

Glossary of Terms

401(k)	A retirement plan offered at many workplaces, allowing you to add money from your paycheck for retirement savings
50/30/20 budgeting rule	Spend 50% of income on needs, 30% of income on wants, and save 20% of income
Alternative financial products	Tools for managing money that are not provided by banks
Annual percentage rate (APR)	The annual interest rate charged on the money you borrow. The lower the rate, the lower your monthly payments.
Apprenticeship	Paid on-the-job training that provides opportunities to learn specific job-related skills under the supervision of a trained professional
Bad debt	Debt that does not help improve your financial future
Bank	A financial institution authorized by the government to receive deposits, pay interest, clear checks, make loans and offer other financial services
Bankruptcy	A legal procedure when a person or business cannot repay their outstanding debts. Bankruptcy can help a person by removing debt or making a plan to repay debts, but it has a negative impact on the person's credit score.
Bond	You invest by loaning money to a company or the government, and they promise to pay you back by a certain date plus interest. It's like an IOU plus interest.
Brand	The image and identity of a company, product or service
Budget	A plan to spend and save money
Budgeting	Organizing your spending and savings into groups by the type of expense (e.g., housing, food)
Career clusters	Groupings of related careers and the identification of multiple types of jobs in a field
Check cashing institution	A place that turns paper checks into cash for a fee

College or university	Postsecondary schools that offer bachelor's degrees and/or graduate degrees in a variety of subjects
Community college	Schools that offer associate's degrees in a variety of subjects; they also help students transfer to a college or university
Compound interest	The addition of interest to the amount you save or borrow such that the next time interest is calculated, it's on this larger, combined amount. The effect of compounding depends on how often interest is compounded (daily, monthly, annually) and the interest rate that is applied. It can help your money grow faster over time when saving, or make it harder to pay off money you borrow.
Coverage	The amount and type of risk that is protected by insurance
Credit	The ability to borrow money to pay for goods or services
Credit bureau	A company that collects credit use and history and makes the information available to lenders, landlords and employers
Credit history	A record of a person's ability to repay debts and how responsible they are with repayment
Credit report	A detailed report of your credit history
Credit score	A number assigned to a person that indicates to banks or lenders their ability to repay a loan
Credit union	A financial institution owned by its members that provides many traditional banking services and often offers members better rates on loans and savings accounts than xbanks
Debt	The amount of money you owe to people or companies after borrowing
Dental insurance	Helps cover medical and surgical costs related only to your teeth. The amount deducted will vary depending on the benefits your job offers, the number of family members you cover, and the type of plan and coverage that you select.

Direct deposit	Electronic transfer of money into a bank account
Dividends	A sum of money paid by a company out of its profits to the people who invested in that company
Earning potential	The amount of money a person should be able to earn from their career
Earnings pay rate	Amount earned per increment of time worked (e.g., \$12/hour; \$40,000/year)
Emergency fund or savings	An account for money set aside in case you need it for unforeseen events, such as the loss of a job, illness, the inability to work, or necessary repairs to your home or car
FDIC	The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United States government that protects the funds people place in insured banks and savings associations
Federal income taxes	A percentage of your income taken out by the U.S. government that helps pay for services to benefit everyone in the United States. The percentage changes and is based on your total taxable income.
Good debt	Debt that can help develop a skill or increase income
Grants	Money the government or other organizations provide for students to pay for college based on their financial need, personal characteristics or career path. Grants, including the Pell Grant, do not need to be repaid as long as you meet the requirements of the grant (e.g., completing your degree, etc.).
Gross pay	Amount earned during the pay period prior to the withdrawal of any deductions, such as taxes (e.g., for an hourly employee, \$12/hour for 40 hours work/ 2 week pay period; = \$12 x 40 hours = \$480 gross pay. For a \$40,000/year salaried worker, \$1,666 semiweekly in gross pay.)
Health insurance	Helps cover medical and surgical costs. The amount deducted will vary depending on the benefits your job offers, the number of family members you cover, and the type of plan and coverage that you select.

Identity theft	A crime when someone steals another person's personal information and uses it for their personal gain
Income	Money that you earn
Insurance	Protection from financial loss or damage due to accidents, unexpected emergencies or natural disasters
Insurance premium	The amount you pay for insurance protection
Interest	An additional percentage of money that has to be paid back when borrowing money, or additional money that can be earned in a savings account
IRA	Stands for "individual retirement account" and provides tax advantages for retirement savings in the U.S.
Loan	Money borrowed that must be repaid with interest
Long-term goal	A goal that takes a longer time to achieve (e.g., buy a house) than short- and mid-term goals, which are often the building blocks of long-term goals
Long-term savings	Money you save for larger expenses that you don't plan on using for five or more years. These savings could be for a car, tuition or a major expense you think you will have years down the road.
Mandatory deductions	Taxes withheld from gross pay or taxable income
Marital status	A person's state of being married, single, divorced or widowed
Medicare taxes	A percentage of your income taken out by the government that helps pay for the hospital and medical costs of people 65 and older and other populations that qualify

Mid-term goal	Something to aim for in about five years (e.g., finish college)
Military colleges	Service academies, senior military colleges, and maritime academies that allow students to experience military culture while earning a bachelor's degree and preparing for a military job in their respective service branch
Mutual fund	A mix of stocks, bonds, cash and/or other investments that allows you to have a diverse mixture of investments
Need	Something needed in order to survive such as food, basic clothing, housing and medical care
Net pay	Total amount of money paid to an employee after deductions were taken out of the gross pay (i.e., mandatory and voluntary deductions)
New York Stock Exchange	Located in New York City, it's the world's largest stock market exchange, where shares of stock are traded
Online degree	Degrees or certificates where all coursework is completed on the internet
Overdraft fee	A fee charged when a withdrawal from an individual's bank account is larger than the available balance
Pay period	The date range your paycheck covers. Some people are paid monthly, others are paid every two weeks.
Payday loan	A loan with a very high interest rate that is due when you receive your next paycheck
Phishing attempt	Email, phone call or other communication from someone fraudulently trying to impersonate a business
Portfolio	A group of investment holdings, usually made up of stocks, bonds and/or cash
Postsecondary education	Any education pursued after high school, including colleges and universities, community colleges, technical or trade schools, military academies and apprenticeships

Post-tax payroll voluntary deductions	Money taken from taxable income that you can choose to have withheld, which can include savings and charitable contributions
Pre-paid card	A card that you can load money onto that is not connected to a bank account
Pre-tax payroll voluntary deductions	Money taken from gross pay before taxes that you can choose to have withheld. These items reduce the amount of money you pay taxes on. This includes health insurance, dental insurance, group life insurance and retirement savings.
Principal	The amount of money that you actually borrow
Private school	An independent school supported by a private organization or individuals rather than by the government
Public school	A school that is financially supported by federal, state and/or local government. Tuition is different for students who live in-state and is more expensive for those who live out-of-state.
Reputation	A belief or opinion that people have about you
Retirement account	An account such as an IRA or 401(k) that helps an individual set aside money for retirement
Risk	The possibility of financial loss or physical harm to one's body or property
Risk/reward	A relationship between the amount of risk you might take for a possible reward from investing; generally for a higher reward, a greater amount of risk is involved
Savings	Money that is not spent and has intentionally been set aside to use at a later time
Scholarships	Typically merit-based money for school that does not have to be repaid. Many scholarships have rules, such as maintaining a certain GPA to continue receiving aid.
Share	A unit of stock, indicating ownership of part of a company

Short-term goal	Something you want to accomplish in the near future, usually within a year (e.g., buying a suit for a job)
Short-term savings	Money you save for expenses you may have over the next few years. This could include sports league fees, a spring break trip or other expenses you know are coming up
Social Security taxes	A percentage of your income taken out by the government that contributes to your retirement income after you've worked a certain amount of years
State income taxes	A percentage of your income taken out by state governments to help pay for services that benefit everyone in that state, such as roads, emergency personnel, public education, etc.
Stock	You invest in a company by buying a share or shares of a company, therefore becoming a part owner in that company
Taxable income	Amount that is left after pre-tax voluntary deductions have been subtracted from gross pay
Time capsule	A container storing a selection of objects in the present, buried for discovery in the future
Trade, technical or vocational school	Schools that offer specific associate's degrees, licenses or certificates that prepare students for a career in a specific industry
Want	Something you would like to have, but can live without
Work-study	A work program where college students can earn money to help them pay for school