

Free of Debt

It's important to develop healthy financial habits and lifestyles so that you can stay out of debt and stay in good financial shape. Once you have gotten out of debt, it may be tempting to say, "Well, I don't have all those payments anymore; I can afford to have a small payment now!" It is a temptation because you have freed yourself from the chains of debt, and a new car payment or a little credit card debt for a new appliance doesn't seem as hard to cover. Instead, keep your money, keep that interest payment for yourself, and save up to pay cash for the item you need.

Habits

Habits are behaviors that you do regularly without thinking about them. It takes an average of 66 days to develop a habit—good or bad. Habit forming is a process that takes time and commitment. They don't just happen overnight, so you shouldn't give up, even if you mess up here and there. In order to break a bad habit, you are more likely to succeed if you replace it with a new habit or behavior. The process is SIMPLE, but it's not easy. The first step to staying out of debt is knowing what got you INTO debt in the first place. The way you spend money, over time, becomes the habit that will affect your financial situation. Bad habits lead to disaster. Let's look at a few common bad habits:

Overspending

Spending more money than you make will get you right back into debt faster than you can say, "I'll buy it!" It doesn't take complicated math to figure THAT out! It's like jumping out of an airplane without a parachute. Do we really have to analyze that you're going to drop like a rock?! And when you do hit the ground, it isn't going to be pretty? If you spend more money than you make, you WILL crash financially!

Impulse buying

Impulse buying is a BAD habit that not only leads to overspending, but will also leave you bankrupt when it comes to paying your bills. Everyone wants one thing or another. But when you grow into a mature, responsible adult, you develop the ability to resist the urge to buy these things impulsively.

Credit Cards

Credit cards are often the tools used in overspending and buying impulsively. They can become a bad habit because they don't feel like real money. THEY'RE PLASTIC! But they can lead to REAL debt that you will have to pay off with your REAL hard-earned money. Unless you are budgeting and paying off your credit cards every month, then you probably need to get rid of the cards.

Not making a budget

The biggest and baddest bad habit of all is NOT making and living within a budget. A budget is simply making a plan for EVERY cent of your money. If you don't make a budget and stick with it, then you will be unprepared for future expenses.

Healthy Financial Habits

EVERY bad financial habit can be replaced with a new, GOOD financial habit.

Savings

Saving is an important habit that few people actually do. It takes REAL effort and dedication, but when you save for whatever it is you want to buy, then you'll never have to feel guilty about buying it. Saving is a really good habit, and it is a GREAT replacement habit for overspending. You can also start saving for emergencies! NOBODY goes through life without experiencing an emergency or two. An emergency fund is simply a savings account in which you save money and don't touch it unless you have a REAL emergency. When you do this, and you develop the good habit of keeping an emergency fund, then your emergencies won't put you back into debt.

Paying Cash

Paying cash is a good habit to get into because it gives you a little more pause to consider if the thing you're buying is REALLY worth it. It also forces you to plan and save for the purchase. If you want to replace a credit card habit that is getting you into trouble, replace it with this good habit of planning and paying cash.

Budgeting

Creating and sticking to a good budget allows you to exercise the above good habits. You plan for purchases by plotting them in the budget. This way your bills are accounted for, along with your future purchases. Your emergency fund is in the budget too. There's nothing you can't do with a good budget. Budgeting is a wonderful replacement for the bad habit of impulse spending.

Moving forward

Every bad financial habit can be replaced with a new good financial habit such as saving money including an emergency fund, planning and paying for big purchases and budgeting. First, sit down and look at the bad habits that threaten to destroy all of the hard work that you put in. Be honest with yourself about what behaviors need to change. Next, look at what motivates those behaviors. Understanding why you do things will help you change your behavior. Finally, come up with a plan to replace each of those bad habits with good ones so that you can knock them out of your life, once and for all. And then stick with your plan as long as it takes to make those new behaviors into good habits to live by. The reality is it's our own bad habits that lead us back into debt. You are the only one that can change your bad habits into good ones and set realistic goals to keep yourself debt free.

Resources:

1. Caldwell, M. (n.d.). You're Out of Debt. Now What? Retrieved November 28, 2020, from <https://www.thebalance.com/once-out-of-debt-2386019>
2. Clear, James. How Long Does It Actually Take to Form a New Habit? (Backed by Science). 04/10/2014,. <https://www.huffingtonpost.com/james-clear/forming-new-habits-b-5104807.html> accessed 1/15/2017.
3. Dan, Signe. Here's How Long It Takes to Break a Habit, According to Science. Science Alert. 24 Sept 2015, <https://www.sciencealert.com/here-s-how-long-it-takes-to-break-a-habit-according-to-science> accessed 1/15/2017.