Glossary

401(k): A “qualified retirement plan” for corporations. (cash or deferred arrangement)

403(b): A “qualified retirement plan” for non-profit groups such as churches, hospitals, and schools. (cash or deferred arrangement)

457 Plan: This is a “deferred comp” retirement plan for state and local government employees.

529 Plan: A college savings plan that allows individuals to save on a tax-deferred basis in order to fund future college and graduate school expenses of a child or beneficiary. Generally sponsored by a state, they are professionally managed investments.

12b-1 Fee: An annual fee that some mutual funds charge to pay for marketing and distribution activities.

Accountability: Taking responsibility; an “accountability partner” assists people in making wise decisions about life and money.

Active: Money is very active…it is always moving and can be utilized in many ways.

Active Management: Portfolio management that seeks to exceed the returns of the financial markets. Active managers rely on research, market forecasts, and their own judgment and experience in making investment decisions.

Adjustable Rate Mortgage (ARM): Adjustable Rate Mortgage; these were brought on as a result of high interest rates in the early 1980’s; banks wanted to transfer the risk of higher interest rates to the consumer, so with these loans you start out with a lower rate and it increases over time; you do not want to get an ARM.

Aggressive Growth Stock Mutual Fund: A mutual fund that seeks to provide maximum long-term capital growth from stocks of primarily smaller companies or narrow market segments. Dividend income is incidental. This is the most volatile fund; invested in smaller companies, it is also referred to as a Small-cap fund.

Allowance: To make exception for.

Ambition: One’s goals and desires in life (i.e. – career goals).

Amoral: Lacking morals; is neither good nor bad. Money is amoral…it can be used for good or bad.

Amortization Table: A table which shows how much of each payment will be applied toward principal and how much toward interest over the life of the loan. It also shows the gradual decrease of the loan balance until it reaches zero.

Annuity: A type of investment where the money is guaranteed by an insurance company; a savings plan through an insurance company.

Appraisal: An opinion of value.

Appreciation: In increase in value.

Annual Percentage Rate (APR): When financing, this is used to determine the percentage of interest one pays to the lender.

Asset: Anything that is owned by an individual. With respect to saving and investing, assets are generally categorized as liquid (cash) and capital (investment) assets.

Asset Allocation: The process of deciding how your investment dollars will be apportioned among various classes of financial assets, such as stocks, bonds, and cash investments.

Asset Allocation Fund: A type of "balanced" mutual fund whose investment advisor may change the fund's mix of stocks, bonds, or cash investments in an effort to find the best balance between risk and potential return.

Asset Classes: Major categories of financial assets, or securities. The three primary classes are common stocks, bonds, and cash investments.

Assumption Loan: This is when a potential home buyer pays the seller the equity in the home and then takes over the payments.

ATM Card: The Automated Teller Card allows you to make transactions at bank automated teller machines.

Auctions: A public sale in which property or items of merchandise are sold to the highest bidder; a great place to find deals. Be careful and do your research.

Auto Insurance: Insurance to protect a car owner in the event of an accident or damage to a vehicle. Make sure you have adequate liability with auto insurance!

Average Annual Return: The rate of return on investments averaged over a specific period of time. It is determined by adding together the rates of return for each year and dividing by the number of years in the calculation.

Baby steps: The 7 steps to a healthy financial plan.

Back-End Load: A sales commission paid when the investor sells mutual funds shares. Also be called a redemption fee or a contingent deferred sales charge. Some funds gradually phase out backend loads over several years.

Balanced Fund: A Mutual fund that invests in more than one type of financial asset (stocks, bonds, and in some cases, cash investments).

Balloon Mortgage: Mortgage where for a set period of time, the interest is lower than normal, however, the entire loan amount becomes due at the end of the term of the loan.

Bankrupt: To declare bankruptcy. See Bankruptcy.

Bankruptcy: A legal procedure for dealing with debt problems of individuals and businesses; specifically, a case filed under one of the chapters of title 11 of the United States Code (the Bankruptcy Code).

Banks: Corporations chartered by state or federal government to offer numerous financial services such as checking and savings accounts, loans, and safe deposit boxes. The Federal Deposit Insurance Corporation (FDIC) insured accounts in federally chartered banks.

Bargains: These are deals obtained when negotiating and you pay a lesser price than asked for an item.

Beneficiary: The recipient of assets passed on from the death of a friend or relative.

Bill of Sale: A written document that transfers title to personal property.

Bond: A debt instrument where a company owes you money. The rate of return on these is low. A form of I.O.U. issued by corporations, government, or government agencies. The issuer makes regular interest payments on the bond and promises to pay back or redeem the face value of the bond, at a specified point in the future (called the maturity date). Bonds may be issued for terms of up to 30 or more years.

Bond Mutual Fund: Mutual funds that buy and sell bonds.

Break-even Analysis: A method used to evaluate whether or not it is fiscally responsible to make changes or additions in one's insurance deductible(s).

Budget: A cash flow plan; giving every dollar a name at the beginning of the month.

Buyer's Remorse: Regretting a purchase soon after making it.

Capital Gain: A positive difference between an asset's price when bought and its price when or if sold; the opposite of capital loss.

Capital Gains Distribution: Payment to mutual fund shareholders of any gains realized during the year on securities that have been sold at a profit. Capital gains are distributed on a "net" basis, after subtracting any capital losses for the year. When losses exceed gains for the year, the difference may be carried forward and subtracted from future gains.

Capital Loss: A negative difference between an asset's price when bought and its price when or if sold; the opposite of capital gain.

Career: This is your line of work.

Cash Investments: Investments in interest-bearing bank deposits, money market instruments, and U.S. Treasury Bills or notes. These contain maturities ranging in income and capital gains of an investment.

Cash Value Insurance: Life insurance that is expensive in order to fund a savings plan within it.

Catastrophic: To have a major, negative financial event. For example: to lose your home due to a fire.

CD: Certificate of Deposit; usually at a bank; this is just a savings account with a little higher interest rate because you are agreeing to tie up your money for a while—6 months, one year, etc.

Chapter 7 Bankruptcy: The chapter of the Bankruptcy Code providing for "liquidation," (i.e. – the sale of a debtor's nonexempt property and the distribution of the proceeds to creditors).

Chapter 11 Bankruptcy: A reorganization bankruptcy, usually involving a corporation or partnership. (A chapter 11 debtor usually proposes a plan of reorganization to keep its business alive and pay creditors over time)

Chapter 13 Bankruptcy: The chapter of the Bankruptcy Code providing for adjustment of debts of an individual with regular income. (Chapter 13 allows a debtor to keep property and pay debts over time, usually three to five years.)

Check Card: A type of card is issued by a bank and used to make purchases; the money comes directly out of your checking account.

Checking Account: Account set up to maintain your daily financial activities. Users can draft checks for payment, issue deposits into their accounts, and keep track of their debit card transactions through their checking account.

Claim: Paperwork filed with an insurance company in order to get them to cover a loss.

Co-insurance: In a health insurance policy, after you pay the deductible the insurance company pays a percentage and you pay a percentage; 80/20—insurance pays 80% and you pay 20%.

College Fund: Money set aside in investments that will grow for college expenses.

Collision: The portion of auto insurance that covers losses due to auto damage in an accident.

Commission: This is what you should pay children other than allowances; they do chores to earn money, as apposed to just handing them money without them working for it.

Commodities: A commodity is food, metal, or another fixed physical substance that investors buy or sell, usually via futures contracts.

Compensation: The total wage or salary and benefits that an employee receives.

Compound Interest: Interest paid on interest earned. Interest credited daily, monthly, quarterly, semi-annually, or annually on both principal and previously credited interest.

Comprehensive: Pays for damage to your car that is not a result of an accident.

Consignment Shop: Retail facility where people can sell their items and the owner of the facility retains a percentage of the sale.

Consumer: A person who buys and/ or uses a product.

Contact Letter: A letter informing a prospective employer that you are interested in working for their organization. Usually accompanied with a resume.

Contents Policy: An insurance policy that covers your possessions in a home or apartment.

Conventional Loan: These are loans obtained through the Federal National Mortgage Association (FNMA), which insures them against default; down payments range from 5-20% or more.

Co-pay: In regards to health insurance; paying a set amount per visit. Co-pay expenses will vary depending upon the policy.

Co-signing: Signing a note to guarantee someone else's loan; if they default on the loan, you have to pay.

Cottage Industries: In-home businesses.

Couponing: When you use coupons to save money on groceries.

Cover Letter: Similar to the Contact Letter, the Cover Letter is used to inform the prospective employer of your interest and capabilities as they relate to the employment opportunity.

Coverage: Applies to the amount of protection you have through an insurance company in the event of a loss.

Credit: Money loaned.

Credit Bureau: An agency which collect the credit history of consumers so that creditors can make decisions about granting of loans.

Credit Card: Tool used to finance a purchase.

Credit Disability: Insurance that pays for financed items or purchases if you become disabled and are unable to earn an income.

Credit Laws

Fair Credit Reporting Act (1971):
Federal law that covers the reporting of debt repayment information. It establishes when a credit reporting agency may provide a report to someone; states that obsolete information must be taken off (7 or 10 years); gives consumers the right to know what is in their credit report; requires that both a credit bureau and information provider (i.e. – department store) have an obligation to correct incorrect information; gives consumers the right to dispute inaccurate information and add a 100- word statement to their report to explain accurate negative information; and gives consumers the right to know what credit bureau provided a report when they are turned down for credit.

Fair Credit Billing Act (1975):
Federal law that covers credit card billing problems. It applies to all open-end credit accounts (i.e. – credit cards, overdraft checking). States that consumers should send a written billing error notice to the creditor within 60 days (after receipt of first bill containing an error); creditor must acknowledge in 30 days; creditor must investigate; and creditor may not damage a consumer's credit rating while a dispute is pending.

Fair Debt Collection Practices Act (1978):
Federal law that prohibits debt collectors from engaging in unfair, deceptive, or abusive practices when collecting debts. Collectors must send a written notice telling the amount owed and name of the creditor; collector may not contact consumer if he or she disputes in writing within 30 days (unless collector furnishes proof of the debt); collectors must identify themselves on the phone and can call only between 8 am and 9 pm unless a consumer agrees to another time; and collectors cannot call consumers at work if they are told not to.

Equal Credit Opportunity Act (1975):
Federal law that ensures that consumers are given an equal chance to receive credit. Prohibits discrimination on the basis of gender, race, marital status, religion, national origin, age, or receipt of public assistance. Lenders cannot ask about your plans for having children or refuse to consider consistently received alimony or child support payments as income. If you are denied credit, you have a legal right to know why.

Truth in Lending Act (1969):
Federal law that mandates disclosure of information about the cost of credit. Both the finance charge (i.e. – all charges to borrow money, including interest) and the annual percentage rate or APR (i.e. – the percentage cost of credit on a yearly basis) must be displayed prominently on forms and statements used by creditors. The law provides criminal penalties for willful violators, as well as civil remedies. It also protects you against unauthorized use of your credit card. If it is lost or stolen, the maximum amount you have to pay is $50.

Fair Credit and Charge Card Disclosure Act (1989):
A part of the Truth in Lending Act that mandates a box on credit card applications that describes key features and costs (i.e. – APR, grace period for purchases, minimum finance charge, balance calculation method, annual fees, transaction fees for cash advances, and penalty fees such as over the limit fees and late payment fees).

Credit Life: Insurance that pays for financed items or purchases in the event of your death.

Credit Report: Report showing your payment history.

Credit Union: Not-for-profit cooperatives of members with some type of common bond (i.e. – employer) that provide a wide array of financial services, often at a lower cost than banks.

Curb Appeal: The appearance of a home from the street.

Currency: Money

Custodian: One who is responsible for an account listed in a minor's name.

Day Trading: Establishing and liquidating the same position or positions within one days' trading.

Debit Card: Linked with your checking account, this is a tool used to make purchases. Not to be confused with the credit card.

Debt Consolidation: Combining all debts into one lower monthly payment, thus extending the terms in most cases.

Debt Snowball: Listing your debts smallest to largest and paying minimums on all of them—then attacking the smallest with extra money that is available.

Debt-Free Fund: A fund used to buy your children a house when they get married with a condition; they take what would have been a house payment and invest it.

Deductible: The amount you pay with an insurance company before they begin paying.

Deed: The legal document conveying title to a property.

Deflation: A broad, overall drop in the price of goods and services; the opposite of the more common inflation.

Delinquency: Short for "deed in lieu of foreclosure," this conveys title to the lender when the borrower is in default and wants to avoid foreclosure. The lender may or may not cease foreclosure activities if a borrower asks to provide a deed-in-lieu. Regardless of whether the lender accepts the deed-in-lieu, the avoidance and non-repayment of debt will most likely show on a credit history. What a deed-in-lieu may prevent is having the documents preparatory to a foreclosure being recorded and become a matter of public record.

Depreciation: A decline in the value of property; the opposite of appreciation.

Direct deposit service: A service that electronically transfers all or part of any recurring payment—including dividends, paychecks, pensions, and Social Security payments—directly to a shareholder's account.

Direct Transfer: Movement of tax-deferred retirement plan money from one qualified plan or custodian to another. No immediate tax liabilities or penalties are incurred, but there is an IRS reporting requirement.

Disability Insurance: An insurance policy that insures a worker in the event of an occupational mishap resulting in disability. Insurance benefits compensate the injured worker for lost pay.

Discipline: The key to wealth building; you must be consistent over time.

Discount Points: In the mortgage industry, this term is usually used only in reference to government loans, meaning FHA and VA loans. Discount points refer to any "points" paid in addition to the one percent loan origination fee. A "point" is one percent of the loan amount.

Disposable Income: Amount of money left over after all necessities and expenses are paid.

Diversification: To spread around, thus lowering one's risk. Spreading your money among different classes of financial assets and among the securities of many issuers.

Dividend: These are stock profits that are paid out to shareholders.

Dividend Distribution: Payment of income to mutual fund shareholders from interest or dividends generated by the fund's investments.

Dollar Cost Averaging: investing regular sums of money (i.e. – $50) at regular time intervals (i.e. – quarterly) regardless of whether security prices are moving up or down.

Down Payment: The part of the purchase price of a property that the buyer pays in cash and does not finance with a mortgage.

Earned Income: Payment received for work, such as wages, salaries, commissions, and tips.

Educational Savings Account (ESA): This is an after-tax college fund that grows tax free; you may put up to $2,000 per year per child in this account depending on your annual income.

Elimination Period: The amount of time that lapses after your disability and before the insurance company begins to pay you.

Emergency Fund: Three to six months of expenses in readily available cash.

Employee Benefit: Something of value that an employee receives in addition to a wage or salary. Examples include health insurance, life insurance, discounted childcare, and subsidized meals at the company cafeteria.

Employer-Sponsored Retirement Savings Program: Tax-deferred savings plans offered by employers that provide a federal tax deduction, tax-deferral of contributions and earnings, and, in some cases, employer matching. They include 401(k) plans for corporate employees, 403(b) plans for employees of schools and non-profit organizations, and Section 457 plans for state and local government employees.

Employer Sponsored Savings Plan: A government approved program through which an employer can assist workers in building their personal retirement funds.

Empowerment: To gain strength emotionally and spiritually.

Entrepreneur: A person who starts a business.

Envelope System: A series of envelopes used to store cash for planned monthly expenses; a self-imposed discipline tool to assist people in managing their monthly finances. (i.e. – putting a set amount of money into a "food" envelope to spend only on "food" for that month)

Equity: Your ownership portion of an item.

Estate Sale: Glorified yard sales with more items and higher prices. Usually, a great place for negotiating.

Exchange Privilege: The right to exchange shares in one fund for shares in another fund within the same fund family; typically at no charge or for a nominal fee.

Expense: The cost of a good or service.

Expense Ratio: The percentage of a fund's average net assets used to pay annual fund expenses. The expense ratio takes into account management fees, administrative fees and any 12b-1 marketing fees.

Federal Deposit Insurance Corporation (FDIC): A federal institution that insures banks deposits.

Federal housing Administration (FHA): Federally sponsored agency chartered in 1934 whose stock is currently owned by savings institutions across the United States. The agency buys residential mortgages that meet certain requirements, sells these mortgages in packages, and insures the lenders against loss.

Federal Insurance Contributions Act (FICA): Government legislation that funds Social Security.

Federal Reserve System: The monetary authority of the US, established in 1913, and governed by the Federal Reserve Board located in Washington, D.C. The system includes 12 Federal Reserve Banks and is authorized to regulate monetary policy in the US as well as to supervise Federal Reserve member banks, bank holding companies, international operations of US banks, and US operations of foreign banks.

Fee Table: A table, placed near the front of a mutual fund's prospectus, disclosing and illustrating the expenses and fees a shareholder will incur.

Financial Goals: Short-, immediate-, and long-term goals that require money and guide a person's future plans and savings decisions.

Financial Plan: A plan of action that allows a person to meet not only the immediate needs but also their long-term goals.

Financial Resources: Financial assets that can be accessed when necessary.

Financing: To buy an item with credit; paying over time.

Finite: Having a beginning and an end; money is finite—it has limits.

Fiscal: Having to do with money.

Fiscal Year (FY): Accounting period covering 12 consecutive months over which a company determines earnings and profits. The fiscal year serves as a period of reference for the company and does not necessarily correspond to the calendar year.

Fixed Annuity: A type of annuity that guarantees a certain rate of return—for example 6%; these are usually low and are not recommended for long-term wealth building.

Fixed Income Securities: Investments, such as bonds, which provide current income from a fixed schedule of interest payments. While the level of income offered by these securities is predetermined and usually stable, their market value may fluctuate.

Fixed Rate: An interest rate that does not change over time.

Floor Plan: The basic layout of a home.

Foreclosure: Process by which the holder of a mortgage seizes the property of a homeowner who has not made interest and/or principal payments on time as stipulated in the mortgage contract.

Fraud: A seller's intentional deception of a buyer, which is illegal.

Free Spirit: A spouse who thinks, "everything will work out fine."

Front-End Load: A sales commission or load which is paid when shares of a mutual fund are purchased.

Fund Family: A group of mutual funds sponsored by the same organization, often offering exchange privileges between funds and combined account statements for multiple funds.

Futures: A term used to designate all contracts covering the sale of financial instruments or physical commodities for future delivery on a commodity exchange.

Garnishee: A court ordered settlement that allows a lender to take monies owed directly from a borrower's paycheck.

Global Fund: A mutual fund that invests anywhere in the world, including the US.

Government Transfer Payments: Payments by governments, such as social security, veteran's benefits, and welfare, to people who do not supply current goods, services, or labor in exchange for these payments.

Grace Period: A time period during which a borrower can pay the full balance of credit due and not incur any finance charges.

Gratuity: An amount paid beyond what's required usually to express satisfaction with service quality; also known as a tip.

Gross Income: A person's total income prior to exclusions and deductions.

Gross National Product (GNP): Measures an economy's total income. It is equal to G.D.P. plus the income abroad accruing to domestic residents minus income generated in domestic market accruing to non-residents.

Growth and Income Mutual Fund: These are funds that buy stocks in larger more established companies; also called a Large-cap fund; they also contain medium sized companies or growth stocks.

Growth Stock Mutual Fund: These are funds that buy stocks in companies that are medium in size; they have grown, but are still expanding; also called Mid-cap funds.

Guaranteed Renewable: This means if you have a 20-year policy, the insurance has to provide coverage after 20 years regardless of health; it will only be more expensive because you are older.

Health Insurance: Covers you in the event of illness or injury.

Hoarding: Being greedy with an item such as money.

Home Equity Loan (HEL): Borrowing money using the equity from your home as collateral. A credit line offered by mortgage lenders allowing a homeowner a second mortgage that uses the equity present in the customer's account as collateral.

Home Inspector: An individual who inspects home for defects prior to the closing of a home sale to insure the buyer or lender's investment.

Home Warranty: An agreement that ensures the structural soundness of a home.

Homeowner's Insurance: Insurance that covers a loss due to damage, theft, or injury within your home.

House Poor: Having a house payment that is so high that it limits you in your ability to maintain it.

Impulse Purchase: To buy an item without thinking about it.

Income: Earnings from work or investment. (See compensation)

Income Fund: A mutual fund that invests in bonds and stocks with higher-than-average dividends.

Income Risk: The possibility that income from a mutual fund or other investment will decline; either as a fund's assets are reinvested or when a fixed income investment matures and is replaced with a lower-yielding investment.

Index: A statistical benchmark designed to reflect changes in financial markets or the economy. In investing, indexes are used to measure changes in segments of the stock and bond markets and as standards against which fund managers and investors can measure the performance of their investment portfolios.

Index Fund: A mutual fund that seeks to match the performance of a predetermined market benchmark, or index.

Individual Retirement Account (IRA): A tax-deferred account for individuals with earned income and their non-working spouses. Investment earnings within an IRA are not taxed until money is withdrawn from an account. Contributions to an IRA may be deductible for income tax purposes.

Inflation: The rate at which the general level of prices for goods and services is rising. A broad, overall rise in the price of goods and services; the opposite of the less common deflation.

Inflation Hedge: Helps one to keep up with the rising cost of inflation. Real estate can be a great inflation hedge.

Integrity: Having to do with a person's honesty and moral attributes.

Interest: Money paid to savers and investors by financial institutions, governments, or corporations for the use of their money (example: 2% interest on money held in a savings account).

Interest Rate: The monthly effective rate of interest on a loan.

Interest Rate Risk: The risk that a security of mutual fund will decline in price because of changes in market interest rates.

Internal Revenue Service (IRS): the federal agency responsible for the collection of federal taxes, including personal and corporate income taxes, Social Security taxes, and excise and gift taxes.

International Stock Mutual Fund: A mutual fund that contains companies that are International or over-seas.

Investing: The process of setting money aside to increase wealth overtime and accumulate funds for long-term financial goals such as retirement.

Investment: Where one would put their money for long-term growth. Suggested for a minimum of 5 years.

Investment Advisor/ Manager: The individual who manages a portfolio of investments. Also called a portfolio manager or a money manager.

Investment Horizon: The length of time you expect to keep a sum of money invested.

Investment Objective: A mutual fund's performance goal; such as long-term capital appreciation, high current income, or tax-exempt income.

Investors: People investing in securities, such as stocks and bonds, to achieve long-term financial goals.

Job: A regular activity performed in exchange for payment, especially as one's trade, occupation, or profession.

Land Survey: A land survey is done to show where one's property lines are.

Large-cap Fund: This type of fund contains large, well established companies.

Lease: A long-term rental agreement, and form of secured long-term debt.

Level Term: This means you pay the same amount for the entire term of the policy.

Liability: Covers you in the event someone brings a lawsuit against you due to injury on your property or as the result of an automobile accident.

Life Insurance: Insurance that covers or replaces income lost due to death.

Liquidity: The availability of money; as there is more liquidity, there is typically less return. The quality of an asset that permits it to be converted quickly into cash without loss of value.

Load fund: A mutual fund that sells shares with a sale charge-typically 4% to 8% of the net amount indicated. Some no-load funds also levy distribution fees permitted by Article 12b-1 of the Investment Company Act; these are typically 0.25%. A true no-load fund has no sales charge.

Loan: Temporary borrowing of a sum of money. If you borrow $1 million you have taken out a loan for $1 million.

Loan to Value (LTV): What you owe vs. what you own. For example: a 70/30 LTV means that you owe 70% of the item's worth and you own 30%. Utilized with Private Mortgage Insurance (PMI).

Long Term Care Insurance: Covers the cost of nursing home or in-home care insurance.

Long Term Coverage: Coverage for an extended period of time.

Loss: The negative difference between total revenue from a business or investment minus total expense.

Low-Load Fund: A mutual fund that charges a sales commission equal to 3% or less of the amount invested.

Lump Sum Savings: Saving money specifically for a purchase such as vacations or replacing cars, etc…

Management Fee: The fee paid by a mutual fund to its investment advisor.

Manager Risk: The possibility that a fund's investment advisor will do a poor job of selecting securities for the fund.

Market Risk: The possibility that an investment will fall in value due to a general decline in financial markets.

Maximum Pay: The amount an insurance company will pay before you are dropped from coverage. With health insurance keep at least a one million dollar maximum pay.

Medical Savings Account (MSA): A health insurance plan for self-employed people containing a large deductible. Money saved in this account grows tax deferred. It can be used for medical care with no penalties and not taxed and may be kept if unused.

Medicare: A federal government program of transfer payments for certain health care expenses for citizens 65 or older. The Social Security Administration manages the program.

Mid-cap Fund: A mutual fund containing a group of medium-sized companies that are growing.

Money: Currency and coin that are guaranteed as legal tender by the government.

Money Market Fund: Utilized for borrowing and lending money for three years or less. A mutual fund that seeks to maintain a stable share price and to earn current income by investing in interest-bearing instruments with short-term (usually 90 days or less) maturities.

Money order: A financial instrument backed by a deposit at a certain firm such as a bank that can be easily converted into cash.

Mortgage: A loan secured by the collateral of some specified real estate property, which obliges the borrower to make a predetermined series of payments.

Mortgage Life Insurance: A life insurance policy that pays off the remaining balance of the insured person's mortgage at death.

Multiple Listings Service (MLS): A computer program realtors use to find prospective homes for their clients.

Murphy's Law: Anything that can happen will happen.

Mutual Fund: Mutual funds are pools of money that are managed by an investment company. They offer investors a variety of goals, depending on the fund and its investment charter. Some funds, for example, seek to generate income on a regular basis. Others seek to preserve an investor's money. Still others seek to invest in companies that are growing at a rapid pace. Funds can impose a sales charge, or load, on investors when thy buy or sell shares. Many funds these days are no load and impose no sales charge. Mutual funds are investment companies regulated by the Investment Company Act of 1940. Related: open-end fund, closed-end fund.

Myth: Information that has been passed on and is not true.

Needs: Those economic goods and services that are considered basic, such as food, clothing, and shelter.

Negotiating: To bargain for a lower price.

Nerd: One who is picky bout budgeting and numbers.

Nest-Egg: What you have to live on financially after your income from employment stops.

Net Asset Value (NAV): The market value of a mutual fund's total assets, less its liabilities, divided by the number of outstanding shares.

No-Load mutual Fund: An open-end investment company whose shares are sold without a sales charge. There can be other distribution charges, however, such as Article 12B-1 fees. A true no-load fund has neither a sales charge nor a distribution fee.

Objective: A goal or plan.

Obsolete: No longer produced or in existence; not accepted as current.

Occupational Disability: Offers coverage in case you are unable to perform the job you were educated or trained to do.

Opportunity Cost: Determining whether a purchase is a need or a want and realizing that once the money has been spent, it is gone.

Out-of-Pocket: What YOU have to pay.

Owner Financing: Instead of paying a mortgage company, you pay the owner, who finances the purchase of the home; allows lots of flexibility.

Paradigm: Your belief system; the way you see or perceive things.

Part-time Job: A temporary job that allows you to supplement income.

Pawn Shop: Retail establishment selling items that have been traded as security for a cash loan; a great place to buy bargains.

Payroll Deduction: An amount subtracted form a paycheck as the government requires or the employee requests. Mandatory deductions include various taxes. Voluntary deductions include loan payments or deposits into saving accounts.

Permanent disability: Disability that is ongoing.

Persistent: To be determined over time.

Points: See Discount Points

Policy: Describes the type of coverage within an insurance agreement.

Portfolio: A list of your investments.

Portfolio Transaction Costs: The costs associated with buying and selling securities, including commissions on trades, dealer mark-ups on bonds, bid-asking spreads, and any other miscellaneous expenses. These costs are not included in the expense ratio.

Preauthorized Checking (PAC): Checking that is authorized by a payer in advance, and written either by the payee or by the payee's bank and then deposited in the payee's bank account.

Preauthorized Electronic Debits (PAD): Debits to a bank account in advance by the payer. The payer's bank sends payment to the payee's bank through the Automated Clearing House (ACH) system.

Pre-paid Tuition: Paying for college ahead of time by accumulating units of tuition; this is not recommended as your rate of return is only as much as the cost of tuition goes up as a result of inflation—on average about 6-7%.

Pre-tax Retirement Plan: A type of retirement plan where you put money in before taxes have been taken out but must pay taxes on the money at the time of withdrawal.

Premiums: The amount you pay monthly, quarterly, semi-annually, or annually to purchase different types of insurance.

Principal: the original amount of money invested, excluding any interest or dividends. Also referred to as the face value of a loan, not including interest.

Priority: Level of importance. Saving must become a priority and you should always pay for your priorities or necessities first.

Private Mortgage Insurance (PMI): Policy protecting the holder against loss resulting from default on a mortgage loan.

Pro Rata: The percent of total debt each creditor represents; "their share."

Proactive: To have a strong initiative; when one happens "to" things.

Procrastinating: To put off until later; waiting until the last minute.

Profit: The positive difference between total revenue from a business or investment minus total expenses.

Prospectus: An official document that contains information required by the Securities & Exchange Commission to describe a mutual fund.

Purchasing Power: A measurement of the relative value of money in terms of the quality and quantity of goods and services it can buy. Inflation decreases purchasing power; deflation increases it.

Rate of Return: Also referred to as the "yield." This is the return on an investment expressed as a percentage of its cost.

Realtor: An intermediary who receives a commission for arranging and facilitating the sale of a property for a buyer or a seller. Also referred to as a Real Estate Broker or an Agent.

Reconcile: To work out; you should always reconcile your bank statement with your checkbook within 72 hours of receiving the statement.

Redemption Fee: A fee charged by some mutual funds for selling (redeeming) shares.

Refunding: Sending in proofs of purchase receive cash back or free gifts.

Reinvestment: Use of investment income or dividends to buy additional shares.

Rent: Periodic fee for the use of property.

Rental Real Estate: Buying real estate to rent out as an investment; make sure you have plenty of cash before doing this.

Renter's Insurance: Insurance that protects the possessions of one who rents a home or apartment.

Replacement Cost: Pays what it would cost to replace your home and the contents.

Repo Lot: A place where items that have been repossessed are offered for a sale.

Resume: Personal and work history used for gaining employment.

Retailer: One who buys a product to resell.

Risk: Degree of uncertainty of return on an asset. In business, the likelihood of loss or reduced profit.

Risk Management: Procedures to minimize the adverse effect of a possible financial loss by: 1) identifying potential sources of loss; 2) measuring the financial consequences of a loss occurring; and 3) using controls to minimize actual losses or their financial consequences.

Risk Return Ratio: Relationship of substantial reward corresponding to the amount of risk taken.

Risk Tolerance: An investor's personal ability or willingness to endure declines in the prices of investments.

Rollover: Movement of a tax-deferred retirement plan's money from one qualified plan or custodian to another. No immediate tax liabilities or penalties are incurred, but there is an IRS reporting requirement.

Roth IRA: This is an after-tax investment where you have already paid tax on the money you are using but the investment grows tax-free.

Royalty: Payment to someone for the right to use or sell his/her goods (i.e. – to an author based on sales of the book).

Rule of 72: A quick way to calculate the length of time it will take to double a sum of money. Divide 72 by the expected interest rate to determine the number of years (i.e. – 72 divided by 8% = 9 years).

Rule of 78: Pre payment penalty (i.e. – in 90 Days Same as Cash deals, this is the portion of the loan agreement which states that the entire loan amount plus the interest earned over the first 90 days becomes due immediately).

Salary: Payment for work, usually calculated in periods of a week or longer. Salary is usually tied to the completion of specific duties over a minimum but not maximum number of hours. (See wage)

Savings: The process of setting aside money until a future date instead of spending it today. The goal of savings is to provide funds for emergencies, short-term goals, and investments.

Savings Account: Accounts at financial institutions that allow regular deposits and withdrawals. The minimum required deposit, fees charged, and interest rate paid varies among providers.

Savings Bond: A bond is a certificate representing a debt. A U.S. Savings Bond is a loan to the government. The government agrees to repay the amount borrowed, with interest, to the bondholder. A government bond is issued in face value denominations from $50 to $10,000, with local and state tax-free interest and semiannually adjusted interest rates.

Savings & Loan Associations (S & Ls): Financial institutions that provide loans and interest-bearing accounts. Accounts in federally chartered S & Ls are federally insured.

Sector Fund: A mutual fund that invests its shareholders' money in a relatively narrow market sector, e.g. – technology, energy, the internet, or banking.

Self-Esteem: One's attitude about themselves.

Self-Insured: To insure one's self with personal assets.

Share: A piece of ownership in a company stock or mutual fund.

Short-term Disability: Disability for a minimal period of time.

Short-term Policy: Insurance policy that only covers a minimal amount of time.

Significant Purchase: Anything over $300.

Simply Interest: Interest credited daily, monthly, quarterly, semi-annually, or annually on principal only, not previously credited interest.

Simple IRA: A salary deduction plan for retirement benefits provided by some small companies with no more than 100 employees.

Simplified Employee Pension (SEP) Plan: A pension plan in which both the employee and the employer contribute to an individual retirement account. Also available to the self-employed.

Single Stock: Buying ownership in one company—the problem with single stocks is you are not diversified; there is a high degree of risk in single stocks.

Sinking Fund: Saving money to allow interest to work for you rather than against you.

Small-Cap Fund: A mutual fund that invests in companies whose market value is less than about $1 billion. Mutual funds that buy and sell smaller more volatile companies; also known as an Aggressive Growth Stock Mutual Fund.

Social Security: A federal government program of transfer payments for retirement, disability, or the loss of income from a parent or guardian. Funds come from a tax on income, a payroll deduction labeled "FICA."

Speculative: Purchasing risky investments that present the possibility of large profits, but also pose a higher-than-average possibility of loss.

Stock Markets:

> **National Association of Securities Dealers Automated Quotations System (NASDAQ)**
> The electronic stock exchange run by the National Association of Securities Dealers for over-the-counter trading. Established in 1971, it is America's fastest growing stock market and a leader in trading foreign securities and technology shares as well. The NASDAQ uses market makers who trade for their own account and profit on the spread between bid and ask prices. Although once the province of smaller companies, NASDAQ today is where many leading companies are traded, including Microsoft, Intel, MCI, Amgen, Cisco Systems, Nordstrom, Oracle, McCormick, SAFECO Insurance, Sun Microsystems, T. Rowe Price, Tyson Foods and Northwest Airlines.

New York Stock Exchange (NYSE)
The New York Stock Exchange traces its origins back more than 200 years, to the signing of the Buttonwood Agreement by 24 New York City stockbrokers and merchants in 1792. The NYSE utilizes a trading floor for traditional exchanges where buyers and sellers meet directly – that is, brokers representing investors on each side of the transaction come together on price. Centuries of growth and innovation later, the NYSE remains the world's foremost securities marketplace.

Stocks: Securities that represent part ownership or equity in a corporation. Each share of stock is a claim on its proportionate stake in the corporation's assets and profits; some of which may be paid out as dividends.

Stop-Loss: your total out-of-pocket expense for health insurance; once reached, insurance will pay 100%.

Stuffitis: The wrong priority of 'stuff' in your life; to be overly materialistic.

Take-home Pay: The amount of money one has available after taxes have been taken out of their pay. Total wage, salary, commissions, and/ or bonuses minus payroll deductions.

Tax: A government fee on business and individual income, activities, products, or services.

Tax Credit: An amount that a taxpayer who meets certain criteria can subtract from tax owed. Examples include a credit for earned income below a certain limit and for a qualified post-secondary school expenses. (See tax deduction, tax exemption)

Tax Deductible: The effect of creating a tax deduction, such as charitable contributions and mortgage interest.

Tax Deduction: An expense that a taxpayer is allowed to deduct from taxable income. Examples include deductions for home mortgage interest and for charitable fights. (See tax credit, tax exemption)

Tax-Deferred Income: Dividends, interest, and unrealized capital gains on investments in an account such as a qualified retirement plan, where income is not subject to taxation until a withdrawal is made. Investments where taxes due on the amount invested and/or its earnings are postponed until funds are withdrawn, usually at retirement.

Tax-Exempt (tax-free): Investments whose earnings are free from tax liability.

Tax Exemptions: An amount that a taxpayer who meets certain criteria can subtract from a taxable income. Examples include exemptions for each dependent or for life insurance proceeds. (See tax credit, tax deduction)

Tax Favored Dollars: Money that is working for you, either tax-deferred or tax-free, within a retirement plan.

Taxable Income: Income subject to tax; total income adjusted for deductions, exemptions, and credits.

Term Insurance: This is life insurance for a specified period of time; this is less expensive than cash value and is recommended for life insurance coverage.

Time Poverty: Having very little time to manage daily activities.

Time Value of Money: Comparison of a lump sum of money, or a series of equal payments, between two different time periods (i.e. – present and future), assuming a specified interest rate and time period. (Reference: The Time Value of Money by Clayton Spivey)

Tip: An amount paid beyond what's required, usually to express satisfaction with service quality; also known as gratuity.

Title Insurance: Insurance policy that protects a policyholder from future challenges to the title claim a property that may result in loss of the property.

Total Return: The change in percentage over a particular period in the value of an investment; including any income from the investment and any change in its market value.

Track Record: The past history of something; with investments, check at least the 5 or 10 year track record.

Transfer Payments: (See government transfer payments)

Turnover Rate: A measure of a mutual fund's trading activity. Turnover is calculated by taking the lesser of the fund's total purchases or total sales of securities (not counting securities with maturities less than one year) and dividing by the average monthly assets. (e.g. – a turnover rate of 50% means that, during a year, a fund has sold and replaced securities with a value equal to 50% of the fund's average net assets).

Umbrella: Provides extra liability; once your assets are above $200,000, you should consider this.

Underwriter: A firm, usually an investment bank, which buys an issue of securities from a company and resells it to investors. In general, a party that guarantees the proceeds to the firm from a security sale, thereby in effect taking ownership of the securities.

Unearned Income: Money received for which no exchange was made, such as a gift.

Uniform Gifts to Minors Act (UGMA): Legislation that provides a tax-effective manner of transferring property to minors without the complications of trusts or guardianship restrictions.

Uniform Transfers to Minors Act (UTMA): A law similar to the Uniform Gifts to Minors Act that extends the definition of gifts to include real estate, paintings, royalties, and patents.

Universal Life: Similar to cash value life insurance, but project better returns; this is not recommended as the type of life insurance to purchase.

Unrealized Capital Gain/ Loss: An increase (or decrease) in the value of a stock or other security (mutual fund) that is not "realized" because the security has not yet been sold for a gain or loss.

VA Loan: Designed to benefit veterans; allow a true zero-down purchase.

Value Fund: A mutual fund that emphasizes stocks of companies whose growth prospects are generally regarded as sub-par by the market. Reflecting these market expectations, the prices of value stocks typically are below average in comparison with such factors as revenue, earnings, book value and dividends.

Value System: One's priorities and things deemed important.

Variable Annuity: An annuity that has a varying rate of return based on the mutual funds you have invested in; this is better than the fixed annuity.

Variable Life: Similar to cash value life insurance, but will buy into mutual funds to project better returns; this is not recommended as the type of life insurance to buy.

Viatical: Of or relating to a contractual arrangement in which a business buys life insurance policies from terminally ill patients for a percentage of the face value.

Vocation: What you do for a living that is your "calling."

Volatility: The fluctuations in market value of a mutual fund or other security. The greater a fund's volatility, the wider the fluctuations between its high and low prices.

Wage: Payment for work, usually as calculated in periods of an hour rather than longer. (See salary)

Walkaway Power: In negotiating, this is the ability to walk away from a purchase.

Wants: Desires for economic goods or services, not necessarily accompanied by the power to satisfy them.

Wealth: Accumulated assets such as money and/ or possessions, often as a result of saving and investing.

Whole Life Insurance: Another name for cash value insurance; this is more expensive than term in order to fund a savings plan within the insurance; not recommended as the type of life insurance you need.

Win-Win Deal: Setting up a negotiation where both parties benefit.

Work Ethic: How motivated you are in your work.

Yield: The annualized rate at which an investment earns income, expressed as a percentage of the investment's current price.

Zero-coupon Bond: A bond in which no periodic coupon is paid over the life of the contract. Instead, both the principal and the interest are paid at the maturity date.

Zero-based Budget: A cash flow plan where you spend every dollar on paper before the month begins.