

**DIRECTIONS**

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**A B C D E F G H I J K L M**  
**N O P Q R S T U V W X Y Z**

**TERM****DEFINITION****A**

<b>Add-On Rate</b>	A method of calculating interest (see <b>interest</b> ) on a loan, based on the assumption that the borrower holds the original principal for the entire loan period.
<b>Adjusted Balance Method</b>	A method of calculating finance charges (see <b>finance charge</b> ) by basing them on the opening balance owed after subtracting the payments made during the month.
<b>Advertisements</b>	Public notices, displays, or presentations intended to promote the sale of goods or services; often based on celebrity endorsements, appeals to authority, bandwagon effects, and attractive imagery.
<b>Advertising</b>	Using advertisements to promote the sale of goods or services.
<b>Allowance</b>	A sum of money paid regularly to a person, often by a parent to a child; sometimes paid in compensation for services performed.
<b>Alternative</b>	One of two or more possible choices or courses of action in a given situation.
<b>Amount Past Due</b>	In a credit arrangement, the amount of money owed and not repaid on time.
<b>Annual Fee</b>	The yearly charge for having a credit card or credit account.
<b>Annual Percentage Rate (APR)</b>	The percentage of the principal of a loan to be paid as interest in one year. Differs from an add-on rate (see <b>add-on rate</b> ) in that an APR is calculated on the declining balance of the loan. The Truth in Lending Act (see <b>Truth in Lending Act</b> ) requires lenders to disclose APRs to prospective borrowers.
<b>Annual Percentage Yield</b>	Income earned on an investment in a year, divided by the amount of the original investment. (Also known as <b>annual rate of return</b> )
<b>Annual Rate of Return</b>	Income earned on an investment in a year, divided by the amount of the original investment. (Also known as <b>annual percentage yield</b> )
<b>Asset</b>	Something of monetary value owned by an individual or an organization.
<b>Automated Teller</b>	A machine that provides cash and performs banking services

<b>TERM</b>	<b>DEFINITION</b>
<b>Machine (ATM)</b>	(for deposits and transfers of funds between accounts, for example) automatically when accessed by customers using plastic cards coded with personal identification numbers (PINS). (See <b>PIN</b> .)
<b>Average Daily Balance Method</b>	A method of calculating finance charges (see <b>finance charge</b> ) based on the average amount owed for each day of the billing cycle.

<b>B</b>
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<b>Bait and Switch</b>	The action (generally illegal) of advertising goods that are an apparent bargain (the bait) with the intention of inducing customers to buy more expensive items (the switch), on the pretext that the advertised item is no longer available. As an adjective: <i>A bait-and-switch scheme.</i>
<b>Balanced Budget</b>	A financial plan in which income is equal to expenses.
<b>Bank</b>	A financial institution that provides various products and services to its customers, including checking and savings accounts, loans, and currency exchange.
<b>Bank Account</b>	An arrangement by which a bank holds funds on behalf of a depositor; also, the balance of funds held under such an arrangement, credited to and subject to withdrawal by the depositor.
<b>Bank Service Charges</b>	Fees paid by bank customers for financial services—for example, check-cashing fees, fees for overdrafts from accounts, fees for using the ATMs of other banks, and fees for using bank-issued credit cards.
<b>Bank Statement</b>	A monthly summary providing the status of a depositor's financial accounts (checking and/or savings).
<b>Benefit</b>	Monetary or non-monetary gain received because of an action taken or a decision made.
<b>Benefits and Costs Analysis</b>	A process of examining the advantages (benefits) and disadvantages (costs) of each available alternative in arriving at a decision. (Also known as <b>cost/benefit analysis</b> )
<b>Blue Chip Stocks</b>	Stocks in large, nationally known companies that have been profitable for a long time and are well-known and trusted.
<b>Bond</b>	A certificate of indebtedness issued by a government or a publicly held corporation, promising to repay borrowed money to the lender at a fixed rate of interest and at a specified time.
<b>Borrow</b>	To receive and use something belonging to somebody else, with the intention of returning or repaying it—often with interest in the case of borrowed money.
<b>Brand</b>	A trade name used to identify a product produced by a particular company, distinguishing it from similar products produced by competitors.
<b>Budget</b>	A spending-and-savings plan, based on estimated income and expenses for an individual or an organization, covering a specific time period.
<b>Business</b>	Any activity or organization that produces or exchanges goods and services for a profit.

**Business Plan**

A description of an enterprise including its name, its goals and objectives, the product(s) sold and distributed, the work skills needed to produce those products, and the marketing strategies used to promote them.

**C**

<b>Capacity</b>	Used here in the context of credit transactions, capacity is one of the Three Cs of Credit (see <b>three Cs of credit</b> ). It is an indicator of how creditworthy a prospective borrower is likely to be, as determined by the borrower's current and future earnings relative to current debt. High earnings and low debt, for example, indicate a strong capacity to make payments on the loan in question. (See <b>creditworthiness</b> .)
<b>Capital</b>	Used here in the context of credit transactions, capital is one of the Three Cs of Credit (see <b>three Cs of credit</b> ). It is an indicator of how creditworthy a prospective borrower is likely to be, as determined by the borrower's current financial assets and net worth. (See <b>creditworthiness</b> .)
<b>Capital Gain</b>	A profit realized from the sale of property, stocks, or other investments.
<b>Capital Loss</b>	A loss suffered upon selling property, stock, or another investment for less money than the purchase price of the asset in question.
<b>Capital Resources</b>	Resources made and used to produce and distribute goods and services; examples include tools, machinery, and buildings.
<b>Cash</b>	Money in the form of paper currency or coins (as distinct from checks, money orders, or credit).
<b>Cash Advance</b>	In a credit arrangement, the amount charged to a borrower's account for cash received; an instant loan.
<b>Cash Available</b>	In a credit arrangement, the difference between the cash-advance limit and withdrawals made (advances issued); the remaining balance.
<b>Cash-Advance Limit</b>	In a credit arrangement, the maximum amount that can be issued for a cash advance.
<b>Certificate of Deposit (CD)</b>	A certificate issued by a bank to a person depositing money in an account for a specified period of time (often six months, one year, or two years). A penalty is charged for early withdrawals from CD accounts.
<b>Character</b>	Used here in the context of credit transactions, character is one of the Three Cs of Credit (see <b>three Cs of credit</b> ). It is an indicator of how creditworthy a prospective borrower is likely to be, as determined by the borrower's handling of past debts and his or her stability in jobs and residences. (See <b>creditworthiness</b> .)
<b>Charity</b>	The voluntary giving of aid, typically in the form of money, to those in need.
<b>Check</b>	A written order to a financial institution directing the financial institution to pay a stated amount of money, as instructed (see

**endorsement**), from the customer's account.

<b>Check Register</b>	A form (usually located in the back of a checkbook) on which users of checking accounts may record checks they have written and deposits they have made. Information thus recorded helps people keep track of balances in their accounts.
<b>Checking Account</b>	A financial account into which people deposit money and from which they withdraw money (for purchases, paying bills, etc.) by writing checks (see <b>check</b> ).
<b>Choice</b>	An act of selecting or making a decision when faced with two or more alternatives (see <b>alternative</b> ).
<b>Coins</b>	In the United States: flat, round pieces of metal, issued by the government, used as money.
<b>Collateral</b>	Something of value (often a house or a car) pledged by a borrower as security for a loan. If the borrower fails to make payments on the loan, the collateral may be sold; proceeds from the sale may then be used to pay down the unpaid debt.
<b>Collision Insurance Coverage</b>	Insurance that pays for repairs to an automobile, or replacement of an automobile (minus the deductible [see <b>deductible</b> ] in each case), if the automobile is hit by another car.
<b>Comparison Shopping</b>	Examining different brands or models of a product (to learn about variations in quality, size, etc.), or the prices charged by different sellers (to learn about possible cost-savings), before deciding what to buy.
<b>Complements</b>	Goods and/or services that are typically used together, such as hamburger and hamburger buns.
<b>Compound Interest</b>	Interest paid on the principal and on interest earned previously. (Compare <b>simple interest</b> .)
<b>Compounding</b>	Paying interest on the principal and on interest earned previously. For example, if someone deposits \$2,000 in an account that pays interest at 8 percent, he or she will earn \$160 in interest after one year, for a balance of \$2,160. If the depositor leaves this sum in the account for another year, however, he or she will earn \$172.80 in interest because the 8 percent rate will apply to the new balance of \$2,160, not the original \$2,000 deposit. The longer the money is left in the account, the more dramatic the compounding effect.
<b>Comprehensive Insurance Coverage</b>	Insurance that pays for repairs to an automobile, or replacement of an automobile (minus the deductible [see <b>deductible</b> ] in each case), if the automobile is stolen or damaged by something other than a collision (for example, by a hail storm).
<b>Consequence</b>	A result or effect of an action or decision; may be positive or negative.

<b>Consume</b>	To buy and use a good or service.
<b>Consumption</b>	The process of buying and using goods and services.
<b>Corporate Bond</b>	A certificate of indebtedness issued by a publicly held corporation, promising to repay borrowed money to the lender at a fixed rate of interest and at a specified time. Bonds provide corporations with an alternative way to raise money (as distinct from selling shares of stock or taking out bank loans) for expansion or other business needs.
<b>Corporation</b>	A company or group of people authorized to act as a single entity (legally, as a person), having rights, privileges, and liabilities distinct from those of the individuals within the entity. A corporation has four major characteristics: limited liability, easy transfer of ownership through the sale of stocks, continuity of existence, and centralized management. Most large firms, especially those engaged in manufacturing, are organized as corporations.
<b>Cost</b>	An amount that must be paid or spent to buy or obtain something--as in <i>How much do those shoes cost?</i> Also the effort, loss, or sacrifice necessary to achieve or obtain something--as in <i>Learning to play that violin will cost you long hours of effort.</i> (See <b>opportunity cost</b> .)
<b>Cost/Benefit Analysis</b>	A process of examining the advantages (benefits) and disadvantages (costs) of each available alternative in arriving at a decision. (Also known as <b>benefits and costs analysis</b> )
<b>Costs of Production</b>	Amounts paid for resources (land, labor, capital, and entrepreneurship; see <b>resources</b> ) used to produce goods and services.
<b>Credit</b>	The ability of a customer to obtain goods or services before payment, based on an agreement to pay later.
<b>Credit Agreement</b>	A written promise to repay borrowed money.
<b>Credit Application</b>	A request for a loan, submitted to a lender (for example, a bank or a credit union) by a prospective borrower. The credit application provides background information which the lender uses to assess the prospective borrower's creditworthiness—his or her ability to repay the loan. (See <b>creditworthiness</b> and the <b>three Cs of credit</b> .)
<b>Credit Card</b>	A small, specially coded plastic card issued by a bank, business, etc., authorizing the cardholder to purchase goods or services on credit.
<b>Credit-Card Statement</b>	A monthly summary from a credit-card company conveying information about a cardholder's purchases, payments, balance due, and fees.
<b>Credit Costs</b>	Charges associated with the acceptance of a loan, including the finance charge and transaction fees (for example, loan fees, annual or monthly fees on a credit account).

<b>Credit History</b>	A record of past borrowing and repayments.
<b>Credit Limit</b>	The maximum amount of money that will be extended to a person by a financial institution or credit-card issuer.
<b>Credit Rating</b>	An evaluation of a borrower's ability to repay a loan based on his or her character, capacity, and capital. (See <b>creditworthiness</b> and the <b>three Cs of credit</b> .)
<b>Credit Record</b>	A report about a person's credit history, including his or her ability and willingness to repay debts, based on how reliably he or she has repaid debts in the past. (Also known as a <b>credit report</b> )
<b>Credit Report</b>	A report about a person's credit history, including his or her ability and willingness to repay debts, based on how reliably he or she has repaid debts in the past. (Also known as a <b>credit record</b> )
<b>Credit Union</b>	A nonprofit financial institution owned by its members; offers various financial services including accounts and loans; regulated by the National Credit Union Association (NCUA).
<b>Creditworthiness</b>	The extent to which a person is deemed suitable to receive credit, especially as shown by reliability in repaying loans in the past. (See the <b>three Cs of credit</b> .)
<b>Creditor</b>	A person or company to whom money is owed.

D	
<b>Debit Card</b>	A small, specially coded plastic card issued by a bank; allows the cardholder to transfer funds electronically and immediately from his or her checking account to another account (for example, a merchant's account), as if the cardholder were writing a check to pay for a purchase.
<b>Debt</b>	Money owed to someone else--as in <i>I've got a debt of \$900</i> . Also the state or condition of owing money--as in <i>Jones is always in debt</i> .
<b>Deceptive Practices</b>	Misleading methods used by businesses to sell goods or services. Examples include misleading prices, bait-and-switch tactics, and false advertising.
<b>Decision-Making Grid</b>	A graph-like form into which people may enter notations about the costs and benefits of various alternatives; used for assistance in making decisions.
<b>Deductible</b>	Regarding insurance policies: A set amount an insured person must pay per loss before the insurance company will pay a claim.
<b>Demand</b>	The quantity of a good or service that consumers are willing and able to buy at given prices during a period of time.
<b>Deposit</b>	A sum of money placed into a financial account, usually to gain interest. Also the act of placing money into an account--as in <i>I'd like to deposit this check in my account</i> .
<b>Direct Deposit</b>	The electronic transfer of a payment (for a month's salary, for example) directly from the payer's account to the recipient's account.
<b>Disincentive</b>	A factor, often a monetary penalty or disadvantage, that discourages people from doing something—as in <i>High prices for gasoline act as a disincentive to people considering long automobile trips</i> . (Compare <b>incentive</b> .)
<b>Disposable Income</b>	The amount of money a person has left to save or spend after income taxes, Social Security taxes, and other required deductions have been taken out of his or her gross pay.
<b>Diversify</b>	To invest in a variety of stocks, bonds, money market accounts, etc., in order to spread risk. Sometimes referred to as “not putting all of your eggs in one basket.”
<b>Dividend</b>	A share of a company's net profits paid to stockholders.
<b>Donation</b>	Something of value (often money) given to a charity or some other organization—as in <i>She made a tax-deductible donation of \$1,000 to the University of Minnesota</i> .

<b>E</b>
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<b>Earned Income</b>	Money received for work performed; may include salary, wages, tips, professional fees, commissions, etc.
<b>Economic Way of Thinking</b>	A reasoning process that involves considering costs as well as benefits in making decisions.
<b>Electronic Funds Transfer Act</b>	A federal law providing consumer protection for people who use ATMs and debit cards. The law limits users' liability for unauthorized charges made on cards that have been lost or stolen.
<b>Endorsement</b>	<p>A signature on the back of a check instructing the bank as to how the check may be cashed. There are three types of endorsement.</p> <p><b>Blank endorsement:</b> The signature makes the check as good as cash to anybody who holds it.</p> <p><b>Restrictive endorsement:</b> The signature tags the check for a specific purpose, such as "for deposit only" to a checking or savings account.</p> <p><b>Special endorsement:</b> The signature allows the holder to transfer the check to another person.</p>
<b>Entrepreneur</b>	One who draws upon his or her skills and initiative to launch a new business venture with the aim of making a profit. Often a risk-taker, inclined to see opportunity where others do not.
<b>Equal Credit Opportunity Act</b>	A federal law that prevents lenders from denying credit on the basis of an applicant's sex, marital status, race, national origin, religion, or age, or because an applicant receives public assistance.
<b>Equity</b>	Stock, both common and preferred—as in <i>I prefer to invest in equities rather than bonds</i> . Also the value of mortgaged property after accounting for charges against it or money owed—as in <i>Sarah has built up \$40,000 worth of equity in the home she bought five years ago</i> .
<b>Expenses</b>	Payments for goods and services.

<b>F</b>
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<b>Fair Credit Billing Act</b>	A federal law that requires creditors to mail out bills at least 14 days before payment is due. The law also establishes procedures for correcting billing errors on credit accounts.
<b>Fair Credit Reporting Act</b>	A federal law governing the activities of credit bureaus and creditors. It requires creditors to furnish accurate and complete information to borrowers; it also establishes a process consumers may use to correct inaccuracies in credit reports.
<b>Fair Debt Collection Practices Act</b>	A federal law that bars collection agencies from using threats, harassment, or abuse in their efforts to collect debts.
<b>Federal Deposit Insurance Corporation (FDIC)</b>	A federal agency that guarantees depositors' savings up to \$100,000 per account in most commercial banks, savings banks, and savings associations. The FDIC was established by the federal government in 1933 after the bank failures of the Great Depression.
<b>Federal Income Tax</b>	A tax paid by individuals and businesses to the federal government to fund such services as national defense, human services, and the monitoring and regulation of trade.
<b>Federal Insurance Contributions Act (FICA)</b>	A federal system of old-age, survivors, disability, and health-care (Medicare) insurance which requires employers to withhold (or transfer) wages from employees' paychecks and deposit that money in designated accounts. (Also known as <b>Social Security</b> )
<b>Finance Charge</b>	The total cost of credit, including interest and transaction fees.
<b>Financial Intermediaries</b>	Banks, credit unions, pension funds, insurance companies, mutual fund companies, and other financial institutions that bring together savers and borrowers and buyers and sellers of stocks and bonds.
<b>Financial Risk</b>	The chance that an individual, business, or government will not be able to return money invested.
<b>Fixed Expenses</b>	Expenditures that are the same from week to week or month to month, such as mortgage or rent payments and car payments. (Compare <b>variable expenses</b> .)
<b>Fixed Income</b>	Income that stays the same from week to week or month to month. Usually refers to income from pensions or bonds. (Compare <b>variable income</b> .)
<b>Fraud</b>	Wrongful or criminal deception intended to manipulate a person for the purpose of gain, usually financial.
<b>Fraud Risk</b>	The chance that an investment has been misrepresented.
<b>Functions of Money</b>	Practical uses or purposes served by money; what it does for us. Money serves as a medium of exchange (we can use it to pay for things we buy), a standard of value (prices expressed

in dollar amounts tell us how much one thing is worth compared to another), and a store of value (money retains its value over time; we can save it now and use it later). (See **money**.)

**G**

<b>Goal</b>	Something a person or organization plans to achieve in the future; an aim or desired result.
<b>Goods</b>	Tangible objects that can be bought and sold, such as cars, houses, computers, and cell phones. Often distinguished from <b>services</b> .
<b>Grace Period</b>	A period of time allowed for payment of money owed; after the grace period has elapsed, interest may be charged.
<b>Gross Income</b>	A total amount of money earned (from salaries, wages, etc.) before taxes and other deductions are withheld. (Also known as <b>gross pay</b> )
<b>Gross Pay</b>	A total amount of money earned (from salaries, wages, etc.) before taxes and other deductions are withheld. (Also known as <b>gross income</b> )
<b>Growth Fund</b>	A mutual fund whose major objective is long-term capital growth (as distinct, for example, from providing current income for investors). Growth funds offer the potential for substantial gains over time, but shares fluctuate in value during ups and downs in financial markets.

**H**

<b>Human Capital</b>	Intangible assets possessed by individuals, including knowledge, talent, skills, health, and values. (Also known as <b>human resources</b> )
<b>Human Capital Investment</b>	Investment of time, effort, and resources in education and training--to increase one's own knowledge, skills, health, etc., or to develop those assets in others. Examples include staying in school or returning to school to learn new skills.
<b>Human Resources</b>	Intangible assets possessed by individuals, including knowledge, talent, skills, health, and values. (Also known as <b>human capital</b> )

<b>I</b>
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<b>Identity Theft</b>	Unauthorized, illegal use of a person's legal and financial identification (for example, his or her Social Security number or PIN).
<b>Impulse Buying</b>	Buying goods or services without comparison shopping or forethought about costs and benefits.
<b>Incentive</b>	A factor, often a monetary reward or advantage, that encourages people to do something—as in <i>Tax provisions in the new forest management program give landowners an incentive to take good care of the trees on their property.</i> (Compare <b>disincentive</b> .)
<b>Income</b>	Money received for work performed or from investments; may include salaries, wages, interest, dividends, etc.
<b>Income Taxes</b>	Payments made by individuals and corporations to the federal government (and to some state and local governments) based on income received (both earned and unearned).
<b>Individual Retirement Account (IRA)</b>	An account in which an individual may set aside earned income in a tax-deferred savings plan for his or her retirement. There are two types of IRAs--traditional and Roth--each with its own qualifications and rules governing contributions and withdrawals.
<b>Inflation</b>	A general increase in the price level.
<b>Inflation Risk</b>	The chance that the rate of inflation will exceed the rate of return on an investment.
<b>Initial Public Offering (IPO)</b>	A company's first sale of stock to the public. When a company "goes public," it sells blocks of stock shares to an investment firm that specializes in initial offerings of stocks and resells them to the public.
<b>Institutional Investor</b>	A financial intermediary (see <b>financial intermediaries</b> ), such as a pension fund or a mutual fund, that buys stock and other investments for clients.
<b>Insurance</b>	<p>A practice or arrangement whereby a company provides a guarantee of compensation for specified forms of loss, damage, injury, or death. People obtain such guarantees by buying insurance policies, for which they pay premiums. The process allows for the spreading out of risk over a pool of insurance policyholders, with the expectation that only a few policyholders will actually experience losses for which claims must be paid.</p> <p>Types of insurance include the following:</p> <p><b>Automobile:</b> For losses incurred as a result of accidents, vandalism, and other causes of damage to cars.</p> <p><b>Health:</b> For coverage of certain health-care costs.</p>

**Renter's:** For losses (from theft, for example) of personal possessions in a rental unit.

**Homeowner's:** For damage to a person's home or its contents, and to cover costs arising from injury to others on the homeowner's property.

**Life:** For compensation to dependents of a policyholder, to be paid when a policyholder dies.

**Disability:** To provide income for a worker when she or he is ill or injured and unable to work.

<b>Interest</b>	Money paid regularly, at a particular rate (see <b>interest rate</b> ), for the use of borrowed money. As an adjective: <i>I'm no longer making any interest payments.</i>
<b>Interest Rate</b>	The price paid for using someone else's money, expressed as a percentage of the amount borrowed.
<b>Interest Rate Risk</b>	The chance that interest rates may change (upward) while the saver is "locked in" to a (lower) rate for a time deposit (a CD, for example) or a bond.
<b>Intermediate-Term Goal</b>	Something a person or organization plans to achieve from one to five years in the future. (Also known as <b>medium-term goal</b> )
<b>Internal Revenue Service (IRS)</b>	The government agency that collects federal income taxes.
<b>Inventory</b>	An itemized list of goods held by a person or business. Also a quantity of goods held in stock—as in <i>You'll find a large inventory of cell phones at Unwired Emporium.</i>
<b>Investing</b>	Putting money someplace with the intention of making a financial gain. Investment possibilities include stocks, bonds, mutual funds, real estate, and other financial instruments or ventures.
<b>Investment</b>	The purchase of stocks, bonds, mutual funds, real estate, and other financial instruments or ventures with the intention of making a financial gain.
<b>Investment Return</b>	The additional income earned from saving or investing money, often expressed as an annual percentage of the amount invested.

**J****Job**

A piece of work usually done on order at an agreed-upon rate—for example, roofing a house, extracting wisdom teeth. Also a paid position of regular employment—as in *Brenda has a new job designing circuits at Amalgamated Widgets.*

**K****Keogh Plan**

A federally approved, tax-deferred savings program for self-employed people, allowing them to set money aside (in CDs and mutual funds, for example) for their retirement.

<b>L</b>
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<b>Late Fee</b>	In a credit arrangement, a fee charged when payment is received after the due date.
<b>Lend</b>	To grant someone the use of something (a car, for example, or a sum of money), on condition that the object borrowed or its equivalent will be returned (often with interest, in the case of money).
<b>Lender</b>	One who lends; may be an individual or a business.
<b>Letter of Application</b>	A letter written by a job-seeker to a prospective employer in which the job-seeker may introduce himself or herself, express interest in a particular job, describe his or her qualifications for that job, request an interview, and generally seek to convince the employer that he or she would make a great employee.
<b>Liability</b>	Legal responsibility to pay for damages or losses one has caused.
<b>Liability Insurance Coverage</b>	Automobile insurance that pays for costs of bodily injury and property damage when the insured person damages someone or something with his or her car.
<b>Liquid Investments</b>	Investments or savings (such as savings accounts and money market mutual funds) from which money can be accessed immediately.
<b>Liquidate</b>	To wind up the affairs of a company by identifying liabilities and selling off assets in order to make payments to creditors.
<b>Liquidity</b>	The ease with which savings or investments can be turned into cash.
<b>Liquidity Risk</b>	The chance that an investor will find it difficult to turn an investment into cash (by trying to sell a house, for example, in a down market for real estate).
<b>Loan Scam</b>	An illegal scheme in which somebody runs an advertisement, targeted to people who have run up large debts, offering a personal-debt consolidation loan on terms that seem to be very attractive. The consumer is instructed to send in a fee in order to obtain the loan. The loan never arrives.
<b>Long-Term Goal</b>	Something a person or organization plans to achieve at least five years in the future.

<b>M</b>	
<b>Marginal Benefit</b>	The additional gain obtained from producing or consuming one more unit of a good or service.
<b>Marginal Cost</b>	The change in a producer's total cost when output is increased by one unit.
<b>Market Price Risk</b>	The chance that the value of an investment will go down because of a change in supply and demand.
<b>Median</b>	The middle value or midpoint of a group of numbers where half of the numbers are above the middle value and half the numbers are below it.
<b>Medicare</b>	A federal health-care program that pays for certain medical and hospital costs for people aged 65 and older (and for some people who are under the age of 65 and disabled). Part of <b>Social Security</b> .
<b>Medium-Term Goal</b>	Something a person or organization plans to achieve from one to five years in the future. (Also known as <b>intermediate-term goal</b> )
<b>Minimum Payment</b>	In a credit arrangement, the lowest amount that a borrower must pay toward a credit balance each month in order to avoid a penalty.
<b>Monetary Incentives</b>	Factors (see <b>incentive</b> ) related to money, income, and/or economic wealth that encourage people to do something—as in <i>Salespeople who work on commission have a monetary incentive to work hard at making sales.</i>
<b>Money</b>	Anything that serves as a medium of exchange, a standard of value, and a store of value. (See <b>functions of money</b> .)
<b>Money Market Account</b>	An interest-bearing account similar to a checking account. Deposits may be added at any time; some money market accounts limit the withdrawals depositors may make without paying a penalty. (Also known as <b>money market deposit account</b> )
<b>Money Market Deposit Account</b>	An interest-bearing account similar to a checking account. Deposits may be added at any time; some money market deposit accounts limit the withdrawals depositors may make without paying a penalty. (Also known as <b>money market account</b> )
<b>Money Market Mutual Fund (MMMF)</b>	A fund restricted by law to investing in the short-term money market. MMMFs provide low risk and low returns, but they maintain their investment value. (See <b>mutual fund</b> .)
<b>Money Order</b>	A certificate purchased for a specific amount of money and signed over by the purchaser to the person or business named on the certificate.

**Mutual Fund**

A pool of money used by a company to purchase a variety of stocks, bonds, or money market instruments. Provides diversification and professional management for investors. (Compare **stock mutual fund**.)

<b>N</b>	
<b>NASDAQ</b>	An electronic marketplace enabling buyers and sellers to get together via computer and hundreds of thousands of miles of high-speed data lines to trade stocks. NASDAQ is an acronym for National Association of Securities Dealers Automated Quotation System.
<b>Natural Resources</b>	“Gifts of nature” used to produce goods and services; examples include land, oceans, air, trees, mineral deposits, soil fertility, and climatic conditions.
<b>Net Pay</b>	The amount of money a person receives within a pay period after taxes and other deductions are taken out of his or her paycheck. (Also known as <b>take-home pay</b> . Compare <b>gross pay</b> .)
<b>Net Worth</b>	The current value of a person’s assets minus liabilities.
<b>New Balance</b>	On a credit card account, the amount currently owed.
<b>New York Stock Exchange (NYSE)</b>	The oldest stock exchange in the United States, founded in 1792.
<b>Nominal Rate of Return</b>	The rate of return from an investment before adjusting for inflation.
<b>Non-Monetary Incentives</b>	Factors other than money that encourage people to do something. (See <b>monetary incentives</b> .)
<b>Non-Sufficient Funds (NSF)</b>	A term or notation used by banks in reference to checks written for more than the balance in a bank customer’s checking account. An NSF is, in colloquial terms, a check that bounces. Banks charge penalty fees for NSF checks. (See <b>overdraft</b> .)

**O**

<b>Occupation</b>	A job or profession; also a category of work, sometimes identified by the degree of skill required—as in <i>skilled</i> , <i>semi-skilled</i> , and <i>unskilled work</i> .
<b>Operating Costs</b>	The expenses of doing business.
<b>Opportunity Cost</b>	The next-best alternative a person gives up in making a choice. (See <b>cost</b> .)
<b>Opportunity Cost of Saving for the Future</b>	When people hold off on spending in order to save money for use in the future, their opportunity cost is certain goods and services they could have obtained today had they chosen to spend rather than save.
<b>Overdraft</b>	A check written for more than the balance in one's checking account; in colloquial terms, a check that bounces. The bank will mark such a check NSF (see <b>non-sufficient funds</b> ), for “non-sufficient funds,” and will charge a penalty fee for the nuisance involved in handling a bounced check.

<b>P</b>
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<b>Paper Money</b>	Certificates of various denominations generally recognized and accepted as a medium of exchange within a nation and elsewhere. Paper money is issued and backed by national governments (the Japanese yen, the English pound, etc.) or, in the case of the euro, by a group of governments.
<b>PACED Decision-Making Process</b>	A decision-making process designed to help people solve problems in a rational, systematic way. It includes the following steps: State the <u>P</u> roblem List <u>A</u> lternatives Identify <u>C</u> riteria <u>E</u> valuate Alternatives Make a <u>D</u> ecision
<b>Passbook Savings Account</b>	A savings account offering high liquidity (see <b>liquidity</b> ) but usually a low rate of interest. Deposits and withdrawals are recorded in the saver's passbook.
<b>Payday Loan</b>	A loan issued to a borrower who writes a post-dated check made out to a lender (usually a company specializing in payday loans and other financial services targeted to low-income customers) for the amount he or she wishes to borrow plus a fee. The lender then gives the borrower cash in the amount stated on the check, minus the fee, and holds the check until the borrower's next payday, when the lender cashes it. No credit background check is required. The cost (in fees and interest) to those who use payday loans is often high, however, when calculated as an APR; this fact has drawn criticism from lawmakers and others who see payday loans as a form of "predatory lending."
<b>Payment</b>	In a credit arrangement, the amount paid by the consumer and received by the issuer of credit in the last billing period.
<b>Payment Due Date</b>	In a credit arrangement, the date by which the minimum payment must be made.
<b>Payroll Deduction</b>	An amount of money automatically subtracted from an employee's gross pay (see <b>gross pay</b> ) for taxes, insurance, retirement benefits, etc. (See <b>net pay</b> and <b>take-home pay</b> .)
<b>Pension Fund</b>	An account established by a business to fund retirement benefits for its workers. Pension funds invest in stocks, bonds, mutual funds, and real estate.
<b>Periodic Income</b>	Money received but not earned on a regular schedule—for example, from occasional baby-sitting jobs, summer jobs, and gifts from relatives.
<b>Periodic Expenses</b>	Expenditures that occur occasionally and for which people budget money.

<b>PIN (Personal Identification Number)</b>	A confidential code used to access private financial information or to make transactions (at an ATM, for example).
<b>Personal Resources</b>	The time, money, and skills that a person has.
<b>Planned Spending</b>	Thoughtful, deliberate spending, reflecting a consumer's judgment that the benefits to be obtained warrant the costs to be paid. (Compare <b>impulse buying</b> .)
<b>Portfolio</b>	A person's or an institution's collection of savings and investments.
<b>Premium</b>	The fee paid for insurance protection.
<b>Previous Balance</b>	In a credit arrangement, last month's balance.
<b>Price</b>	The amount people pay when buying a good or service.
<b>Primary Market</b>	The market where new securities are offered for sale for the first time. Investment banks buy shares of stock directly from corporations that issue them and sell these shares to others.
<b>Principal</b>	An original amount of money invested or lent.
<b>Product</b>	Something manufactured or refined for sale.
<b>Productive Resources</b>	Natural resources, human resources, capital resources, and entrepreneurship used to make goods and services. (Also known as <b>resources</b> )
<b>Productivity</b>	A measure of output per unit of input.
<b>Profit</b>	The money a business has left over after selling its goods and services and paying its costs of production. Not to be confused with <b>revenue</b> .
<b>Property Tax</b>	A tax on land and structures built on it (houses, factories, etc.). Payments go to state and/or local governments to pay for police protection, public schools, libraries, etc. (Also known as <b>real estate tax</b> )
<b>Purchases</b>	In a credit arrangement, the total amount spent during the billing cycle.
<b>Pyramid Scam</b>	An illegal scheme of selling goods. Participants are recruited by advertisements offering big profits to those who pay a fee for agency rights—that is, rights to sell goods as a representative of the pyramid company. Each recruited agent then recruits others to join, with each new participant paying a fee to join. The key is that each person is promised commissions not only on his or her sales but on the sales of other people they recruit as distributors. Pyramid schemes can be disguised as games, buying clubs, chain letters, mail-order operations, or multi-leveled business opportunities. A pyramid scheme is illegal.

**Q****Quality Comparison**

Examining products to learn whether one is better than others.  
(See **comparison shopping**.)

R
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<b>Rate of Return</b>	Earnings from an investment, stated as a percentage of the amount invested; usually calculated on an annual basis.
<b>Real Estate</b>	Property such as land, houses, and office buildings.
<b>Real Estate Tax</b>	A tax on land and structures built on it (houses, factories, etc.). Payments go to state and/or local governments to pay for police protection, public schools, libraries, etc. (Also known as <b>property tax</b> )
<b>Rent to Own</b>	An arrangement whereby consumers rent something (often furniture), making regular rental payments, and become owners of the rented object(s) after a specified period of time--sometimes automatically and sometimes with an additional payment. A legal business but very costly to consumers. As an adjective: <i>Ralph got his furniture at a rent-to-own store.</i>
<b>Resources</b>	Natural resources, human resources, capital resources, and entrepreneurship used to make goods and services. (Also known as <b>productive resources</b> )
<b>Resume</b>	A document describing a job-seeker to prospective employers. Usually includes the job-seeker's name, telephone number, address, e-mail address, career objective, education, work experience, abilities, awards, offices held in organizations, and special interests.
<b>Retirement Accounts</b>	Accounts such as IRAs (see <b>Individual Retirement Account</b> ), SEPs (see <b>Simplified Employee Pension Plan</b> ), and Keogh Plans (see <b>Keogh Plan</b> ) that allow individuals to save money toward retirement on a tax-deferred basis.
<b>Return</b>	Earnings from an investment, usually expressed as an annual percentage.
<b>Revenue</b>	The money a business receives from customers who buy its goods and services. Not to be confused with <b>profit</b> .
<b>Risk</b>	The chance of losing money.
<b>Risk of Financial Loss</b>	The chance that the value of an investment (the principal) will decrease.
<b>Risk/Reward Ratio</b>	As applied to investments: the greater the risk, the greater the potential reward. For example: passbook savings accounts offer depositors very low risk but also low rates of interest; growth stocks are much riskier, but they offer a potential for big gains.
<b>Rule of 72</b>	A mathematical rule for determining the number of years it will take for an investment to double in value. The number of years is determined by dividing 72 by the annual rate of return. Thus, an investment expected to earn interest at a rate 8 percent will double an investor's funds in $72/8$ , or nine years.

Dividing 72 by the number of years in which an investor wishes to double his or her return will yield the necessary rate.

<b>S</b>
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<b>Salary</b>	A regular payment, often at monthly or biweekly intervals, made by an employer to an employee, especially in the case of professional or white-collar employees. Salaries are paid for services rendered and are not based on hours worked. (Compare <b>wages</b> .)
<b>Sale</b>	An exchange of goods or services for money.
<b>Sales Revenue</b>	The money a business receives from customers who buy its goods and services. Not to be confused with <b>profit</b> .
<b>Sales Tax</b>	Tax in the form of a percent of the cost of a good or service; paid to local and state governments when goods and services are purchased.
<b>Save</b>	To keep money for future use; to divert money from current spending to a savings account or another form of investment. (See also <b>investing</b> and the <b>opportunity cost of saving for the future</b> .)
<b>Savings Plan</b>	A plan for setting aside money for future use.
<b>Savings</b>	Money held in easily-accessed accounts, such as savings accounts and certificates of deposits (CDs).
<b>Savings Account</b>	An interest-bearing account (passbook or statement) at a financial institution.
<b>Savings Bonds</b>	Securities issued by the U.S. Treasury in relatively small denominations for individual investors. Investors who buy savings bonds in effect make a loan to the government, in return for the government's promise (represented by the bond, a nontransferable debt certificate) to repay the loan with interest. The interest is free from state and local taxation. Savings bonds are considered to be risk-free investments, since they are backed by the U.S. government. (Also known as <b>U.S. Savings Bonds</b> )
<b>Savings Instruments</b>	Arrangements by means of which people save money, including savings accounts, certificates of deposit (CDs), money market deposit accounts, and U.S. Savings Bonds.
<b>SCANS Skills</b>	Guidelines for workplace success developed by the U. S. Department of Labor <b>S</b> ecretary's <b>C</b> ommission on <b>A</b> chieving <b>N</b> ecessary <b>S</b> kills in 1992. The Commission determined that success in any occupation requires basic skills (reading, writing, and math), thinking skills, personal qualities, interpersonal skills, and the ability to acquire and use resources, information systems, and technology.
<b>Scarcity</b>	The condition that exists (for rich countries, poor countries, individuals, and organizations) because human wants exceed the capacity of available resources to satisfy those wants.

<b>Secondary Market</b>	A market in which stocks can be bought and sold once they are approved for public sale; for example, the New York Stock Exchange.
<b>Services</b>	Work or activity that provides economic value to another person in satisfying wants, such as medical or other professional assistance, power, heat, or transportation. (Compare <b>goods</b> .)
<b>Service Charge</b>	A fee charged by a financial institution for certain financial services provided to customers.
<b>Short-Term Goal</b>	Something a person or organization plans to achieve within a one-year time period.
<b>Signature Card</b>	A document bearing a person's signature, held on file in a financial institution. In cases of suspected forgery, signatures of doubtful origin can be checked against those recorded on signature cards.
<b>Simple Interest</b>	Interest paid on the initial investment (the principal) only. Calculated by multiplying the investment principal times the annual rate of return times the number of years involved. (Compare <b>compound interest</b> .)
<b>Simplified Employee Pension (SEP) Plan</b>	A qualified, tax-deferred retirement plan for an individual with a small business.
<b>Social Security</b>	A federal system of old-age, survivors, disability, and health-care (Medicare) insurance which requires employers to withhold (or transfer) wages from employees' paychecks and deposit that money in designated accounts. (See <b>FICA</b> .)
<b>Social Security Tax</b>	A tax levied on employers and employees to finance public Social Security benefits.
<b>Spend</b>	Use money now to buy goods and services.
<b>Spending Diary</b>	A record of spending over a period of time.
<b>State Income Tax</b>	A percentage of income paid by individuals and businesses to a state government to fund services such as roads, safety, and health. Not all states levy an income tax.
<b>Statement Closing Date</b>	In a credit arrangement, the date of the last purchase billed on the statement.
<b>Statement Savings Account</b>	A savings account for which the bank sends a statement detailing deposits, withdrawals, and interest earned once a month or once a quarter. Interest rates for statement accounts are usually lower than rates for other savings instruments, but a depositor can open a statement account with very little money and can also withdraw money from a statement account at any time.
<b>Stock</b>	An ownership share or shares of ownership in a corporation.
<b>Stock Market</b>	A market in which the public trades stock that someone

already owns. Often called the secondary stock market.

**Stock Mutual Fund**

A mutual fund that buys stocks in order to make profits for the investors. (Compare **mutual fund**.)

**Substitute Goods and Services**

Goods and services that can replace one another in consumers' patterns of usage--butter and margarine, for example, or movies and concerts.

**Supply**

The quantity of a good or service that producers are willing and able to sell at given prices during a period of time.

**T**

<b>Take-Home Pay</b>	The amount of money a person receives within a pay period after taxes and other deductions are taken out of his or her paycheck. (Also known as <b>net pay</b> . Compare <b>gross pay</b> .)
<b>Taxes</b>	Payments that individuals and businesses are required to make to local, state, or national governments.
<b>Three Cs of Credit</b>	Three characteristics that determine a person's qualifications for obtaining a loan: <i>Capital</i> : Assets owned. <i>Character</i> : A person's past history in repaying debts. <i>Capacity</i> : A person's current and future earnings relative to current debt. (See <b>creditworthiness</b> .)
<b>Total Available Credit</b>	In a credit arrangement, the total credit line minus the new balance.
<b>Total Credit Line</b>	In a credit arrangement, the maximum amount that can be charged on the credit account.
<b>Transfer Payments</b>	Money collected by the government from one group and given to others. Examples include Social Security benefits, unemployment compensation, and agricultural subsidies.
<b>Truth in Lending Act</b>	A federal law that requires creditors to disclose finance charges and interest rates in a standard, uniform manner.

**U****U.S. Savings Bonds**

Securities issued by the U.S. Treasury in relatively small denominations for individual investors. Investors who buy U.S. savings bonds in effect make a loan to the government, in return for the government's promise (represented by the bond, a nontransferable debt certificate) to repay the loan with interest. The interest is free from state and local taxation. U.S. savings bonds are considered to be risk-free investments, since they are backed by the U.S. government. (Also known as **savings bonds**)

**Unplanned Spending**

Impulsive use of money with little or no consideration of alternatives and resulting in unplanned consequences.

**Unit Pricing**

The cost per unit of measurement. A way for consumers to compare the costs of different sizes of the same item.

**V****Variable Expenses**

Expenditures that change from week to week or month to month--for food, clothing, recreation, and entertainment, for example. (Compare **fixed expenses**.)

**Variable Income**

Income that varies from week to week or month to month. (Compare **fixed income**.)

<b>W</b>	
<b>W-4 Form</b>	A federal income tax document that instructs an employer about how much money to withhold from an employee's paycheck for tax purposes.
<b>Wages</b>	Payments for labor services that are directly tied to time worked or pieces produced. (Compare <b>salary</b> .)
<b>Want</b>	A desire that can be satisfied by consuming or using a good or service.
<b>Withdrawal</b>	The removal of money by a depositor from a financial account.
<b>Withholding</b>	Money taken out of an employee's paycheck and sent to the government and credited to the employee's tax bill.
<b>Work</b>	Effort applied to achieve a purpose or result, often for pay; skills and knowledge put to use to get something done—as in <i>The doctor was exhausted after a long day's work in the emergency room.</i>
<b>Workers</b>	People employed to do work, producing goods and services.
<b>Work Ethic</b>	A sense of responsibility for doing a job well. Involves reliability, punctuality, friendliness, honesty, and ability to work independently or in cooperation with others.
<b>Work Skills</b>	Ability to do things demanded in particular jobs—to explain things clearly (for teachers), to interview witnesses (for police officers), to design valves (for engineers), and so on.