

Glossary

Annual Fee A once-a-year fee charged by many card issuers in addition to the interest charged on purchases. *(Unit 5)*

Annual Percentage Rate (APR) The total annual percentage amount it will cost a person to use credit. *(Unit 5)*

Bankruptcy A legal process that allows someone deeply in debt to create a plan to get out of debt. *(Unit 5)*

Bond A security representing a loan of money from a lender to a borrower for a set time period, which pays a fixed rate of interest. *(Unit 4)*

Budget A plan for spending and saving money based on a person's goals during a given time period. *(Unit 3)*

Capital Gain The difference between the purchase price and the selling price of an investment. *(Unit 4)*

Career Lifetime work that a person strongly believes in, which provides an income. *(Unit 2)*

Cash Flow A measure of the money a person receives and spends. *(Unit 1)*

Cash Management How a person manages money (cash) coming in and money going out. *(Unit 3)*

Compounding Earning interest on interest. *(Unit 4)*

Cost of Living The average cost of a variety of expenses for living, such as rent or home costs, transportation costs, insurance, utilities like natural gas and electricity, and food. *(Unit 2)*

Credit An amount of money someone is willing to loan another person based on trust and the expectation that the money will be repaid with interest. *(Unit 5)*

Credit History A person's payment activity. *(Unit 5)*

Credit Report An historical account of how a person has used credit. *(Unit 5)*

Debt The entire amount of money a person owes to lenders. *(Unit 5)*

Decision Making The process of considering and analyzing information in order to make a choice. *(Unit 1)*

Deductible An amount a person must pay first (in addition to the premium) before insurance coverage will pay for a loss. *(Unit 6)*

Delayed Gratification A willingness to give up something now in return for a benefit later. *(Unit 1)*

Diversification Spreading invested dollars among several different savings or investments to reduce risk. *(Unit 4)*

Earned Interest The payment a person receives for allowing a financial institution or corporation to use his/her money. *(Unit 4)*

Education The level of formal knowledge and training a person acquires in a lifetime. *(Unit 2)*

Employee Benefits Additional benefits, beyond a paycheck, offered by employers, for instance, health insurance or pension plan. *(Unit 2)*

Entrepreneur Someone who starts a business from scratch. *(Unit 2)*

Expenses Any money a person spends or gives away. *(Unit 3)*

Federal Income Tax A fee for the support of federal government programs collected by the employer and paid to the Internal Revenue Service (IRS). *(Unit 3)*

Finance Charge The actual dollar cost of using credit, which is calculated by the lender. *(Unit 5)*

Financial Planning A blueprint or plan for managing all aspects of a person's money. *(Unit 1)*

Fixed Expenses Expenses that are the exact amount every time. *(Unit 3)*

Goal A statement of something a person wants or needs to do. *(Unit 1)*

Grace Period The time allowed, usually 25 days, in which new credit-card purchases can be paid off, if there is no previous balance, without being charged interest. *(Unit 5)*

Gross Income The total amount of income from wages or salary before payroll deductions. *(Unit 3)*

Income Any money a person receives. *(Unit 3)*

Inflation An increase in the price of goods and services. *(Unit 4)*

Insurance Protection against large-scale financial loss. *(Unit 6)*

Insurance Premium The payment a person makes to an insurance company in exchange for its promise of protection and help. *(Unit 6)*

Interest Payment for the use of money. *(Units 4 and 5)*

Invest Money set aside for future income, benefit, or profit to meet longer-term goals. *(Unit 4)*

Job On a relative basis, short-term work that pays the bills. *(Unit 2)*

Loan Term The length of time covered by a loan. *(Unit 5)*

Medicare Tax Collected from most employees to fund hospital insurance provided under the Social Security System. *(Unit 3)*

Mutual Fund An investment that pools money from several investors and uses it to buy a particular type of investment, such as stocks. *(Unit 4)*

Needs The essentials or basics of life. *(Unit 1)*



Net Income The amount of a paycheck that a person can actually spend; essentially gross income less any payroll deductions. *(Unit 3)*

Opportunity Cost The value of what is given up when a person chooses one option over another. *(Unit 1)*

Payroll Deductions Amounts subtracted from gross income, which is withheld by an employer for items like taxes and employee benefits. *(Unit 3)*

P.Y.F. Pay yourself first. *(Unit 3)*

Rate of Return How fast money in a savings or an investment account grows. *(Unit 4)*

Risk Management The various ways to deal with potential personal or financial loss. *(Unit 6)*

Rule of 72 How long it takes for money to double in value. *(Unit 4)*

Savings Money set aside for short-term goals. *(Unit 4)*

State Income Tax A fee for the support of state programs that is usually collected by the employer and paid to the state revenue department. *(Unit 3)*

Social Security Tax A fee collected from most employees to support this federal program, which provides old-age, survivors, and disability insurance. *(Unit 3)*

Stock An investment that represents ownership in a company or corporation. *(Unit 4)*

Taxes Fees placed on income, property, or goods to support government programs. *(Unit 3)*

Time Value of Money The relationship between time, money, a rate of return and earnings growth. *(Unit 4)*

Values The beliefs and practices in a person's life that are very important. *(Unit 1)*

Variable Expenses Expenses that are not fixed. *(Unit 3)*

Wants Items, activities, or services that increase the quality of life. *(Unit 1)*

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