



GLOSSARY

#

1040

A tax form filled out by an individual and filed with the IRS that determines the amount of income tax owed in a single year.

A

ATM Card

A payment type similar to a debit card that allows you to make electronic purchases but requires that you enter a PIN (Personal Identification Number) for any transaction.

ATM

Stands for Automatic Teller Machine. A machine that allows you to make electronic deposits and withdrawals from your bank accounts.

Account Number

Each bank account has a unique account number. Also the second range of numbers in the series of numbers at the bottom of a check that tells the bank cashing the check which account to pull the money from.

Annual Percentage Rate

Another name for the interest rate charged on the balance of a credit card.

Appreciating Assets

An appreciating asset is something you own that increases in value over time. In other words, if you buy something and then sell it later on, it will be worth more money than you originally paid for it.

B

Balance

The total amount of money in a banking account at any given time.

Bonds

A bond is basically a loan, except that in this case, you're the lender. When you buy a bond, you loan an amount of money to the organization issuing the bond at a certain interest rate for a certain period of time. You are paid interest from this loan at regular periods, and then, when the bond matures, you get back your initial investment plus any additional interest. Treasury and municipal bonds are specific types of bonds.

Brokerage Account

A brokerage account is an account you open with a stockbroker in order to trade stock on a stock exchange. The broker uses the money in the account to buy and sell stock on your behalf when you decide you would like to make a trade. Some types of brokerage accounts allow the broker to make trades on his/her own without your direct approval.

Budget

A budget is a plan of how you will spend the money that you make or receive.



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C

Capital Gain

Capital gain is the amount of money you gain from an investment (hence the name). Basically, it describes how much more money your investment is worth compared to the price you paid for it.

Capital Gains Tax

The Capital Gains tax is a tax charged on the profits made on the sale of something that was purchased at a lower price. People usually make capital gains from the sale of stocks, bonds, and property (for instance, a home).

Cash Advance

A loan of cash you obtain with a credit card.

Certificate of Deposit

A type of savings vehicle in which you put your money away for a certain amount of time, called a term, to allow your principal to earn interest.

Charge Card

A payment type that works just like credit cards except the balance must be paid in full every month.

Check Card

Another name for a Debit Card.

Check Number

A number identifies each personal check, found at the top right of a personal check that identifies that specific check.

Checking Account

A type of bank account in which interest is not usually applied to the principal, but offers a safe place to store your money with high liquidity and allows you to make withdrawals using an ATM card, debit card, or personal check.

Claim

A claim is the request you make to your insurance company for payment of the benefits allowed by your coverage. For instance, if you receive a bill for repairs made to your car, you might submit a claim to your auto insurance company to request they pay the bill for you.

Commercial Banks

Commercial banks deal primarily with deposits and loans from corporations or large businesses.

Compound Interest

Compound interest is interest that's generated not only from the money you put into an account, but also from the interest you make on that money. With simple interest, if you put \$500 into a savings account at 5% interest, you only earn 5% on that \$500, and no more. But with compound interest, you'll earn 5% on that \$500 and the amount of interest you've made.



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Consolidation Loans

These combine several student loans into one bigger loan from a single lender, which is then used to pay off the balances on the other loans.

Consumer Fraud

Another term for Identity Theft.

Coverage

Your coverage refers to the range of protection you are eligible to receive from an insurance plan. Insurance plans can have different coverage even if they're the same type of insurance.

Credit Bureaus

Credit bureaus, also called credit agencies or credit reporting agencies, are companies that collect credit information about individuals. They then calculate a credit score for each individual based on this information. Note that credit bureaus are private, for-profit businesses—they are not part of the government, though they are overseen by various government agencies. In the United States, the three major credit bureaus are Equifax, Experian, and TransUnion.

Credit Cards

A credit card is a payment type that does not automatically draw money from your account. Instead, it provides a short-term loan that you can use to make everyday purchases. Credit card loans are unsecured, which means the credit card company can't take your valuables away from you if you don't pay the loan back. This is why credit card companies charge a high interest rate on the money you owe them--so they can make money off of your loan.

Credit History

Credit history is a record of a person's borrowing and repayment activity. Whenever you take out a loan or a line of credit, it goes on your credit history, along with all the payments you make towards the loan. This includes any detrimental information such as late payments. Consumer credit history is tracked by the credit bureaus. Your credit history is the information that goes into your credit report, though the two terms are sometimes used interchangeably. Think of it like this: Credit history is what you've done, while a credit report is where it's written down.

Credit Report

A credit report is a record that details a person's credit history. It also includes identifying information, such as names and addresses, so that an individual can be matched with his or her credit history.

Credit Score

Your credit score is a numerical rating of your credit-worthiness (how likely you are to pay off your debts). In the United States, the most commonly used credit score is the FICO score. Credit score is based on the information in credit reports from the three main credit bureaus.



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Credit Union

A credit union is a cooperative bank, meaning it is privately owned and controlled by its members. Its primary purpose is to provide credit at low rates to its members.

Credit

In regards to a bank account, when money is added into a bank account (also known as a 'deposit'). In regards to lending, a sum of money owed.

D

Debit Card

A payment type that allows you to make electronic purchases that debit the cost of the purchase directly from your checking account.

Debit

When money is taken out of a bank account (also known as a 'withdrawal').

Deductible

Your deductible is the amount you are required to pay toward each claim you make before your insurance kicks in. (This is in addition to the regular price of your premium.)

Deduction

In tax terms, an expense incurred by a taxpayer that is subtracted from gross income when the taxpayer computes his or her income taxes.

Deposit

When money is added into a bank account (also known as a 'credit').

Depreciating Asset

A depreciating asset is something you own that decreases in value over time, meaning that if you sell the asset, you'll get less money than you paid for it originally.

Dow Jones Industrial Index

An index that represents the performance of thirty of the largest companies in the United States. The idea is that if those big companies are doing well, the stock market is doing well, and if they're doing badly, the stock market is doing badly.

E

Equifax

One of the three major credit bureaus in the United States, which tracks credit histories, creates credit reports, and calculates credit scores.

Expenses

Expenses are anything you spend money on, from a pack of gum to your monthly cell phone bill.

Experian

One of the three major credit bureaus in the United States, which tracks credit histories, creates credit reports, and calculates credit scores.



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F

FAFSA

FAFSA is the Free Application for Federal Student Aid. This is the main form students use to apply for federal education grants and loans. The amount of money a student is given or loaned depends on several factors, such as your family's income, your marital status, the type of school you're planning to attend, and more.

FDIC

FDIC stands for the Federal Deposit Insurance Corporation, which insures deposits at banks that have purchased the coverage.

FICO

FICO is an acronym for the Fair Isaac Corporation, the company that developed the FICO score, which is the most commonly used credit score in the United States. There are others, but FICO is most commonly used. When someone says 'credit score,' it's almost always FICO they're talking about. FICO scores range from 300 to 850.

Fair Credit Reporting Act

The Fair Credit Reporting Act ensures that the information in your credit report is accurate, complete, and private. It requires correct use of credit reports. As a consumer, this act also gives you the right to view your credit report and dispute incorrect information.

Fair Debt Collection Practices Act

The Fair Debt Collection Practices Act aims at doing away with abusive and deceptive practices by those who collect debt. For example, it regulates the hours that collectors may call a consumer and prohibits collectors from publishing a consumer's name or address on a 'bad debt' list.

Federal Funds Interest Rate

An interest rate set by the Federal Reserve Bank in any given year that regulates interest rates on government loans.

Federal Income Tax Bracket

Brackets that determine, based on how much income an individual makes, what percentage of that income will be owed in taxes.

Federal Income Tax

The federal government charges income tax on all its residents. In this tax system, you are taxed on the money you earn while working.

Federal Reserve

The Federal Reserve is the central banking system of the United States. It is composed of a Board of Governors, the Federal Open Market Committee (FOMC), and 12 regional Federal Reserve Banks. These three parts work together to prevent banking disasters and promote a healthy economy.

Federal Student Loans

Federal Student Loans are offered directly to students by the government. Federal law sets the maximum interest rates and fees lenders may charge for these loans. Because



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of this, their interest rates are lower than interest rates on other types of loans. Federal Student Loans are awarded to students and the parents of students based primarily on financial need.

Federal Trade Commission

The Federal Trade Commission (FTC) is a U.S. government agency that protects consumers against false advertising and other unfair business practices.

Fee Schedule

A detail of all the fees that may be charged on a bank account.

Fixed Rate

This refers to an interest rate that remains fixed, or the same, over the life of the loan.

G

Grace Period

In reference to credit cards, this is the amount of time you have to pay back a balance before it starts accumulating interest.

Grant

Grants are given to students to help pay for their education and do not have to be repaid. Students must apply for grants, which a school or organization usually awards based on merit, financial need, or a combination of the two.

I

IRS

Stands for the Internal Revenue Service. The government agency in charge of collecting taxes from US citizens.

Identity Theft

A form of fraud. Identity thieves use another person's personal information in order to steal that person's money or gain access to other benefits. Common forms are credit card fraud, phone and utility theft, and banking fraud.

Income

The government defines income as any form of money, property, or services that you receive.

Interest Rate

An interest rate is the percentage of interest you either make or pay on a principal (like 1% or 5%). Say you have a savings account with \$1,000 and a 5% interest rate. 5% of \$1,000 nets you \$50.

Interest

Interest is the fee someone pays to be able to borrow money. You either pay interest on money you borrow (like when you take out a loan to buy a car) or you make interest on the money you save (like when a bank pays you interest on money you put into a savings account).

Investment

When you spend money on something to gain profitable returns, as interest, income, or appreciation in value.



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L

Lease

A lease is a rental agreement. It lays out the terms for the property you'd like to rent: how much you're going to pay and how long (and how often) you're going to pay it. The most familiar use of a lease is in the rental of housing, like an apartment. In this case, it refers to the document you sign with the owner that gives you the right to live there in exchange for paying the rent and complying with any other requirements. It's also used when leasing a car, which is really just a long-term rental agreement. You lease the car for a period of time, and when that time is up, you return it to the dealer.

Liquidity

Refers to how easily and quickly your assets, like your money, can be moved.

M

Maintenance Costs

Costs associated with ownership of a house, a car, or a similar purchase that are the owner's responsibility.

Minimum Monthly Payment

In regards to credit cards, this refers to the least amount of money you are obligated to pay back on a monthly basis to avoid fees and penalties associated with not paying the minimum amount.

Money Market Deposit Account

A part checking, part savings account. It requires a high minimum balance but also offers a higher interest rate. You're usually allowed three to six withdrawals per month without being penalized.

Money Market Savings Account

A type of savings vehicle that usually requires high minimum balances but offers higher interest rates.

Mortgage

A mortgage is a type of loan used to finance the purchase of real estate. At a basic level, it works just like any other loan: someone wants to purchase something (in this case, a house) but doesn't have enough money to pay for it all at once, so they borrow money from a bank to do so. Then they pay back the money they borrowed in installments, with interest.

Mutual Funds

A mutual fund is a collection of investment vehicles that you can buy as a single package, rather than purchasing individual stocks, bonds, and other investments yourself. Investors purchase shares of the mutual fund. The mutual fund then uses that money to buy the investment vehicles that go in the fund.



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N

NASDAQ

The NASDAQ, which stands for the National Association of Securities Dealers Automated Quotations, was the world's first electronic stock market. NASDAQ trades are made via computer rather than in person or over the phone.

NYSE

The New York Stock Exchange (NYSE) is the largest stock exchange in the world in terms of amount of money traded. As the name suggests, it's located in New York City, on Wall Street, the main financial district.

O

Online Access

Some bank accounts offer this as a way to allow customers to complete some financial transactions electronically, via the Internet, like checking account balances and making transfers.

P

Payday Lenders

Payday lenders offer small cash loans, usually in the range of \$100 to \$500, with payment due in full at the borrower's next paycheck.

Payment History

A history of the payments you have made on all credit you have obtained, which affects your credit score. Tracks such things as whether or not you pay your bills on time, whether or not you always pay at least the minimum amount, etc.

Payment Types

Payment types are what you actually use to buy something. There are lots of options: cash, checks, debit cards, and credit cards are just a few.

Perkins Loan

One of the most common types of federal student loan, awarded based on limits that are set for any individual loan as well as on financial need. Perkins loans have a set 5% interest rate and a 10 year repayment period.

Personal Check

A paper payment type. You can write and sign a personal check to pay for purchases at places that accept them, and funds from personal checks are drawn directly from your checking account.

Premium

The premium is the amount you pay to have insurance for a specific amount of time. A premium covers a set amount of time (for example, a year) and payment may be due all at once or divided and paid on a regular basis, such as monthly.



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Principal

Principal is the sum of money you put into an account or the amount of money (minus interest) you owe on a debt. So if you open an account with \$500 (or take out a loan for \$500), the principal amount in either case is \$500.

Private Student Loans

Private Student Loans are financed by private companies rather than the government. Since interest rates and fees for these loans aren't capped by the government, they cost more than federal loans.

Property Tax

Property taxes are taxes an owner pays on the value of any owned property, including land, buildings, or houses.

R

Rate of Return

Rate of return (ROR) is the ratio of the money you gain on an investment in relation to the amount of money that was invested. For example, if you invest \$100 and generate a \$25 return, the investment has a 25% rate of return: $\$25 \text{ return} / \$100 \text{ investment} = 25\% \text{ ROR}$. Rate of return is often expressed in terms of the annual rate of return on an investment. So, if an investment has a 15% annual rate of return and you invest \$1,000 at the beginning of the year, at the end of the year you'd have \$1,150 altogether.

Required Balance

A certain amount of money you must have in some bank accounts at any given time to avoid being penalized.

Retail Bank

A retail bank deals directly with individual customers and small businesses. It doesn't have big corporations or other banks as customers.

Risk

In investing terms, the chance you take that an investment may or may not result in a return.

Routing Number

The first range of numbers in the series of numbers at the bottom of a check that indicates which Federal Reserve district the bank issuing the check belongs to.

Rule of 72

A method for estimating how long it will take compound interest to cause a principal to double by dividing the interest rate by 72.

S

Sales Tax

Many states charge sales tax. This means when you pay for something, the sales tax is added to the total before you pay. Sales tax is usually a percentage of the price of what you purchase. This sales tax rate varies from state to state. Sales taxes don't figure into income tax.



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Savings Accounts

A type of savings vehicle in which you earn interest on the principal, usually without minimum balance requirements but lower interest rates.

Savings Plans

A savings plan is a way to save money for the long-term, which for most people means retirement. Examples of these savings plans include 401(k) and 403(b)s, which are employer-sponsored retirement plans to which both the employee and employer contribute, and IRA and Roth IRAs, which are retirement accounts set up by individuals.

Savings Vehicles

Savings vehicles are accounts designed to let you set aside money that is separate from your checking account. You can open savings vehicles at most banks. They come in a variety of forms, including savings accounts and auto-save with online banking, money market accounts, and Certificates of Deposit (CDs).

Savings and Loans

Savings and Loans are banks that specialize in accepting savings deposits and making mortgage loans. They do not offer loans to commercial businesses.

Scholarship

Scholarships are given to students to help pay for their education and do not have to be repaid. Students must apply for scholarships, which a school or organization usually awards based on merit, financial need, or a combination of the two.

Security

A security is a term referring to a category of investments. Stocks, bonds, mutual funds, and many other types of investments are all securities.

Shareholders

In investing terms, another name for a Stockholder.

Shares

In investing terms, another name for a Stock.

Social Security Number

A Social Security number (SSN) is a 9-digit number issued to U.S. citizens and permanent residents. It is chiefly used to track down who should be paying taxes, and more recently as a national identification number. Each individual has his or her own unique number.

Stafford Loan

One of the most common types of federal student loan, awarded based on limits that are set for any individual loan as well as on financial need.

Standard and Poor 500

An index that represents the performance of five hundred companies. Most of these companies are American, but not all. Since it includes the performance of a large number of companies, some consider it to be a more accurate representation of the stock market as a whole.



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State Income Tax

Most states charge income tax on all its residents. In this tax system, you are taxed on the money you earn while working. State income taxes are charged in addition to federal taxes, though requirements for state income tax vary from state to state.

Stock Exchange

A stock exchange is a place where stocks are bought and sold. This is known as trading stocks. A stock exchange can be a real, physical location (the building where trading takes place), but it can also be more of an idea, too. For example, if you're making an electronic trade on the New York Stock Exchange, nothing will actually happen in the NYSE building, but the trade will still happen on that exchange.

Stock Market Indices

The overall performance of the stock market is measured by stock market indices. A stock market uses stock prices of multiple companies to estimate the performance of the stock market as a whole. You might hear about the Dow Jones being 'up' or 'down' indicates how the market is doing that day. Think of it a batting average for the stock market. There are many different indices, but the three most prominent are the Dow Jones Industrial Index, the Standard and Poor 500, and the Wilshire 5000.

Stock Ticker

A stock ticker is a scrolling banner that provides stock information, often seen at the bottom of the screen on television news programs and electronic billboards. They're called 'tickers' because before the invention of electronic displays, mechanical printers were used that made a 'ticking' sound.

Stockbroker

A stockbroker is an individual who has a license to buy and sell stocks and other investments on one or more stock exchanges. Without a license, you can't buy or sell stock yourself. Instead, you have to contact your broker, who will then make the transaction on your behalf. Some brokers simply carry out your instructions on what investments to make, while others act as advisors, or even handle their clients' investment decisions themselves.

Stockholder

Someone who owns stock in a company.

Stocks

A stock is a share of ownership in a company. Stocks are also called shares, or shares of stock. Owning stock in a company means that you actually own a piece of the company. Someone who owns stock is called a stockholder or shareholder. All the stockholders in a company share in the ownership of the company. Some stocks pay dividends, which are the company's profits divided up and distributed among all shareholders. Stocks are bought and sold on stock exchanges. Stock quotes, published both online and in print, provide information about stocks' performance. The total value of all the stocks held by investors in a company is known as the company's market capitalization.



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Subsidized Student Loan

This is a type of federal student loan on which the government does not pay the interest that accrues while a student is in school.

T

Tax Bracket

Brackets that determine, based on how much income an individual makes, what percentage of that income will be owed in taxes.

Tax Deduction

An expense incurred by a taxpayer that is subtracted from gross income when the taxpayer computes his or her income taxes.

Ticker Symbol

A ticker symbol is a series of letters used to identify a stock or a mutual fund. They vary in length depending on the type of investment and the exchange where it is traded, but the purpose is always to provide a short, easy way to identify investments at a glance when reading a stock ticker.

TransUnion

One of the three major credit bureaus in the United States, which tracks credit histories, creates credit reports, and calculates credit scores.

Truth in Lending Act

The Truth in Lending Act (TILA) requires that individuals and businesses extending credit (like your credit card carrier) reveal all the terms and costs that are attached to it. The purpose of TILA is to help consumers compare varying credit offers and the use of cash versus credit.

U

Unsubsidized Student Loan

This is a type of federal student loan on which the government pays the interest that accrues while a student is in school.

V

Variable Rate

This refers to an interest rate that is based on an interest rate index, which means the rate can change over the life of the loan.

W

W-2

A tax form employers send to each of their employees listing how much money that individual made during the last year and how much has already been paid in taxes.

W-4

A tax form an employee fills out that tells the IRS how much money to take out of each of their paychecks.



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Wilshire 5000

An index that includes stock prices from 5,000 companies. That's nearly every company traded in the United States

Withdrawal

When money is taken out of a bank account (also known as a 'debit').