

GLOSSARY

A

- adjustable rate mortgage** A loan agreement in which the interest rate, payment amount, and length of the loan can change over time
- adjusted balance method** A method of computing finance charges in which interest is calculated after charges and payments for the current period have been applied
- advertising** A method of informing consumers and promoting and selling products
- amortization** Repaying a debt by making regular payments of principal and interest over a period of time
- annual report** A company's report to stockholders about the financial position of the company
- annuity** A contract purchased from an insurance company that guarantees a series of regular payments for a set time
- asset allocation** Choosing a combination of stocks, bonds, mutual funds, or other investments to limit risk and increase returns
- assets** Money and items of value that you own
- auction market** A market in which stocks or other securities are sold to the highest bidder
- automatic deposit** Money electronically added to a checking or savings account; no currency or paper checks are involved
- automatic payments** Payments that are made by transferring money electronically from a checking account to another account every billing period
- automatic withdrawal** Money deducted from an account and electronically transferred to another party
- automobile insurance** Protection for the owner of an automobile for collision and other damage to cars and occupants
- average daily balance method** A method of computing finance charges in which interest is calculated using the average outstanding daily balance for the billing cycle

B

- balloon payment** A large loan payment that is much higher than the other payments and that must be paid at a set time, often as the last loan payment
- bankruptcy** A legal procedure to relieve a person who cannot pay debts of those debts or to create a payment plan for paying some of the debts
- bear market** A period of time when stock market prices are steadily decreasing
- beneficiary** The person to whom the face value of a life insurance policy is paid
- benefits** Forms of pay for a job other than salary or wages, such as vacation and holidays
- blog** An online place where you can find short articles or comments on a particular subject area
- bond** A debt instrument issued by a corporation or government that requires the issuer to pay the bondholder the loan principal plus interest at maturity
- bounced check** A check that is returned by the bank for non-sufficient funds (NSF); also called a bad check
- budget** A spending and saving plan based on expected income and expenses
- bull market** A period of time when stock market prices are steadily increasing
- business plan** A document that outlines how a business plans to succeed
- buy and hold** A long-term plan of holding stock for several years to receive dividends and make capital gains
- buying on margin** Buying stock with borrowed money and repaying the loan when the stock is sold or when the loan is called

C

- cafeteria plan** A benefit package that allows employees to select the options they want from a number of choices
- cashier's check** A check issued by the bank against bank funds
- certificate of deposit** A deposit of money set aside for a fixed amount of time at a fixed interest rate
- certified check** A personal check for which payment is guaranteed by the bank on which it is drawn
- Chapter 7 Liquidation** A type of bankruptcy, also known as straight bankruptcy, in which the debtor gives up property and has debts discharged
- Chapter 13 Wage Earner Plan** A type of bankruptcy in which the debtor repays part or all of the unsecured debt over a set time period; then remaining debts are discharged
- check** A written order to a bank to pay the stated amount to the person or business named on the check from a certain account
- checkbook register** A record in which transactions of a checking account (checks, other withdrawals, deposits, and fees) are kept
- checking account** A demand deposit that allows the account holder easy access to the money and allows checks to be written on the account
- clearing account** An account used to hold money for buying and selling securities
- closing costs** Expenses the borrower must pay in order to get a loan, such as appraisal fees, credit report fees, recording costs, and inspection fees
- collateral** Property that can be used as security for a loan, such as land, a house, or a car
- collectibles** Items bought for their investment value, such as art objects, coins, decorative plates, books, and baseball cards
- commission** A set fee or a percentage of a sale paid to a salesperson instead of or in addition to salary or wages
- commodity** An item of value that is bought and sold in a marketplace, such as soybeans, silver, or coffee
- common stock** Shares of stock in a corporation that represent ownership and entitle the owner to voting rights
- compound interest** Interest that is earned on both principal and interest previously earned on savings
- contingencies** Unplanned or possible events, such as emergencies

co-pay The amount a patient pays each time for using a medical service

cosigner A person who agrees to repay a loan if the borrower does not repay it

cost-plus pricing Setting a price based on the cost to produce or acquire and deliver a product plus a markup for profit margin

cost-push inflation A situation in which producers raise prices to reflect higher costs of creating products

credit The ability to borrow money with the agreement to pay it back later. The repayment usually includes interest.

credit card fraud A crime in which someone intentionally uses another person's credit account to steal money or goods

credit report A document that gives a person's credit history and current status with regard to credit and income

criteria Standards or rules by which something can be judged

D

debit card A bank card that allows the account holder to make purchases and to withdraw cash from an account at an ATM

debt consolidation The process of getting one loan to pay all other existing debts

deductible The amount you must pay before insurance starts to pay

deflation The lowering of overall price levels

delinquency The failure to do what your duty or the law requires, such as making loan payments; an overdue debt

demand The willingness and ability of consumers to buy products and services

demand-pull inflation A situation in which prices increase because consumers want to buy more goods and services than producers supply

deposit Money added to a checking, savings, or other financial account

direct investing Buying investments directly from companies and holding them individually

disability insurance Income protection coverage to replace a portion of normal earnings when the insured is unable to work due to an injury or illness that is not job-related

discharge A court order that pardons the debtor from paying some debts

discount The difference between a bond's selling price and its face or maturity value

discount broker A licensed person who buys or sells stock for clients at fees much lower than those a full-service broker charges

discount rate The rate banks are charged to borrow money from the Federal Reserve

discretionary income The amount of money a person has to spend after needs are met

discretionary order An order to buy or sell a stock at the best price according to the broker's judgment

disinflation A situation in which prices are rising, but at a slow rate

disposable income The money a person has available to spend or save after taxes have been paid

diversification Holding a variety of investments in order to reduce risk

dividend Money paid to stockholders of a corporation

documentation Records that can be used to support a claim

dollar-cost averaging Saving or investing the same amount on a regular basis, such as monthly, regardless of market conditions

E

economist A person who studies the economy and tries to predict what will happen, using current and projected data

economizing A consumer spending pattern of saving as much as possible and spending only when necessary

economy All the activities related to making and distributing goods and services in an area

emergency fund Money set aside to handle expenses related to unplanned events

endorsement A signature or instructions written on the back of a check authorizing a bank to cash or deposit the check

entrepreneur Business owner; person who takes the risks of owning a business

Equal Credit Opportunity Act A federal law that makes discrimination illegal when granting or denying credit

equity loan A loan in which the equity in a home is used as security for the loan

ethics A system of moral values that people consider acceptable

excise tax Tax on the sale of certain goods such as tobacco or on activities such as highway use by heavy trucks

exemption Property that a debtor is allowed to keep in a bankruptcy proceeding

F

face value The stated sum of a life insurance policy, payable at the death of the insured

Fair Credit Billing Act A federal law governing how credit disputes are to be handled

Fair Credit Reporting Act A federal law giving consumers the right to know what is in their credit file and the right to challenge information in that file

Fair Debt Collection Practices Act A federal law that forbids the use of abusive practices when collecting debts

federal funds rate The rate at which banks can borrow money from the excess reserves of other banks

financial aid Money received from an outside source to help pay for education and training

financial goals Methods used to pay for personal goals

financial plan An overall plan that contains personal goals you want to accomplish, a timeline for reaching those goals, and methods you will use to finance them

financial planner A person who provides financial advice to individuals

financial resources Money or other items of value that people can use to acquire goods and services

financial security The ability to prepare for future needs and meet current expenses to live comfortably

fixed expenses Expenses that do not change each month, such as rent, insurance, and car payments

fixed rate An interest rate on credit that remains the same each month

foreclosure A legal process a creditor can use to force the sale of mortgaged property to repay the mortgage when a borrower does not make mortgage payments

futures contract An agreement to buy or sell a specific commodity or currency at a set price on a set date in the future

G

garnishment A proceeding in which a creditor may legally take possession of money or goods held by a third party in payment of a borrower's debt



goal A plan that is based on values or desired outcomes

grace period The amount of time you have before a credit card company starts charging you interest on your new purchases

group life insurance Life insurance available through an employer or an organization, covering a group of people and offering lower premiums than for individual policies

H

hard skills The ability to perform technical tasks or complete procedures

health insurance A plan for sharing the risk of medical costs from injury and illness

homeowner's policy Property insurance to protect the owner from risk of loss in the home

hyperinflation Rapidly rising, out-of-control prices increasing at rates of 50 percent or higher

I

identity theft The act of using someone's personal information without his or her permission to commit fraud or other crimes

illiquid Not able to be turned into cash quickly and without a penalty

impulse buying Making a purchase without thinking about it ahead of time

indirect investing Buying shares in a company, such as a mutual fund company, that buys and holds stocks or other securities

industry risk The chance that factors that affect an industry as a whole will change the value of an investment

inflation An increase in the general level of prices for goods and services

inflation risk The chance that the rate of inflation will be higher than the rate of return on an investment

initial public offering The stock offering in which a company first sells stock to the public

installment credit A credit account for a set amount (no new charges can be added). Payments are made and the balance is paid off in a set period of time.

installment loan A type of debt in which you borrow money for a period of time with an agreed-upon interest rate and repayment plan

interest Money paid for the use of money, as in the cost of a loan

Internet A worldwide network of computers that can share information

investment portfolio A collection of assets (investments), such as stocks, bonds, real estate, and other holdings

investment risk The potential for change in the value of an investment; also called portfolio risk

J

job description A document that gives details about the tasks, duties, skills, education, and experience required for a job

job market The wide variety of jobs and careers that exist at one point in time

job scout or agent A computer program that searches the Internet to find job listings that meet certain criteria and returns those listings to the user

job skills Specific tasks or procedures a person can do to complete a job

job title A name given to a particular job

L

liability Any debt you owe that must be repaid

life insurance A plan that pays money to a beneficiary when the insured person dies. Some plans also build cash value.

limit order A request to buy or sell a stock at a set price

line of credit A preapproved amount that can be borrowed

liquidity A measure of the ability to turn an asset into cash quickly

loss Some type of physical injury, damage to property, or absence of property or other assets

M

market Any place where investments or assets are bought and sold

market-based pricing Setting a price based on existing prices for similar products already in the marketplace

market order A request to buy or sell a stock at the current market value

minimum wage The lowest pay rate allowed by law for each hour of work

monetary policy Actions taken by the Federal Reserve to influence money and credit conditions in the economy in an effort to affect employment levels and prices

money market account A savings option that pays the current market rate of interest on the money deposited and may have restrictions on withdrawals

money order A type of prepaid check that directs payment of a sum of cash to a payee

mortgage A loan that is used to secure financing for the purchase of a house or other real estate

mutual fund An investment fund that consists of stocks, bonds, and other investments focused on a strategy, such as balance or growth

N

net worth The amount of your assets (what you own) minus your liabilities (what you owe)

O

odd lot A designation given to fewer than 100 shares of stock that are bought or sold together

online banking A service that allows you to make payments and manage your bank account using the bank's Web site

opportunity cost A benefit or an item you give up when you choose to buy another benefit or item

optimizing A consumer spending pattern of spreading money to cover as many needs as possible or to get the highest value for the money spent

oversight Supervision, as in the government overseeing the investment industry to protect investors from unlawful actions

over-the-counter market A network of dealers who buy and sell stocks that are not listed on an exchange

over-the-limit fee A fee creditors charge to customers who charge more than their credit limit

overtime pay Pay for hours worked beyond the set regular number for a job

P

paid holidays Days a worker is paid for working but does not actually work, such as Christmas and Thanksgiving

penalty A fee charged for violating an agreement, such as a credit agreement

permanent life insurance A plan that provides money to a beneficiary at the death of the insured and builds cash value

personal goals Things a person wants to achieve, such as taking a trip

personal leave Days a worker is paid for working even though he or she is absent for personal reasons

personal loans Loans that are based on personal creditworthiness and do not require collateral

phishing An e-mail scam designed to get individuals to give out personal information such as bank account numbers

political risk The chance that an event in politics (laws, policies, wars, or elections) will affect the value of an investment

portable insurance Insurance you can convert to an individual policy when you leave employment at a company

postdated check A check written with a date that will occur in the future

preferred stock Shares of stock in a corporation that may pay guaranteed dividends

premium The price you pay for insurance

prepayment penalty A fee charged for paying off a loan before the agreed-upon time

previous balance method A method of computing finance charges in which interest is calculated on the previous balance, before charges and payments made in the current period are applied

primary market A market in which new issues of securities are sold to investors by the issuer

prime rate The interest rate that banks charge to their most creditworthy business customers, such as corporations

principal An amount of money that is set aside (saved or invested) on which interest is paid

probability The likelihood of some risk actually resulting in a loss

productivity A measure of the efficiency with which goods and services are made

profit The amount left after all costs are deducted from the income of a business

R

real-cost inflation A situation in which prices increase because the cost of getting resources or the cost of resources themselves becomes more expensive

rebate A refund of part of the purchase price of an item

recourse A remedy or action taken to seek aid, such as for the correction of an error

redeem To turn in something, such as a bond, and receive cash in exchange

reflation A situation in which prices are high, drop, and then rise to their previous high level

renter's insurance A plan that protects renters from the risk of losing personal property as well as from liability for injuries to others

repossession The process of taking an asset used for collateral, such as a car, and selling it to pay for a debt

revolving credit An account that the account holder can charge to as often as desired, up to a certain dollar limit. The account holder makes payments, usually each month. The entire debt or part of the debt can be paid each month.

risk The chance of injury, damage, or economic loss

rollover The nontaxable transfer of funds from one qualified retirement plan to another

round lot A designation given to 100 shares of stock or multiples of 100 shares that are bought or sold together

Rule of 72 A math formula that calculates how long it will take for money earning a set rate of interest to double

S

sales finance company A type of lender that makes a loan for the purchase of consumer goods, such as cars or household appliances

savings account A demand deposit that has some restrictions as to how quickly or easily you can get your money

scam A fake offer, sale, or other gimmick designed to cheat consumers

scholarship A gift of money or other aid (free tuition or books) made to a student to help pay for education

secondary market A market in which securities are bought from other investors

secured loan A debt agreement in which the borrower pledges property of value, called collateral, as security for the loan repayment

securities exchange A place where brokers buy and sell securities listed on the exchange for their clients

self-insure To set aside money to be used in the event of injury or loss of assets

selling short Selling stock that has been borrowed and must be replaced at a later date

service credit The ability to receive services and pay for them later

sick leave Days a worker is paid for working but did not work due to illness

soft skills Nontechnical skills such as leadership or the ability to communicate clearly

spending limit The maximum amount you are willing to spend for an item

stockbroker A licensed person who buys and sells securities on behalf of others

stock dividend Shares of stock issued by a company to its stockholders instead of a cash dividend

stock risk The chance that activities or events that affect a company will change the value of an investment

stocks Shares of ownership in a corporation

stock split Issuing more stock in a company to shareholders in proportion to the stock they already own

stop order A request to sell a stock when the price reaches a certain amount

stop payment A bank service that directs the bank not to honor a check you wrote or lost

stop-loss provision A feature of a health care plan that provides 100 percent coverage after a certain amount is paid toward medical expenses

store accounts Credit offered through individual stores, companies, or other merchants

student loan A debt that is used to finance education costs

subsidized student loan A loan used to pay for education on which interest is not charged until after the student graduates from the educational program

supply The quantity of goods and services that producers are willing and able to provide

T

target audience A specific group of people for whom advertising or other messages are created

tax A required payment for the support of a government, such as income tax or sales tax

tax-deferred Free from tax for a period of time; for example, until the earnings are taken from an investment account



tax shelter An investment that allows you to legally avoid or reduce income taxes

term life insurance Insurance that is in effect for a stated period of time and provides a death benefit only; pure insurance

time value of money A concept that says money received in the future is worth less than money received today because of inflation

tip Money, often a percentage of the total bill, or a gift given to a person for performing a service and often based on the quality of service provided

trade-off The choice to give up a particular benefit or item to get another that you think is more desirable

transfer payments Money or benefits received from the government without working for them at the time they are received

Truth-in-Lending Act A federal law requiring that consumers be fully informed about the true cost of credit; also known as the Consumer Protection Act of 1968

tuition The charge for instruction at a school

U

umbrella policy Coverage for catastrophic expenses in addition to your car and home insurance

unearned income Money received from sources other than working in a job

U.S. savings bond A discount savings bond issued by the U.S. government

V

value A principle that reflects the worth you place on an idea or action

value-based pricing Setting a price based on how much the seller thinks the consumer is willing to pay

variable expenses Expenses that can go up and down each month

variable rate An interest rate that changes at the discretion of the credit card company or lender

variances Differences between planned income or expenses and actual income or expenses

vested Having ownership rights, as for a pension or retirement plan

W

wants Things people desire to buy that are beyond basic or other needs

wire transfer The process of sending money electronically rather than using paper checks