

Top 5 States for Small Business Ownership in 2018

By David Nilssen, CEO and Co-founder, [Guidant Financial](#)

Small businesses are the backbone of every state and local economy. No matter how large or small, every small business creates jobs and encourages the exchange of money that fuels the economy. So it was no surprise when we launched [our 2018 State of Small Business survey](#), in partnership with Lending Club, that respondents were finding business success in every corner of the country.

There were, however, some states that stood out as top hot spots for small business. Whether success in these states is driven by a large population, high income per capita or benefits unique to the geography, all of these locations have interesting small business trends leading to their success.

Here's a list of the top states for small business as well as some of the most important trends in each location.

5. Illinois

Illinois is home to one of the liveliest foodie scenes in the nation. With [restaurants owned by Top Chef winners](#), a pizza style named after its largest city and some of the top steak houses in the country calling Illinois home, it's no wonder that restaurants are a top industry in this state. Though many other states also reported the food and restaurant industry as popular in their region, it accounted for 18 percent of Illinois businesses compared to 10 percent across the nation. The Land of Lincoln was also the only state in the top five with education reported as a top industry.

Illinois Small Business Trends at a Glance:

- Average happiness level of business owners: 8 out of 10
- Average confidence in the state of small business: 7 out of 10
- Percentage of profitable small businesses: 70%

[See the Illinois Small Business Trends Infographic](#)

4. New York

The state of New York is known for hustling, trend-setting and straying from the crowd — and the small business scene is no exception. One of the most notable New York business trends was the age of entrepreneurs. Nationwide, it was far more common for baby boomers to be setting up shop on Main Street, but not in New York. Thirty-four percent of Empire State business owners were age 40 or younger, compared to 19 percent for the same segment nationwide. Another notable trend — when asked about their confidence in the state of small business given the current political climate, respondents from the president's home state reported a lower than average score: a 6 out of 10, compared to the nation's average of 7 out of 10.

New York Small Business Trends at a Glance:

- Average happiness level of business owners: 8 out of 10
- Average confidence in the state of small business: 6 out of 10
- Percentage of profitable small businesses: 70%

[See the New York Small Business Trends infographic](#)

3. Texas

Texans have their own way of doing things, and small business financing is no exception. The majority of Lone Star State entrepreneurs stay true to their name and fund their businesses out of their own pockets rather than taking on debt or borrowing from friends and family. The two top most popular financing methods reported by Texas small business owners were cash (60 percent) and [401\(k\) business financing](#), also known as Rollovers for Business Start-Ups or ROBS (22 percent). Entrepreneurs in Texas were 28 percent less likely to use money from friends and family than the rest of the country. And relying on cash and ROBS for business funding means most Lone Star businesses are operating debt-free from day one.

Texas Small Business Trends at a Glance:

- Average happiness level of business owners: 8 out of 10
- Average confidence in the state of small business: 7 out of 10
- Percentage of profitable small businesses: 65%

[See the Texas Small Business Trends infographic](#)

2. Florida

Florida may be known as a hot destination to retire, but it's also a top state for would-be retirees to launch encore careers as small business owners. In fact, over three quarters of aspiring entrepreneurs surveyed in Florida were age 40 – 69. And one of the most rewarding benefits for older entrepreneurs is often that they have more money saved in a retirement account, which they can use for small business funding (via the above-mentioned [Rollover for Business Start-ups arrangement](#)). While the average cost of purchasing a business in Florida was closer to \$50,000, those who used ROBS funding had access to greater buying power. According to our survey, 32 percent of Florida entrepreneurs who used ROBS funding invested \$250,000 – \$375,000 into their business.

Florida Small Business Trends at a Glance:

- Average happiness level of business owners: 9 out of 10
- Average confidence in the state of small business: 7 out of 10
- Percentage of profitable small businesses: 72%

[See the Florida Small Business Trends infographic](#)

1. California

It turns out Californians aren't just surfing and sunbathing — they're working hard to open and grow small businesses. Fortunately, for entrepreneurs in the No. 1 state for small business, it's not all work and no play —California business owners are some of the happiest around. In fact, 41 percent of business owners in the Golden State rated their happiness as a 10 out of 10. And the optimism doesn't stop there; over a third of California business owners are hoping to open a second location. It sounds like the top California small business trend is loving what you do.

California Small Business Trends at a Glance:

- Average happiness level of business owners: 8 out of 10
- Average confidence in the state of small business: 7 out of 10
- Percentage of profitable small businesses: 64%

[See the California Small Business Trends infographic](#)