Words to Know

Assets: Cash or anything a person owns that has value and can be converted into cash.

Bonds: Loans to corporations or the government for a certain period, called a term. At the end of the term, the bond matures and can be repaid by the company.

CD (certificate of deposit): An account in which you deposit funds in a financial institution for a certain length of time with the promise of earning interest. For most CDs, you can't make withdrawals during the term.

Compound interest: When you deposit money into a savings account, your money earns its own money, called interest. The longer you save, the more money you can earn.

Consumer Price Index (CPI): Shows the change in the current prices of a market basket of goods in a period compared to a base period. The CPI is usually computed monthly or quarterly.

Credit: Money a creditor is willing to loan a person to purchase goods and services with the agreement that the money will be repaid with interest.

Credit card: A card issued by a bank, other financial institution, or business that allows consumers to purchase goods and services on credit. Credit cards are specific kinds of loans.

Custodial account: An account set up and maintained by an adult but intended for a person under legal age. When the person is old enough, the account reverts to their name.

Dividends: Money paid regularly by a company to its shareholders out of its profits or reserves.

Earnings: Money you make in return for work or service; unearned earnings can be gift money.

Earned income: Money made from working for someone who pays you or from running a business. This includes all the income, wages, and tips you get from working.

Equal pay: When people of every gender in the same employment receive the same pay for performing the same work.

Goal: What you plan to do with the money you earn.

Income: Money you receive from different sources. Earned income is money from a job, tips, or your business. Unearned income comes from cash gifts, interest on a savings account, or stocks, bonds, and other investments.

Inflation: The steady rise of prices over time.

Interest: Additional money that can be earned on a savings account or additional money that must be paid on a credit card.

Investment: Putting money in things like stocks, bonds, and real estate—anything that can help money grow.

IRA: Individual Retirement Arrangements. These are contributions that may be tax deductible, based on the amount of your contribution and your income.

Money market account: An account that usually pays a higher rate of interest and might require a higher minimum balance to earn interest than a regular savings account.

Philanthropy: An act, donation, or gift that will help others.

Savings: Money that is not spent and has been set aside to use later.

Stocks: A way to invest in a company by buying shares. If the company does well, the investor receives dividends.

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TIPS: Treasury Inflation-Protected Securities. They provide protection against inflation, and the interest rate is tied to the Consumer Price Index.

Unearned income: Income people receive that is not connected to their work, such as financial gifts and dividends from stocks.

U.S. savings bond: A long-term investment option backed by the full faith and credit of the U.S. Government.

Value: The worth or importance of something.

Wealth: The value of everything a person owns (assets).

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