

401(k) - A retirement savings plan funded by employees and often matched by contributions from the employer; contributions are usually made before taxes and grow tax-free until withdrawn, although after-tax contributions are also allowed.

529 plan - A savings plan operated by a state or educational institution designed to help set aside funds for future college costs. Savings deposited in a 529 plan grow tax-free until withdrawn.

A

American Stock Exchange (ASE) - The third-largest stock exchange by trading volume in the United States.

annual fee - A yearly fee associated with some financial accounts.

annual percentage rate (APR) - The yearly interest rate charged on outstanding credit card balances.

asset - Anything of material value owned by an individual or company.

auto insurance - Insurance designed to protect a driver, and often a vehicle, financially in the event of an accident or theft.

B

bad debt - Debt taken on for items that a consumer does not need and cannot afford. (See "good debt.")

balance - The amount of money in a savings or checking account, or the amount of money owed on a credit card account.

bank - A financial institution that invests money deposited by customers, provides loans and exchanges currency.

bankruptcy - A condition of insolvency where an individual or business is unable to pay debts.

bank services - Services offered by a bank for convenience, such as online banking, automatic transfer and check cancellation.

benchmark - A point of reference against which stocks or other investments may be assessed.

bond - A type of loan in which an investor extends money to the government or a corporation with a set interest rate and maturity date.

bookkeeping - The recording of financial transactions and exchanges.

brokerage firm - An organization that charges a fee to act as an intermediary between buyers and sellers of stock.

budget - A plan for future spending and saving, weighing estimated income against estimated expenses.

C

capital - Wealth in the form of money or property.

capital gains - Profits from the sale of an investment.

career objective - The goal of your current career efforts, or a short statement of definition about the position you are seeking on a resume.

career path - The progression of an employee through a given career.

cash flow - The total amount of money being transferred into or out of a business, account or an individual's budget.

caveat emptor - The principal that a buyer is responsible for checking the quality and suitability of goods before making a purchase. (Latin phrase for "let the buyer beware.")

Certificate of Deposit (CD) - A savings certificate issued by a bank, depositing money for a specified length of time.

charitable contributions - Cash, stocks, gifts or other items donated to a charitable organization.

charitable giving - The act of giving money or other items to a non-profit, charitable organization.

collateral - An asset or amount of money provided as security for repayment of a loan.

collision insurance - Auto insurance that covers certain costs if your vehicle is damaged.

compound interest - Interest calculated on both the principal and the accrued interest.

contribution limits - Maximum legal limit on contributions to a specific account.

co-payment – Primarily for health insurance; the amount owed each time you visit the doctor.

cost – The price charged for a good or service.

cost-benefit analysis – Analyzing whether the cost of an item is more than, equal to, or less than the benefit that comes from its purchase.

cost comparison – Comparing the cost of two or more goods or services in an effort to find the best value.

credibility criteria – Criteria by which charitable organizations are evaluated in order to ensure their credibility.

credit – An agreement by which a borrower receives something of value now and agrees to pay the lender at a later date.

credit bureau – A reporting agency that collects information on consumer credit usage.

credit card – A card issued by a bank or other business for purchases using borrowed funds to be paid pay back later.

credit history – A record of an individual's past borrowing and payments.

credit limit – The maximum dollar amount that can be charged on a specific credit card account.

creditor – A person or business to whom money is owed.

credit rating – A financial institution's evaluation of an individual's ability to manage debt.

credit report – A document outlining an individual's credit history, for use by credit card issuers and others considering providing you with a loan.

credit reporting agency – A company that compiles and provides information to creditors to facilitate their decisions about extending credit.

credit score – A number representing a person's creditworthiness, based on past credit and payment history.

credit union – A nonprofit cooperative that is owned by its members and functions similarly to a bank with regard to savings, loans, credit cards, etc.

creditworthiness – An analysis made by a lender about a consumer's riskiness as a borrower.

D

debit card – A card that allows consumers to make purchases using money from their checking account.

debt – The state of owing money to another individual or business, or the amount of money borrowed.

debt collectors – Businesses or individuals that pursue the payment of debts owed.

debt consolidation – Taking out one loan to cover a variety of debts, often with the goal of paying a lower interest rate overall.

deductible – The amount an insured person must pay for services before the insurance provider begins to cover costs.

depreciation – The decrease in value of assets over time.

dividend – A sum paid regularly by a company to its shareholders.

Dow Jones Industrial Average – An index of 30 stocks indicating the relative price of shares on the New York Stock Exchange.

down payment – The amount a consumer pays up front for something on the day of the purchase.

E

emergency fund – Money set aside for emergency expenses, recommended to cover six to nine months worth of living costs.

employer-sponsored savings plan – A benefit plan offered by an employer for employees at relatively low cost.

entrepreneur – Someone who owns or operates his or her own business.

Equal Credit Opportunity Act – A law that helps protect consumers from being discriminated against due to race, sex, marital status, religion or age when obtaining credit.

estate – The whole of an individual's possessions, including property and debts.

estate plan – The process of arranging for the dispersal of an individual's estate in the event of death.

executor – A person or institution appointed to carry out the terms of a will.

expenditures - The action of spending funds or an amount of money spent.

expense - The money an individual spends regularly for items or services.

F

Fair Credit Billing Act - Helps protect consumers by setting established procedures for resolving credit billing or electronic fund transfer mistakes.

Fair Credit Reporting Act - Legislation that promotes the accuracy and privacy of information and enables consumers to receive a copy of their credit report.

Fair Debt Collection Practices Act - A law that ensures debt collectors follow specific procedures and protocols when collecting debts.

Federal Deposit Insurance Corporation (FDIC) - A body that regulates most banks in the United States and insures most private bank deposits.

federal taxable wages - The sum of all earnings by an employee that are eligible for a specific taxation.

Federal Trade Commission (FTC) - A federal agency established in 1914 that administers consumer protection legislation.

finance - To borrow funds for the purpose of a purchase.

financial advisor - A professional who provides financial services and advice to individuals or businesses.

financial partnership - A relationship that requires financial dependence, contribution and communication.

financial plan - A strategy for handling one's finances to ensure the greatest future benefit.

fixed expenses - Personal expenses that are the same each month.

foreclosure - A legal process in which a mortgaged property is taken because the borrower has failed to keep up payments.

G

good debt - The concept that sometimes it is worth taking on certain types of debt in order to generate income in the long run. Common examples include college education debt and real estate.

grace period - The time a borrower is allowed after a payment is due to make that payment without adding to the interest owed.

gross income - The total amount of money an individual has earned before taxes are taken out.

guaranteed interest rate - The minimum interest rate an investor can expect from an issuing company.

H

Health Savings Account (HSA) - A pre-tax savings account designed specifically for medical expenses.

homeowners insurance - Insurance designed to cover the costs of damage to home or property in the event of a theft, natural disaster or other unexpected event.

I

identity theft - The fraudulent use of another person's information for financial gain.

identity thief - An individual who uses another person's financial information for financial gain.

income - Payment received for goods or services, including employment.

income tax - Tax levied by a government directly on personal income.

Individual Retirement Account Fund (IRA) - A retirement account that allows individuals to contribute a limited yearly sum toward retirement on either a pretax (traditional IRA) or after-tax (Roth IRA) basis.

inflation - The overall increase in the cost of products and services over time.

insider trading - When someone uses information not available to the public to gain advantage on an investment.

insurance - An agreement that helps to protect against financial risk in the event something unexpected happens.

insurance policy - A contract between a consumer and insurance company outlining coverage plans.

interest rate - The rate at which a borrower pays interest for borrowing an item or money; or the percentage rate earned on a given investment.

Internal Revenue Service (IRS) - A United States government agency that is responsible for the collection and enforcement of taxes.

invest - To expend money with the expectation of earning a profit on that fund over time.

investment - An item or financial product on which a consumer expects to earn a profit in the future.

investment portfolio - A range of investments held by a person or organization.

investment strategy - A set of rules or procedures to guide an investor's selections.

L

lease - A contract outlining the rental terms of a piece of property, whether a car, an apartment or another space.

letter of dispute - A formal letter to a credit reporting company to dispute specific information in a credit file.

life insurance - Provides financial protection for one's family in the event of death.

loan - Money or assets borrowed and paid back with interest over time.

loan principal - An amount borrowed that remains unpaid, excluding interest.

loan term - The period of time during which a loan is active.

long-term financial goal - A financial goal that will take longer than a year to achieve.

M

market value - The amount for which something can be sold in a given market.

Medicare - A federal health insurance system for people over 65 and for those with certain disabilities.

medium-term financial goal - A financial goal that will require less than a year to achieve.

minimum balance - A specific amount of money that a bank or credit union requires in order to open or maintain a particular account.

minimum payment - The smallest amount that a consumer is required to pay toward a credit card balance monthly in order to keep the account in good standing.

money market account - A deposit account offered by banks, in which money is invested in government and corporate securities.

mortgage - A loan secured in order to purchase property.

mortgage loan - A loan for the purpose of purchasing real estate.

mortgage payment - The payment a borrower makes each month toward the purchase of a home.

mortgage term - The agreed-upon amount of time to pay off a mortgage.

mutual fund - An investment program funded by shareholders that trades in diversified holdings or assets.

N

NASDAQ - The National Association of Securities Dealers Automated Quotations (NASDAQ) is a computerized system for trading in securities.

National Credit Union Share Insurance Fund (NCUSIF) - A fund administered by the National Credit Union Administration to help protect individual deposits to credit unions at insured U.S. institutions.

needs - Items needed in order to live, such as clothing, food and shelter.

net income - The amount an employee earns once taxes and other items are deducted from his or her gross pay.

New York Stock Exchange (NYSE) - A New York City-based stock exchange, which is considered the largest equities-based exchange in the world based on total market capitalization.

nonprofit organization - An organization chartered for purposes other than making profits.

O

online banking - Allows customers to conduct financial transactions via the Internet.

opportunity cost - The loss of potential gain from other alternatives when one option is chosen.

overdraft fees - Fees incurred when a customer withdraws more money from an account than what is available in the account.

overdraft protection - A line of credit banks extend to customers that protects checks from bouncing when their account has insufficient funds.

P

payroll deduction - An amount withheld from an employee's earnings, such as income tax and Social Security tax.

performance history - A background on the history of a given stock or investment.

personal property insurance - Coverage that allows an individual to insure important or expensive personal items.

premium - The amount paid to an insurance provider monthly in order to maintain an insurance plan.

Price/Earnings (P/E) Ratio - The ratio of a company's current share price compared to its per-share earnings.

Private Mortgage Insurance (PMI) - Insurance to help protect a mortgage lender in the event a borrower cannot make payments.

property tax - A capital tax on property based on its estimated value.

purchase price - The price paid for an item or service.

purchasing power - The financial ability to buy products and services.

pyramid schemes - Illegal schemes in which money from new investors is used to show a false return to other investors.

Q

qualifications - Skills that qualify a potential employee for a given position.

R

recession - A period of economic decline during which trade and industrial activity are reduced.

resale value - The amount at which an individual or company would be able to sell a specific item.

resume - A brief outline of one's professional and educational experiences and qualifications, used for the purpose of gaining employment.

retirement account - An account such as an IRA or 401(k) that helps an individual set aside money for retirement.

return on investment (ROI) - Also known as the Rate of Return (ROR), this is the profit that one makes on an investment.

rewards - Benefits and bonuses a credit card company offers customers to entice them to open a card.

risk - The possibility of financial loss.

S

savings account - An account where money is kept for future use.

savings and loan association - A form of mortgage lender that is required by law to ensure a certain percentage of the loans it provides are mortgage loans.

scholarship - An award of financial aid for the purpose of education that does not need to be repaid.

Securities Act of 1933 - A law that demands accurate information be disclosed to investors to help prevent fraudulent and misleading investments.

Securities Exchange Act of 1934 - Ensures that transactions are regulated and follow specific criteria.

Securities Investor Protection Corporation (SIPC) - Insurance on investments offered by the government.

securitized loan - A loan that is protected by collateral to ensure loan repayment.

self-employment tax - An additional tax that self-employed individuals pay.

service fees - Account-related fees for customers, such as late fees and overdraft fees.

shareholder – An owner of shares of stock in a company.

short-term financial goal – A financial goal that will require less than six months to achieve.

simple interest – An amount earned on an account holder's principal, according to a specified rate.

Social Security taxes – A tax on individuals used to fund the U.S. government's social security program.

stockbroker – A professional that helps investors buy, sell and trade stocks on the stock market.

stock market – A market in which shares of stock are bought and sold.

stock market index – An index based on a statistical compilation of the share prices of a number of representative stocks.

stocks – Investments in which the investor has partial ownership of a company.

student loan – A loan offered to students for education-related expenses that must be repaid.

T

tax-deferred growth – Growth in which income taxes on investment earnings are not payable until the money is withdrawn.

tax exemption – A factor that reduces or eliminates a person's obligation to pay tax.

tax return – A tax form to be filed with a government body to declare liability for taxation.

thrift banks – Financial institutions that specialize in home and small business loans.

transparency – The degree of disclosure by a charity of their financial and administrative practices.

travel insurance – Ensures an individual has access to quality medical care when abroad; or, insurance that protects you against cancelled trips.

tuition – Fees paid in exchange for instruction.

tuition inflation – The annual rate of increase in the cost of tuition.

U

U.S. Securities and Exchange Commission (SEC) – A U.S. government agency that oversees investment transactions to help prevent fraud.

V

variable expenses – Expenses that change in price and frequency each month.

variable interest rate – An interest rate that fluctuates based on market changes.

W

W-2 form – A form that outlines an individual's earnings, and tax deductions incurred.

wants – Items that are desired, but that are not needed to live.

will – A written statement detailing how an individual would like his or her assets divided and dependents cared for in the event of death.

withdrawal limit – The maximum amount a customer is able to withdraw from an account on a given day.

withdrawal penalty – Any penalty incurred by an account holder for early withdrawal from an account with withdrawal restrictions.

Y

yield – The interest or dividends received by a shareholder from a stock.