

10 Key Characteristics of Debt-Free People

The other day a friend and I were discussing why some people manage to live their lives in complete control of their finances, while others are constantly trying to get out of debt fast – and usually in hock up to their eyeballs no matter how much money they make.

I've preached that financial freedom can be achieved by anybody, regardless of their income level, more times than I care to count.

So what is it that separates the financially free from the financially inept?

Why is it that there are families out there with household incomes under \$40,000 comfortably making ends meet and saving for retirement with no debt on the books – or at worst, a single mortgage payment – while others who make *millions* per year – like Sinbad, Ed McMahon, Mike Tyson, and Stephen Baldwin – have trouble keeping their financial heads above water?

The more I thought about it, the more I realized there is no single trait that determines who will successfully manage their personal finances and those who won't.

More often than not, it seems to me that people of modest means who exhibit an ability to properly manage their finances have some combination of multiple characteristics.

Here is my list of 10 key characteristics that enable people of modest means to lead a debt-free life...

1. They're detail-oriented

People who are in a good financial position always pay close attention to their personal finances. They know how much they earn, and they keep track of how much they spend and where every penny goes. Because they've got a good handle on the state of their personal finances, they are less likely to buy something they can't afford.

2. They realize debt is a mortgage on their future

I remember somebody once telling me that debt is a form of indentured servitude, where we end up sacrificing our future earnings in exchange for instant gratification. Financially savvy people understand that, in most cases, such a trade almost always ends up being a Faustian bargain.

3. They're pragmatic

More often than not, folks who are debt-free are also practical people. Because they are practical, they understand the meaning of value. For example, a car is often looked at merely as means to get from point A to point B, so why buy a Lexus when a Corolla will do? In the same vein, why pay double for designer jeans that will last just as long as the no-name alternatives? Such a philosophy even stretches to the grocery store, where name-brand items often give way to their store-brand counterparts.

4. They're self-reliant

Most people who work hard to maintain a life of financial freedom take pride in being self-reliant. To that aim, they make sure they always live within their means, and save as much money as they can for a rainy day or when times get lean. (They're also quick to give when others fall on hard times.)

5. They aren't addicted to shopping

We all know there are people out there who get a high on spending money, whether they have it or not. While not physically destructive like a drug or alcohol addiction, an uncontrolled shopping habit will make it virtually impossible to remain debt free.

6. They're patient

People who are debt-free didn't get there because they were impulsive shoppers, or always looking for instant gratification. If the money for something wasn't in the budget, then they saved their money and waited.

7. They're self-confident

Because they refuse to let their self-worth be defined by their possessions, the financially free never feel any pressure to spend money in order to try and keep up with the Joneses. Those who are debt-free understand that their status in life is more accurately conveyed by self-confidence, rather than dubiously deceptive displays of wealth.

8. They realize credit cards are a double-edged sword

People who are in control of their personal finances aren't afraid of credit cards. In fact, they embrace them. And while the financially savvy understand the incredible benefits that credit cards provide their owners, they also know that if they fail to pay them off in full at the end of each month, they will pay a heavy price. This knowledge fosters a healthy respect that keeps their credit cards from being abused.

9. They believe in personal responsibility

Financially responsible people refuse to make excuses. If they lose their job, they know it's their responsibility to have a rainy day fund in place – and if they don't, they've got no one to blame but themselves. Short of an unforeseen catastrophic medical issue or natural disaster, they also understand that when it comes to living within one's means, they are in complete control of their own destiny.

10. They're not materialistic

The pursuit of expensive toys and other possessions can certainly make life more luxurious. But at what cost? I know it's a cliché, but most people who are debt-free understand better than most that money cannot buy lasting happiness. As such, they often tend to live simpler lives that focus on the joys of family, rather than the accumulation of material possessions.

This is by no means an exhaustive list. However, the more aforementioned characteristics that a person possesses, the more likely they are to be debt free and living a life of financial freedom. How many of them apply to you?