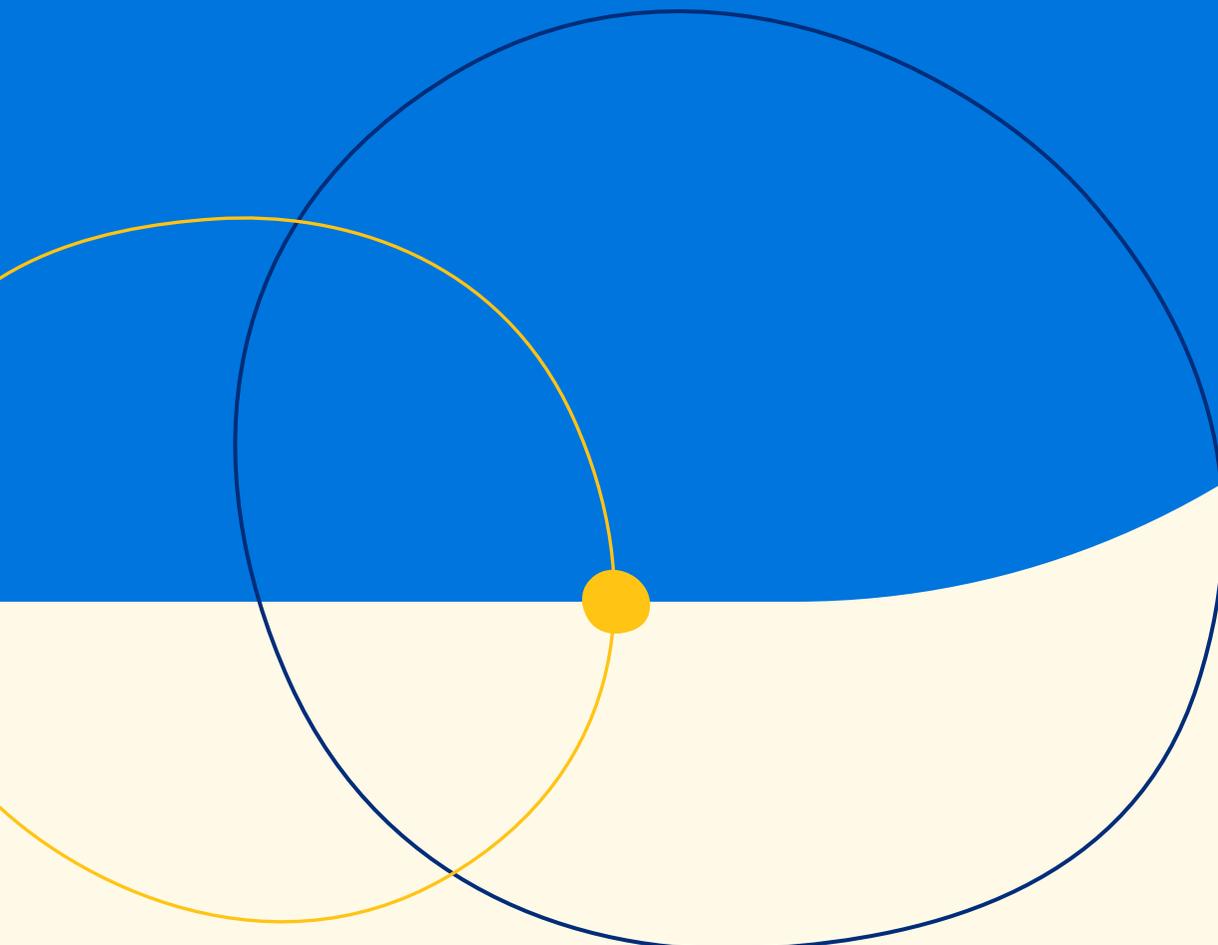




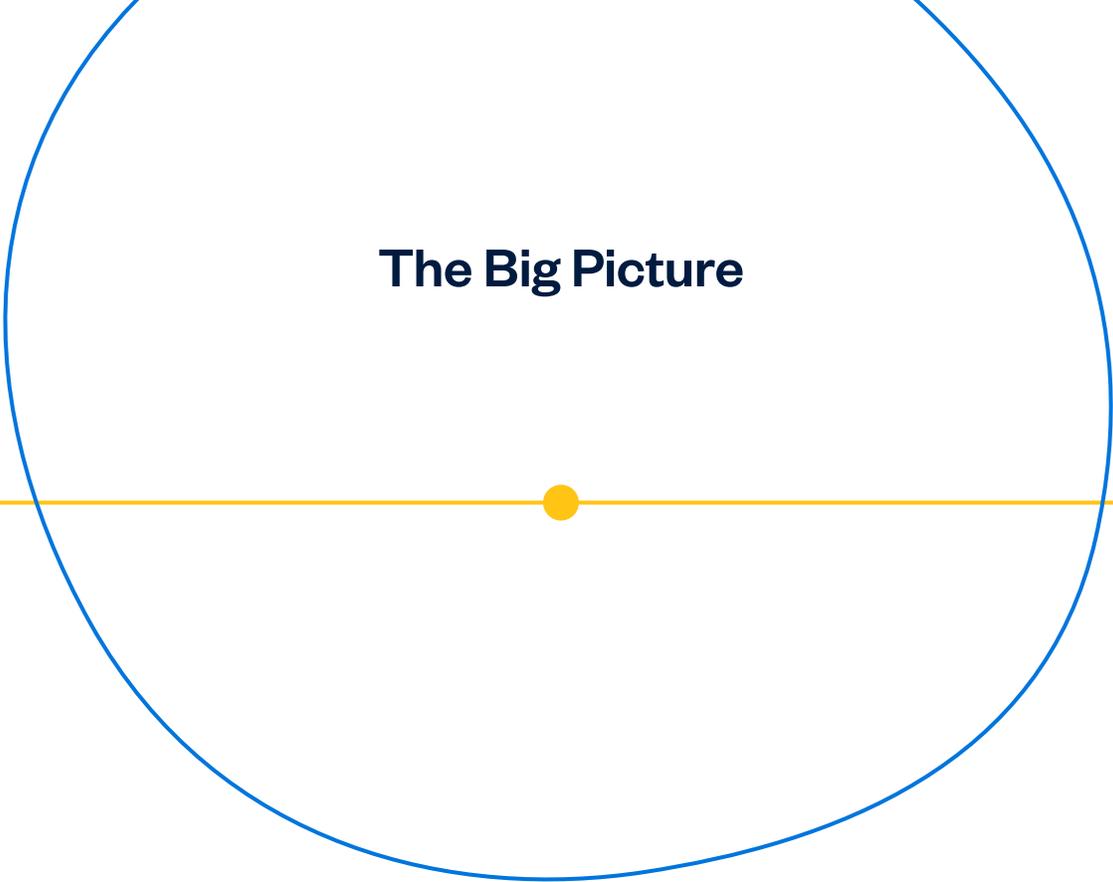
The Next American Dream

The \$1 Million 1-Person Business



December 2021

The Big Picture



In the United States, entrepreneurship is booming, with [applications for new businesses rising at the fastest rate since 2007](#).

This trend is taking place against the backdrop of widespread unemployment and “[The Great Resignation](#)”. When it’s tough (or impractical) to find the ideal job, starting a business is a smart move.

One common question that new entrepreneurs have is about earning potential. While full-time jobs offer stability and predictability, business owners are responsible for bringing in their own income.

With such historic economic transformation, the FreshBooks team was interested in learning more about the makeup of a one-person million-dollar businesses. With this insight in hand, our goal is to inspire businesses to strive for and achieve economic resiliency and find new paths to growth.

FreshBooks Research

Since mid-2020, the FreshBooks team has kept a close eye on the shifting small business economy through the lens of our proprietary data. The goal of our research is to build a foundation for collective discussion. We want to empower businesses to become more resilient and understand the steps they need to take to thrive in the future.

For this report, we examined trends from non-employer small businesses that generated \$1M in revenue in the prior 12 months leading up to July 15, 2021.

The value of our data is that it comes from actual customers rather than forecasts based on surveys. Our sample included 80,000+ smaller firms.

FreshBooks' data uncovered the following trends:

- Seven-figure solopreneur businesses are extremely rare
- High-earning businesses have good financial habits
- Fewer, rather than many, clients are the key to success
- Single person businesses are highly efficient
- Entrepreneurial opportunities are available across industries

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02 Uncovering The Right Opportunity

03 Navigating Financial Smarts

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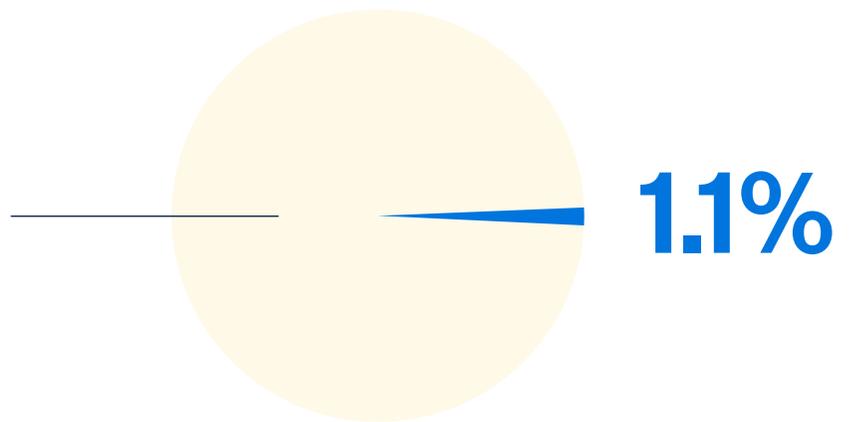
1 Achieving Ambitious Goals

FINDING 1 Solopreneurs earning \$1M are rare.

As an overall trend, the number of solopreneurs running \$1M+ businesses [has been rising](#). But just how common are these high-earners?

Among FreshBooks customers, 1.1% of them met the criteria for non-employer firms generating \$1M+ in revenue. Comparatively, that sits well above the national percentage.

[According to the U.S. Census Bureau](#), only 0.2% non-employer firms fall into this category. This percentage translates to 40,000 out of 23.5M firms. It's a small number, but the stories behind these businesses are inspiring nonetheless — 6,900 these firms are minority-owned and 5,100 are women-owned.



6,900

Minority-owned

5,100

Women-owned

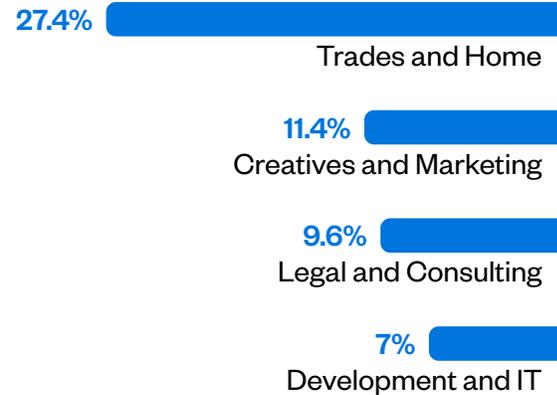
2 Uncovering the Right Opportunity

FINDING 2 You can make \$1M working with your mind and hands.

Entrepreneurship is for everyone.

It's not just high value fields like tech that are giving rise to \$1M+ revenue solopreneurs. Founders from a range of skills and sectors are creating opportunities for themselves.

We found that \$1M+, one-person firms span a range of industries from Trades and Home (27.4%), Creatives and Marketing (11.4%), Legal and Consulting (9.6%), and Development and IT (7%). The remaining businesses fell into the category of "other."



3 Navigating Financial Smarts

FINDING 3 \$1M business owners are money-savvy.

Business owners know how important cash flow is to the success of their business. Coincidentally, \$1M+ solopreneurs maintain a high degree of control over their cash flow. One proof point is that the bulk of their financial transactions move through online payments, which makes it easier to track and process funds for both them and their clients.

On the flip side, larger invoice amounts are less likely to enable online payments. The likely reason is that high-earners avoid payment processing fees on amounts over a certain threshold.

The Trades and Home industry was the least likely to have online payments enabled.

4 Teaming Up With Peers

FINDING 4

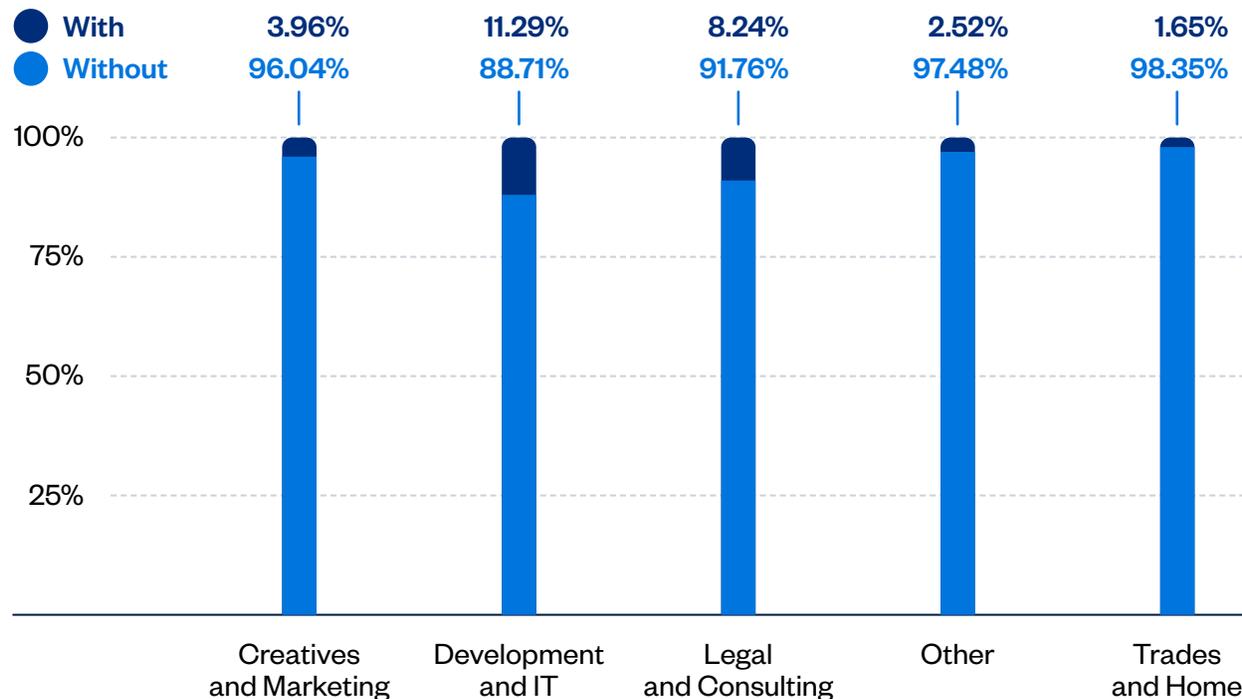
You don't need to go at it alone — and that's good news for entrepreneurs who enjoy working with colleagues.

High-earning solopreneurs are productivity powerhouses due to the value of their services. But even though they run their businesses with a high degree of self-sufficiency, they know when it's time to delegate.

A small number of single-person \$1M+ businesses reported hiring contractors as part of their expense categorizations. Development and IT businesses were the most likely to hire contractors (9.7%), while Trades and Home were the least likely (1.65%).

OPOM Businesses with Contractors by Industry

Contractors



Finding Clients

FINDING 5 \$1M+ businesses tend to rely on fewer clients.

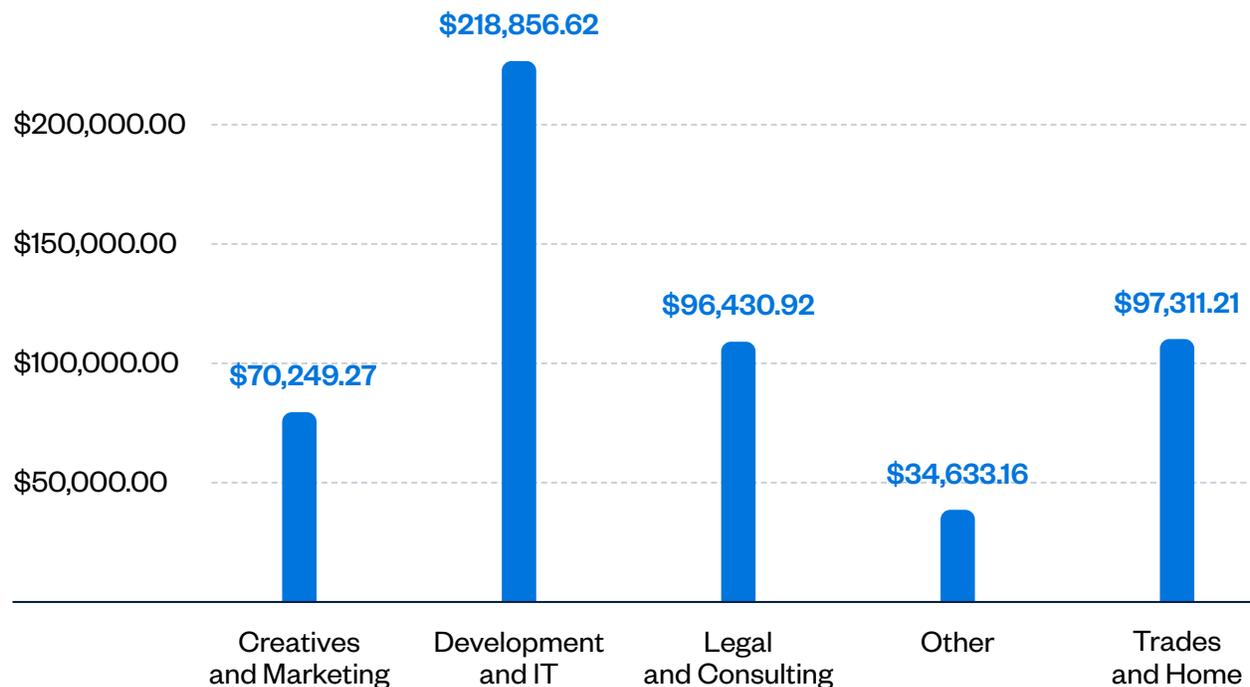
Having a \$1M+ business as a solopreneur does not necessarily mean overworking or needing to support a large number of clients. The key is to run a stable business with a core customer base.

Within the FreshBooks sample of \$1M+ solopreneurs, 65% reported having 5 or fewer clients, with the median number being 4. Roughly all industries reported having the same median number of clients (3-5).

Development and IT customers had the highest revenue to clients ratio but also maintained the lowest number of clients. About half of these companies (49%) had 2 or fewer clients. These businesses also had the highest median revenue of any other industry.

Over 50% of Trades and Home customers had more than 4 clients and were tied with legal and consulting for the highest median number of clients.

Revenue per Client by Industry



Building Thriving Livelihoods

FINDING 6 Services businesses are valuable and scalable.

Seven-figure solopreneurs are running their businesses without many expenses. That means they are taking home the majority of their earnings.

In the sample, 28.8% of customers logged bank fees as the most common expense category, followed by supplies (4.4%). The majority of expenses were uncategorized (53.5%).

Creatives and Marketing logged the most expenses out of all the industries and have the worst ratio of expenses logged to revenue generated. Legal and Consulting businesses were most dependent on subscriptions and dues.

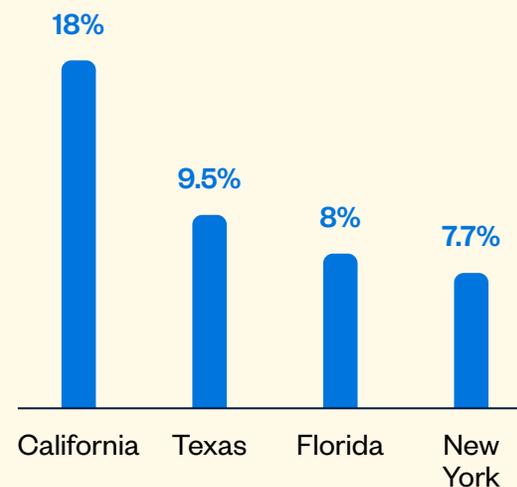
Meeting Costs of Living

FINDING 7 High-earning founders are in the U.S.'s most populous states.

In the sample, 43.2% of businesses were dispersed across the United States, with the highest concentrations being in the country's most populated regions: California (18%), Texas (9.5%), Florida (8%), and New York (7.7%).

California and New York, especially, are two of the most expensive regions in the United States. Residents and businesses of these states also pay the highest tax rates in the nation.

While \$1M may be a nice salary, high-earning entrepreneurs in these regions are also likely taxed at higher rates.



Implications for Business Owners

The data suggests that solopreneurs who earn \$1M+ share a few traits in common: self-direction, financial diligence, dedicated clients, and a sense of focus. They work alone primarily but know when to hire contractors for support.

This narrative speaks to the importance of work ethic, financial smarts, and strong client relationships. Running a \$1M+ business as a solopreneur isn't about gimmicks or growth hacks.

It's about running an efficient and high-integrity business.



About the study:

The Next American Dream study analyzes customer data across more than 80,000 FreshBooks customers in the United States. The report covers the time period from July 2020 to July 2021. The FreshBooks data science team examined a range of metrics (e.g., revenue, expenditures, invoice amounts) to infer the impact(s) of COVID-19 on overall business performance in aggregate as well as by region and industry.

About FreshBooks:

FreshBooks is changing the way business owners manage their books. Its owner-first accounting platform, loved by businesses in over 160 countries, takes an easy-to-use approach to managing finances, billing, payments, and client engagement. FreshBooks, known for its 10x Stevie award-winning customer support, serves customers of all sizes from offices in Canada, Croatia, Mexico, Netherlands, Germany, and the US.

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