PERSONAL STAKES:

Small Business Owners and the Personal Finances behind Their Companies

Findings from the 2025 Small Business Credit Survey

Small business finances are often intertwined with the personal finances of their owners. Even relatively large small businesses may rely on their owners' personal credit or use their owners' personal funds when they encounter challenges. Data from the 2025 Small Business Credit Survey shed light on the interconnectedness of personal and business finances for small employer firms.[1]

Why it matters:

Business growth may slow when business owners' personal finances are under pressure, and conversely, the owners' household finances may become strained when their businesses struggle.

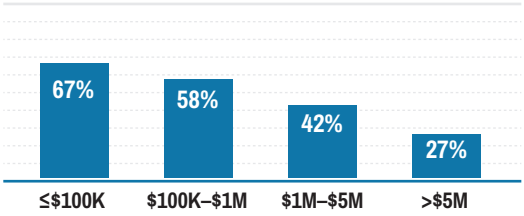
Personal funds provide a backstop in the face of business challenges

Use of owners' personal funds was highest among the smallest businesses, but even at larger small businesses, reliance on owner funds was not unusual.

Many small businesses face financial challenges. In the 2025 survey, the top challenges were rising costs, keeping up with operating expenses, and managing cash flow. Businesses responded to these challenges in a number of ways—for example, by raising their prices or cutting costs—but the most common action they took was using personal funds.

Use of personal funds in response to financial challenges, by revenue size of firm[2]

(% of employer firms with financial challenges)



54% of employer firms that experienced financial challenges used their owners' personal funds to address them

> *I used my personal savings to keep the business going.*

Many use personal credit cards for business expenses

Use of personal credit cards was highest among the smallest firms

26% of employer firms regularly used their owners' personal credit cards

32% of the smallest firms (those with $100K or less in annual revenues) regularly used the personal credit cards of their owners

> *Without startup capital, we used personal credit cards to finance at the start, and we still use them now and then since we couldn't get approved for funding.*

Small business financing is often secured with personal assets or guarantees

About 70% of employer firms had debt at the time of the survey, and personal guarantees are the most common way small business borrowers secure their debt.

Lenders often require collateral and personal guarantees to reduce their risks, giving them claim to borrower assets if the business defaults on its debt

59% of employer firms with debt secured their debt with a personal guarantee

38% of employer firms with debt used personal assets as collateral

A lack of collateral is also a barrier to financing for some firms. Among applicants that were denied financing, **29% cited a lack of collateral**.

A **personal guarantee** is a legally binding commitment that makes the business owner personally responsible for repaying the debt if their business defaults.

Personal assets used as collateral may include a home, savings account, or other valuables. The share of debtholders pledging personal assets as collateral has risen 7 percentage points since 2019.

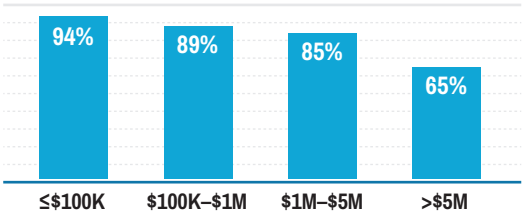
> ***It is very difficult to secure a business loan without putting up your personal property.***

Many businesses rely on their owners' personal credit score

A business owner's personal credit score is often factored into lenders' decisions on financing applications.

Share of firms that use their owner's personal credit score, by revenue size of firm[3]

(% of employer firms)



> ***I have had to use personal credit to fund my business which has led to a lower personal credit score due to [increased] utilization, which in turn makes it harder to get operational funding.***

1. Data are drawn from the 2025 Small Business Credit Survey's 6,525 responses from employer firms—those with 1–499 employees other than the business owner(s).
2. Revenue categories are condensed for readability. See the Appendix of the *2026 Report on Employer Firms: Findings from the 2025 Small Business Credit Survey* for more details.
3. Ibid.

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All quotes presented are from SBCS respondents and are lightly edited for readability, to preserve anonymity, or both. Quotes represent the views of the individual respondents. Other views expressed herein are those of the author and not necessarily those of the Federal Reserve Bank of Cleveland or the Federal Reserve System.

For more information on the Small Business Credit Survey, please visit fedsmallbusiness.org.

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DOI: doi.org/10.55350/sbcs-20261124