entrepreneur households	Non-entrepreneur households
Has a mortgage	52%*	35%
Has revolving credit card debt	41%*	36%
Has an auto loan	45%*	36%
Has a student loan	26%*	20%
Has medical debt	14%*	18%
N	699	6,543

Note: Financial Health Pulse Survey 2024 data.

* Statistically significant relative to non-entrepreneur households ($p<0.05$).

Entrepreneurs have more complex and variable incomes.

Unsurprisingly, given that entrepreneur households are more likely to be married or partnered, they are also more likely to have multiple streams of income (70% vs. 57%) (Table 5). They are also nearly three times as likely to report working more than one job themselves (29% vs. 10%).

Despite this extra income support, however, entrepreneur households report higher levels of income volatility: 48% of entrepreneur households report their monthly income varied “occasionally” or “often” over the past year, compared with 28% of non-entrepreneur households. The patchwork nature of many entrepreneurs’ household incomes may also reduce access to traditional full-time employment benefits. For example, entrepreneur households are slightly less likely to have health insurance than non-entrepreneur households (86% vs. 89%).

Table 5. Entrepreneurs are more likely to have multiple income streams and variable income.

Percentage with each financial characteristic, by entrepreneur status.

Financial characteristic	Entrepreneur households	Non-entrepreneur households
Is a multi-earner household	70%*	57%
Works more than one job	29%*	10%
Has income that varied "occasionally" or "often" from month to month	48%*	28%
Has health insurance coverage	86%*	89%
N	699	6,543

Note: Financial Health Pulse Survey 2024 data.

* Statistically significant relative to non-entrepreneur households ($p<0.05$).

The financial characteristics of entrepreneurs vary by income.

As with demographic characteristics of entrepreneurs, several financial characteristics vary more among LMI households than among MUI households.

First, the wealth differences between entrepreneurs and non-entrepreneurs are largely concentrated among the LMI population. LMI entrepreneurs are more likely than their non-entrepreneur counterparts to report a positive net worth, owning investments, and owning a home. These patterns do not hold among MUI households (Table 6).

Similarly, differences in medical debt and health insurance coverage between entrepreneurs and non-entrepreneurs are substantial among LMI households but small or undetectable among MUI households. LMI entrepreneurs are less likely than LMI non-entrepreneurs to have health insurance (68% vs. 83%) and less likely to have medical debt (14% vs. 21%) (Table 6). No such differences are present among MUI households.[36]

[36] While it is not immediately clear what is driving this insurance coverage gap, one explanation could be Medicare coverage. LMI households may be more likely to be uninsured without Medicare or Medicaid. Because LMI non-entrepreneurs tend to be older, they may be more likely to be covered by Medicare. See Appendix Table A2 for age breakdowns by income and entrepreneur status.

Table 6. Differences in financial characteristics are more pronounced among LMI households than MUI households.

Percentage with each financial characteristic, by entrepreneur status and income.

Financial characteristic[86]	LMI entrepreneur (<80% AMI)	LMI non-entrepreneur (<80% AMI)	MUI entrepreneur (>80% AMI)	MUI non-entrepreneur (>80% AMI)
Has a positive net worth	55%[2,3,4]	44%[1,3,4]	81%[1,2]	80%[1,2]
Owns investments	49%[2,3,4]	40%[1,3,4]	86%[1,2,4]	90%[1,2,3]
Owns their home	61%[2,3,4]	42%[1,3,4]	79%[1,2]	77%[1,2]
Has health insurance coverage	68%[2,3,4]	83%[1,3,4]	94%[1,2,4]	96%[1,2,3]
Has medical debt	14%[2]	21%[1,3,4]	14%[2]	14%[2]
N	194	2,982	489	3,417

Note: Financial Health Pulse Survey 2024 data. AMI is defined as the median household income for a respondent's Metropolitan Statistical Area (MSA) or county.

[1] Statistically significant relative to LMI entrepreneurs ($p<0.05$).

[2] Statistically significant relative to LMI non-entrepreneurs ($p<0.05$).

[3] Statistically significant relative to MUI entrepreneurs ($p<0.05$).

[4] Statistically significant relative to MUI non-entrepreneurs ($p<0.05$).

Overall, there are notable differences in the demographic and financial characteristics of entrepreneur and non-entrepreneur households. In addition, many of these differences are more pronounced among LMI households than MUI households. These disparities are likely tied to differences in financial health between entrepreneur and non-entrepreneur households at varying income levels. For the remainder of this report, we examine these financial health differences and explore how they may be related to the demographics and financial characteristics of these households.

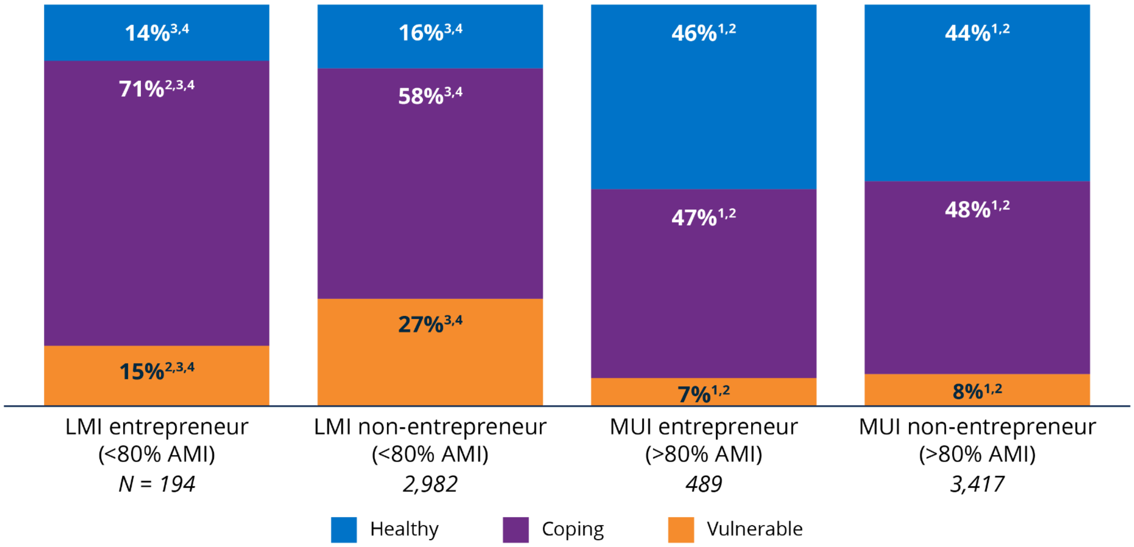
LMI Households with Entrepreneurs Are More Financially Healthy, but Still Face Challenges

Comparing entrepreneur and non-entrepreneur households by income, we see that **much of the overall financial health advantage held by entrepreneurs is concentrated among LMI**

households. LMI entrepreneur households are only about half as likely to be Financially Vulnerable as LMI non-entrepreneur households (15% vs. 27%) (Figure 1). In contrast, MUI entrepreneurs and MUI non-entrepreneurs exhibit similar levels of financial health.

Figure 1. LMI entrepreneurs are financially healthier than LMI non-entrepreneurs, but still lag behind MUI households.

Percentage in each financial health tier, by entrepreneur status and income.



Note: Financial Health Pulse Survey 2024 data. Percentage points may not sum to 100% due to rounding. AMI is defined as the median household income for that household's Metropolitan Statistical Area (MSA) or county. Percentage points may not sum to 100% due to rounding.

[1] Statistically significant compared to LMI entrepreneur households at $p<0.05$.

[2] Statistically significant compared to LMI non-entrepreneur households at $p<0.05$.

[3] Statistically significant compared to MUI entrepreneur households at $p<0.05$.

[4] Statistically significant compared to MUI non-entrepreneur households at $p<0.05$.

MUI entrepreneurs are likely more financially healthy than LMI entrepreneurs for several reasons. Higher incomes and credit scores may improve their ability to access credit, which can help them grow their businesses and protect themselves from financial shocks.[37] Their higher levels of wealth may also serve as a cushion for their household's finances, enabling them to reinvest more of their profits back into their businesses, which could increase their chances of success and improve their long-term financial health.[38]

[37] Casey J. Frid, David M. Wyman, Bill Gartner, & Diana H. Hechavarria, "Low-wealth Entrepreneurs and Access to External Financing," International Journal of Entrepreneurial Behavior and Research, 2016.

[38] Chris Wheat, Chi Mac, & Nicholas Tremper, "Small business owner liquid wealth at firm startup and exit," JPMorgan Chase, May 2022.

Although a smaller share of LMI entrepreneur households are Financially Healthy than higher-income households (regardless of entrepreneur status), they are also less frequently Financially Vulnerable than LMI non-entrepreneurs. In the following section, we explore the financial health differences between LMI entrepreneurs and non-entrepreneurs in greater detail.

LMI Entrepreneurs Are Doing Better With Savings, Debt, Credit, and Planning Than Non-Entrepreneurs

Examining the eight indicators of financial health allows us to see precisely where LMI entrepreneurs and non-entrepreneurs differ. **Among LMI households, entrepreneurs were more Financially Healthy than non-entrepreneur households on four of eight financial health indicators.**

LMI entrepreneur households reported having enough savings to cover three months of expenses (53% vs. 43%), having a manageable amount of debt (49% vs. 40%), and planning ahead financially (54% vs. 45%) – all at higher rates than LMI non-entrepreneur households. The largest observed difference between these two households was in credit health: 69% of LMI entrepreneurs reported having a "good," "very good," or "excellent" credit score versus only 53% of LMI non-entrepreneurs (Table 7).

Table 7. LMI entrepreneur households have better financial health than non-entrepreneur households on several indicators.

Percentage of LMI households reporting each financial health indicator, by entrepreneur status.

Financial health indicator	LMI entrepreneur household (<80% AMI)	LMI non-entrepreneur household (<80% AMI)
Spent less than income over prior 12 months	38%	36%
Paid all bills on time over prior 12 months	55%	57%
Have enough savings to cover at least 3 months of expenses	53%*	43%
Are confident they are on track to meet long-term financial goals	34%	29%
Have a manageable amount of debt or no debt	69%*	61%
Have a "good," "very good," or "excellent" credit score	69%*	53%
Are confident their insurance policies will cover them in an emergency	49%	46%
Agree their household plans ahead financially	54%*	45%
N	194	2,982

Note: Financial Health Pulse Survey 2024 data. Percentage points may not sum to 100% due to rounding. AMI is defined as the median household income for that household's Metropolitan Statistical Area (MSA) or county.
* Statistically significant relative to non-entrepreneurs ($p<0.05$).

Entrepreneurs have similar savings rates, but more liquid assets.

Interestingly, despite having more short-term savings, LMI entrepreneurs reported spending less than their incomes at similar rates as LMI non-entrepreneurs (38% vs. 36%). Side by side, this suggests that LMI entrepreneurs are not actively saving money more frequently than LMI non-entrepreneurs, but still possess higher levels of liquid savings. These disparities could indicate pre-existing financial advantages held by business owners, rather than the positive impacts on savings from business ownership itself. This is consistent with prior research showing that even before starting a business, entrepreneurs have more wealth than non-entrepreneurs.[39,40] While we are unable to observe entrepreneurs' household finances before and after starting their businesses, LMI entrepreneurs are more likely to report having a positive net worth than LMI non-entrepreneurs (Appendix Table A4).

LMI entrepreneurs have more debt than non-entrepreneurs, but also find it to be more manageable.

The finding that LMI entrepreneurs are more likely to have manageable debt is notable, given that they are also more likely to hold several types of debt than LMI non-entrepreneurs (Appendix Table A8). If LMI non-entrepreneurs are less likely to have debt, then why might they also report that their debt is less manageable?

One possible explanation is credit quality. LMI non-entrepreneurs reported having substantially worse credit scores than LMI entrepreneurs, which likely results in higher interest rates, larger payments, and less favorable loan terms (Table 7). It is also possible that entrepreneurs and non-entrepreneurs have different subjective experiences with debt. People who decide to start businesses may be more comfortable being in debt due to its frequent role in financing many small businesses. The experience of running a business may also improve debt management skills.

LMI entrepreneurs are more likely to plan ahead – perhaps out of necessity.

The higher percentage of LMI entrepreneurs who report planning ahead financially may reflect the demands of running a business and differences in previous financial experiences. Being a business owner is financially complex, so those who are more confident in their ability to manage money and plan ahead financially might be more inclined to start a business. Likewise, the experience of managing a business may encourage – and even necessitate – proactive household financial planning.

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[39] Chris Wheat, Chi Mac, & Nicholas Tremper, "Small business owner liquid wealth at firm startup and exit," JPMorgan Chase, May 2022.
[40] Justin Barnette and Andrew Glover, "Puzzlingly Divergent Trends in Household Wealth and Business Formation," Federal Reserve Bank of Kansas City, May 2021.

How durable are these differences?

One open question for future research is how long LMI entrepreneurs tend to remain at their current income level. A household's annual income represents only the money earned over a single year and may not represent long-term financial well-being. A portion of LMI entrepreneurs may, for example, be relatively wealthy and temporarily living on a lower income while getting their business off the ground. This dynamic could partly explain the higher levels of financial health among LMI entrepreneurs compared with LMI non-entrepreneurs.

MUI Household Financial Health Remains Strong, Regardless of Entrepreneurship

In contrast with the LMI population, there are very few financial health differences between entrepreneurs and non-entrepreneurs living on middle and upper incomes (MUI). Across almost all indicators, these two groups have very similar levels of financial health. There was a statistically significant difference on only one indicator: Slightly fewer MUI entrepreneurs than non-entrepreneurs reported paying all their bills on time (79% vs. 83%) (Table 8).

One explanation for this could be that they experience higher levels of income volatility than MUI non-entrepreneurs (Appendix Table A6). It is also possible that business ownership exposes households to more frequent and larger expense shocks.

Table 8. MUI entrepreneur and non-entrepreneur households have similar financial health characteristics.

Percentage of MUI household respondents reporting each financial health indicator, by entrepreneur status.

Financial health indicator	MUI entrepreneur household (>80% AMI)	MUI non-entrepreneur household (>80% AMI)
Spent less than income over prior 12 months	62%	57%
Paid all bills on time over prior 12 months	79%*	83%
Have enough savings to cover at least 3 months of expenses	68%	68%
Are confident they are on track to meet long-term financial goals	56%	56%
Have a manageable amount of debt or no debt	76%	77%
Have a "good," "very good," or "excellent" credit score	89%	86%
Are confident their insurance policies will cover them in an emergency	69%	71%
Agree their household plans ahead financially	77%	78%
N	489	3417

Note: Financial Health Pulse Survey 2024 data. AMI is defined as the median household income for that household's Metropolitan Statistical Area (MSA) or county.

* Statistically significant relative to non-entrepreneurs ($p<0.05$)

Apart from bill payment, however, MUI entrepreneurs and non-entrepreneurs are very similar across all other financial health indicators. This may reflect their similarities along other demographic and financial characteristics. For instance, both MUI groups report comparable levels of net worth, investments, and homeownership, which contrasts with the notable wealth differences between LMI entrepreneurs and non-entrepreneurs (Table 6).

Conclusion

Successful entrepreneurship can lift households and communities out of poverty, increase income, and build net worth.[41] However, LMI households face major barriers to starting and sustaining successful businesses, including smaller savings cushions, less access to high-quality credit, and racial discrimination in lending.[42, 43]

Our data shows that, after forming businesses, LMI entrepreneurs face steep financial challenges compared with both MUI entrepreneur and non-entrepreneur households. At the same time, LMI households that do not own businesses are even more financially vulnerable than LMI entrepreneur households. This presents an opportunity for institutions to better support current and aspiring LMI entrepreneurs, while also developing solutions for LMI households that do not pursue entrepreneurship.

While business ownership alone cannot close long-standing wealth and opportunity gaps, it can serve as a meaningful tool for upward economic mobility. Below, we share takeaways for financial institutions, policymakers, and community organizations serving entrepreneurs, along with examples of solutions that could support the financial health needs of entrepreneurs and non-entrepreneurs alike.

LMI entrepreneurs are far less Financially Healthy than MUI entrepreneurs.

- To address disparate access to credit, small business lenders can develop innovative underwriting models. For example, Alterna Savings Credit Union's Microfinance program uses character-based evaluations of commitment, experience, and skills of the aspiring entrepreneur to make lending decisions. In addition to income and credit history, these loans also consider the potential positive impact of the business on the local community.
- Financial institutions, nonprofits, and community foundations can bundle services with small business loans that provide ongoing support to grow a business. For example, programs that combine financial planning advice, business education, coaching, and flexible loan repayment options could benefit LMI entrepreneurs.
- Financial institutions, community lenders, and credit unions can invest in credit-building for LMI business owners through microlending programs. For example, nonprofits such as LiftFund, Accion Opportunity Fund, and the International Rescue Committee provide

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[41] Michael H. Morris, Susana C. Santos, & Xaver Neumeyer, "Entrepreneurship as a solution to poverty in developed economies," Business Horizons, May 2020.
[42] Anneliese Lederer & Sara Oros, "Lending Discrimination within the Paycheck Protection Program," National Community Reinvestment Coalition, July 2020.
[43] Iryna Demko & Ana Claudia Sant'Anna, "Impact of Race, Ethnicity, and Gender on the SBA Paycheck Protection Program (PPP) Loan Amounts," Economic Development Quarterly, May 2023.

microloans to applicants with little or no credit history, helping them build their credit scores.[44]

- The Saver's Match provision of the Secure 2.0 Act, scheduled to take effect in 2027, will provide government matches for retirement savers below certain income thresholds. This could help many LMI entrepreneurs and small business employees who lack employer-provided retirement plans save for their futures.[45]
- Investments that provide critical support to the communities that surround LMI entrepreneurs can help strengthen the success of entrepreneurship as a vehicle for long-term economic security and mobility.[46,47]

Both LMI and MUI entrepreneurs have complex finances, often with volatile incomes from multiple sources.

- Financial service providers and other stakeholders can develop integrated digital platforms to help entrepreneurs address their numerous financial needs. These tools could support budgeting, managing cash flow volatility, tracking loan repayment, and navigating the overlap between personal and business finances.
- Financial institutions can expand insurance access to entrepreneurs who do not have coverage through an employer. Vancity, a credit union in Vancouver, offers health insurance plans to its members who are self-employed or own a small business.[48]
- Fintechs can leverage solutions to provide holistic advice and personalized financial support for entrepreneurs, much like the services offered by Uprise.us. By making these solutions less expensive or free, fintechs could expand their ability to help LMI entrepreneurs.

LMI non-entrepreneurs are struggling even more than LMI entrepreneurs.

- The precarious state of many LMI non-entrepreneurs demonstrates a need for wealth-building solutions outside of business ownership in lower-income communities. This could include products and services that offer alternative pathways to homeownership, incentivized emergency savings, and lowered barriers to investing. It could also include broader public and private policies that redistribute wealth and direct large-scale investment to lower-income neighborhoods.
- Community development financial institutions (CDFIs) could help LMI households and small business owners build credit and resilience to shocks through lending circles. In a lending

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[44] Laura Cummings & Alejandra Ruales, "Addressing the Financial Health Needs of Small Business Owners," Financial Health Network, 2018.
[45] John Scott & Kim Olson, "Federal Saver's Match Could Benefit Millions of Low- to Moderate-Income Americans," Pew Charitable Trusts, April 2024.
[46] "Entrepreneurial Ecosystem Building Playbook 3.0," Kauffman Foundation, 2019.
[47] Bridge for Billions
[48] Eric Bulmash, "Managing the Needs of Independent Workers at Vancity Credit Union," Filene, April 2019.

circle, community members make payments into a pool every month, and each member is eligible for a low- or zero-interest loan on a rotating basis. To further amplify the benefits, the Mission Asset Fund lending circle program reports the payments to credit bureaus to help members build credit.

- For the majority of LMI households who don't own businesses, the workplace is a primary route to building wealth. Employers can play an important role in lowering barriers to accessing retirement plans and emergency savings benefits.
- Asset-building initiatives can put LMI households in a stronger financial position, giving them the option to pursue entrepreneurship in the future.[49]

An entrepreneur's income, whether generated by their business or other employment, is critical to their household's ability to spend, save, borrow, and plan. Financial institutions, policymakers, and other stakeholders should consider both the unique challenges faced by entrepreneurs living on low incomes as well as the advantages many LMI entrepreneurs have over non-entrepreneurs. Future research evaluating how financial health interventions impact both LMI entrepreneurs and LMI non-entrepreneurs would help guide these stakeholders further.

Methodology

Data from this release come from the Financial Health Pulse survey. Now in its seventh year, Financial Health Pulse fields surveys using the probability-based Understanding America Study online panel administered by USC's Dornsife Center for Economic and Social Research, allowing the findings to be generalized to the civilian, noninstitutionalized adult population of the United States. The 2024 Financial Health Pulse survey was fielded from April 16, 2024, through May 30, 2024, with 7,245 respondents and a cooperation rate of 65.67% (margin of error +/- 1.15%). For more background on our financial health measurement methodology, visit the FinHealth Score® Methodology page.

[49] Trey Waters, MK Falgout, Wanjira Chege & Heidi Johnson, "Building Wealth: Empowering Black Small Business Owners Through Investing," Financial Health Network, May 2025.

Appendix

Defining LMI and MUI Income Categories

We use Census data to compare survey respondents' self-reported household income relative to their area median income (AMI) and categorize them as low, moderate, middle, or upper income. Low-income households have a household income below 50% of AMI; moderate-income households are between 50% and 80%; middle-income households are between 80% and 120%; and upper-income households are above 120%. In this report, we combine low and moderate income households into a single group (LMI) and middle and upper income households into a single group (MUI) to maintain appropriate sample sizes for statistical inference.

Table A1. Demographic differences between entrepreneur and non-entrepreneur households.

Race and ethnicity	Entrepreneur households	Non-entrepreneur households
Black	9%*	12%
Latinx	10%	11%
White	62%	61%
Household gender composition	**Entrepreneur households**	**Non-entrepreneur households**
Single woman	13%*	21%
Single man	11%*	17%
Married or partnered	76%*	62%
Age	**Entrepreneur households**	**Non-entrepreneur households**
18-35 years old	28%	24%
36-64 years old	62%*	52%
65+ years old	10%*	24%
N	699	6,543

Note: Financial Health Pulse Survey 2024 data. Other racial and gender identities were omitted due to small sample sizes. Percentages may not add to 100% because of omitted categories and rounding.
* Statistically significant relative to non-entrepreneur households ($p<0.05$)

Table A2. Demographic differences by income.

Race and ethnicity	LMI entrepreneur (<80% AMI)	LMI non-entrepreneur (<80% AMI)	MUI entrepreneur (>80% AMI)	MUI non-entrepreneur (>80% AMI)
Black	14%[3,4]	17%[3,4]	6%[1,2]	6%[1,2]
Latinx	18%[2,3,4]	13%[1,3,4]	6%[1,2]	9%[1,2]
White	40%[2,3,4]	53%[1,3,4]	73%[1,2]	69%[1,2]
Household gender composition	**LMI entrepreneur (<80% AMI)**	**LMI non-entrepreneur (<80% AMI)**	**MUI entrepreneur (>80% AMI)**	**MUI non-entrepreneur (>80% AMI)**
Single woman	20%[2,3,4]	32%[1,3,4]	9%[1,2]	11%[1,2]
Single man	18%[2,3,4]	22%[1,3,4]	7%[1,2,4]	11%[1,2,3]
Married or partnered	62%[2,3,4]	46%[1,3,4]	84%[1,2,4]	78%[1,2,3]
Age	**LMI entrepreneur (<80% AMI)**	**LMI non-entrepreneur (<80% AMI)**	**MUI entrepreneur (>80% AMI)**	**MUI non-entrepreneur (>80% AMI)**
18-35 years old	35%[2,3,4]	28%[1,4]	24%[1]	20%[1,2]
36-64 years old	54%[2,3]	46%[1,3,4]	68%[1,2,4]	57%[2,3]
65+ years old	12%[2,4]	26%[1,3,4]	8%[2,4]	22%[1,2,3]
N	194	2,982	489	3,417

Note: Financial Health Pulse Survey 2024 data. AMI is defined as the median household income for a respondent's Metropolitan Statistical Area (MSA) or county. Other racial and gender identities were omitted due to small sample sizes. Percentages may not add to 100% because of omitted categories and rounding.

[1] Statistically significant relative to LMI entrepreneurs ($p<0.05$).

[2] Statistically significant relative to LMI non-entrepreneurs ($p<0.05$).

[3] Statistically significant relative to MUI entrepreneurs ($p<0.05$).

[4] Statistically significant relative to MUI non-entrepreneurs ($p<0.05$).

Table A3. Wealth differences between entrepreneur and non-entrepreneur households.

Financial characteristic	Entrepreneur households	Non-entrepreneur households
Has a positive net worth	72%*	62%
Owns investments	74%*	65%
Owns their home	73%*	60%
N	699	6,543

Note: Financial Health Pulse Survey 2024 data. Investment ownership is defined as having an employer-provided retirement account, retirement account not provided by an employer, or any non-retirement investment accounts.

* Statistically significant relative to non-entrepreneur households (p<0.05).

Table A4. Wealth differences by income across LMI and MUI groups.

Financial characteristic	LMI entrepreneur (<80% AMI)	LMI non-entrepreneur (<80% AMI)	MUI entrepreneur (>80% AMI)	MUI non-entrepreneur (>80% AMI)
Has a positive net worth	55%[2,3,4]	44%[1,3,4]	81%[1,2]	80%[1,2]
Owns investments	49%[2,3,4]	40%[1,3,4]	86%[1,2,4]	90%[1,2,3]
Owns their home	61%[2,3,4]	42%[1,3,4]	79%[1,2]	77%[1,2]
N	194	2,982	489	3,417

Note: Financial Health Pulse Survey 2024 data. AMI is defined as the median household income for a respondent's Metropolitan Statistical Area (MSA) or county.

[1] Statistically significant relative to LMI entrepreneurs (p<0.05).

[2] Statistically significant relative to LMI non-entrepreneurs (p<0.05).

[3] Statistically significant relative to MUI entrepreneurs (p<0.05).

[4] Statistically significant relative to MUI non-entrepreneurs (p<0.05).

Table A5. Work and income differences between entrepreneur and non-entrepreneur households.

Financial characteristic	Entrepreneur households	Non-entrepreneur households
Works more than one job	29%*	10%
Is a multi-earner household	70%*	57%
Has income that varied "occasionally" or "often" from month to month	48%*	28%
Has health insurance coverage	86%*	89%
N	699	6,543

Note: Financial Health Pulse Survey 2024 data.

* Statistically significant relative to non-entrepreneur households (p<0.05).

Table A6. Work and income differences by income across LMI and MUI groups.

Financial characteristic	LMI entrepreneur (<80% AMI)	LMI non-entrepreneur (<80% AMI)	MUI entrepreneur (>80% AMI)	MUI non-entrepreneur (>80% AMI)
Works more than one job	35%[2,3,4]	11%[1,3]	26%[1,2,4]	9%[1,3]
Is a multi-earner household	39%[3,4]	33%[3,4]	76%[1,2,4]	67%[1,2,3]
Has income that varied "occasionally" or "often" from month to month	55%[2,3,4]	34%[1,3,4]	45%[1,2,4]	22%[1,2,3]
Has health insurance coverage	68%[2,3,4]	83%[1,3,4]	94%[1,2,4]	96%[1,2,3]
N	194	2,982	489	3,417

Note: Financial Health Pulse Survey 2024 data. AMI is defined as the median household income for a respondent's Metropolitan Statistical Area (MSA) or county.

[1] Statistically significant relative to LMI entrepreneurs (p<0.05).

[2] Statistically significant relative to LMI non-entrepreneurs (p<0.05).

[3] Statistically significant relative to MUI entrepreneurs (p<0.05).

[4] Statistically significant relative to MUI non-entrepreneurs (p<0.05).

Table A7. Debt differences between entrepreneur and non-entrepreneur households.

Financial characteristic	Entrepreneur households	Non-entrepreneur households
Has a mortgage	52%*	35%
Has revolving credit card debt	41%*	36%
Has an auto loan	45%*	36%
Has a student loan	26%*	20%
Has medical debt	14%*	18%
N	699	6,543

Note: Financial Health Pulse Survey 2024 data.

* Statistically significant relative to non-entrepreneur households (p<0.05)

Table A8. Debt differences by income across LMI and MUI groups.

Financial characteristic	LMI entrepreneur (<80% AMI)	LMI non-entrepreneur (<80% AMI)	MUI entrepreneur (>80% AMI)	MUI non-entrepreneur (>80% AMI)
Has a mortgage	32%[2,3,4]	18%[1,3,4]	63%[1,2,4]	52%[1,2,3]
Has revolving credit card debt	43%[2]	34%[1,3,4]	40%[2]	37%[2]
Has an auto loan	32%[2,3,4]	26%[1,3,4]	52%[1,2]	47%[1,2]
Has a student loan	22%[2]	16%[1,3,4]	29%[2]	24%[2]
Has medical debt	14%[2]	21%[1,3,4]	14%[2]	14%[2]
N	194	2,982	489	3,417

Note: Financial Health Pulse Survey 2024 data. AMI is defined as the median household income for a respondent's Metropolitan Statistical Area (MSA) or county.

[1] Statistically significant relative to LMI entrepreneurs (p<0.05).

[2] Statistically significant relative to LMI non-entrepreneurs (p<0.05).

[3] Statistically significant relative to MUI entrepreneurs (p<0.05).

[4] Statistically significant relative to MUI non-entrepreneurs (p<0.05).