

# Your Advice on Starting a Business May Be 20 Years Out of Date

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Entrepreneurial ambition is still strong, but access to startup capital is not. For many young founders, student debt, high rent, and tighter funding markets make launching a business far harder than older generations often realize.

At some point, nearly every young entrepreneur hears a version of the same line from an established business owner: *If the idea is good enough, the money will come.*

It is usually meant as encouragement. But in 2026, it is also one of the least accurate things we tell aspiring founders.

The problem is not that younger people lack ideas. In fact, entrepreneurial ambition is still very much alive. According to the Census Bureau, there were 532,319 business applications in the United States in January 2026 alone, with 29,863 projected employer startups expected to emerge within four quarters from that cohort. People still want to build. They still see opportunity.

What has changed is the resource environment around them.

## Fewer Options for Outside Financing

Many established business owners came of age in a world where startup capital often meant some combination of personal savings, a family loan, a home equity line, a banker who knew your name, or—if the venture was especially promising—an investor market less obsessed with a handful of sectors. That world did not make entrepreneurship easy. But it did give many founders a more forgiving launchpad than young people

have today.

Consider the contrast. Venture capital still exists, but it is increasingly concentrated. According to the NVCA-PitchBook Venture Monitor, AI and machine learning deals captured 65.6% of all U.S. venture deal value in 2025. That means that for founders building ordinary but potentially excellent businesses—services firms, local growth companies, niche manufacturers, software tools outside the AI frenzy—the venture market can feel less like a ladder and more like a spotlight aimed somewhere else.

Bank and SBA-backed capital also remain available, but the terms and conditions matter more than older owners sometimes appreciate. According to the Federal Reserve, the policy rate in January 2026 remained at 3.5% to 3.75%, far above the near-zero world that shaped entrepreneurial expectations a few years ago. Meanwhile, the SBA supported 103,000 financings in fiscal 2024, driven in part by growth in loans under \$150,000—even as borrower fees in the 7(a) program were revised for fiscal 2026—but that's hardly enough to launch a scalable business outside software in today's dollars, more triage for survival than fuel for real growth. In other words, smaller-dollar capital is flowing—but it is not frictionless, and it is not cheap in the way many older entrepreneurs remember.

That matters because younger founders are not entering the game with the same household balance sheets.

## Declining personal assets

For many of them, "bootstrap" no longer means pulling from accumulated savings or tapping appreciating assets. It means trying to fund a business while paying high rent, servicing student debt, and living without much buffer. According to Federal Reserve data, only 36% of adults ages 18 to 29 had enough rainy-day



savings in 2024 to cover three months of expenses. Among renters, 68% said they rented because they could not afford a down payment, and 49% said they could not afford the monthly mortgage payment.

As Michael W. Green argues in his recent Substack posts, this renting trap creates a deeper precarity: today's housing costs push even dual-income households toward a "\$100K+ precarity threshold," where property taxes alone devour 66% of surplus income above poverty (up from 13% in 1955). Homeowners face "trapped assets"—can't downsize without loss—while renters build no equity, hitting ruin every time the economy shudders, with no reserves to weather volatility. That is not just a housing story. It is an entrepreneurship story. A generation without reserves cannot self-finance in the way previous generations often could.

Student debt adds to the fragility. According to the Federal Reserve Bank of New York, by the second quarter of 2025 outstanding student loan debt stood at \$1.64 trillion, and 10.2% of aggregate student debt was reported as 90 or more days delinquent as missed payments began reappearing on credit reports after the pandemic-era pause. Even for capable young adults with strong ideas, this changes risk tolerance, credit profiles, and timing.

This is why so much startup advice from older generations lands badly with younger founders. The advice assumes that a "solid business" naturally attracts capital. But capital does not respond only to business quality. It responds to collateral, credit history, sector fashion, underwriting rules, lender relationships, and whether the founder can survive a long enough runway to prove the idea works.

That does not mean the next generation is entitled or weak. It means they are often navigating a structurally different game.

## **A bright spot: community lenders**

And to be fair, the story is not all bleak. According to the Federal Reserve's Small Business Credit Survey, firms applying at small banks were more likely to be fully approved than firms applying elsewhere, and community lenders and CDFIs continue to play an important role for businesses that do not fit traditional bank templates. But even those facts point to the same conclusion: today's entrepreneurs need more help

navigating *how* to finance, not just encouragement to "go for it." Resources like SBA-affiliated Small Business Development Centers (SBDCs), the SCORE mentoring program, university entrepreneurship centers, and small banks willing to act as partners rather than just lenders all can play a vital role in this. What they offer is support in navigating capital: diagnosing whether outside capital is needed at all, selecting the appropriate type, preparing strong applications and pitches, and understanding what milestones need to be hit before a lender or investor will make an offer.

## **What new entrepreneurs need now**

So here is the update our entrepreneurial culture needs.

The most important shift is structural. Every advisor, mentor, loan officer, and incubator coach should treat financeability as a first-conversation topic, not an afterthought. Before evaluating whether an idea is good, ask what it will take to keep the founder alive long enough to find out. How much runway do they have? What is the gap between what they have and what launch actually requires? What constraints—student debt, no collateral, a lease, a job they cannot afford to quit, a significant other beginning grad school—shape what is even possible right now?

These are not discouraging questions. They are the questions that make encouragement useful, because they turn a pep talk into a plan. From there, advisors can help founders think through the bridges available to them: how to structure a part-time or phased launch that preserves income while testing demand; what combination of savings, small loans, grants, or working capital could extend their runway; and where low-cost resources—shared space, subsidized equipment—can reduce overhead before revenue arrives. Downside scenario planning belongs in this conversation too. What happens if revenue takes six months longer than expected? Having a contingency built in from the beginning is not pessimism. It is what separates founders who survive a slow start from those who do not.

The support should not stop at launch. Accelerators and startup assistance organizations can offer structured financeability sessions that leave founders with something concrete: a 12-month cash plan, a clear narrative of their venture that a lender can actually evaluate, and a milestone map that ties each capital need to a specific proof point. And post-funding check-

ins, even just monthly for the first six months, can catch the warning signs of an avoidable default before they become an unavoidable one.

The encouragement our culture gives young entrepreneurs is not wrong. It is just incomplete because it hasn't adapted to the modern financial reality. The goal is not to make founding harder. It is to make the support we offer as serious as the challenge we are asking young founders to take on.

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