

Glossary

A

accountant

A professional who prepares financial and tax reports, and who keeps, audits, and inspects financial records on individuals or business concerns.

annual fee

A charge by some credit card companies for use of the card and services.

annual percentage rate (APR)

A rate that shows the total cost of credit annually. It includes a percentage of the principal as interest on a loan plus other costs (e.g., points on a mortgage loan, service charges).

asset

Anything of value owned by a person or business (can also include money owed to a person or business).

automated teller machine (ATM)

A computer terminal activated by a magnetically encoded Bank Card, allowing consumers to make deposits, obtain cash from checking or savings accounts, pay bills, transfer money between accounts, and do other routine transactions as they would at a bank teller window.

automatic bill paying

A service which allows consumers to have bills paid automatically from their bank accounts (e.g., utility bills). Also known as direct debit, direct payment or automatic debit.

B

balanced budget

A plan that shows the money coming in (income) is equal to the amount going out (expenses).

bank

An institution, chartered by the state or federal government, that takes deposits and provides credit and other financial services.

bank register

A booklet for recording bank transactions.

Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA) of 2005

A federal act that subjects Chapter 7 bankruptcy filings to a “means test,” encourages Chapter 13 repayment plans, and requires credit counseling six months prior to bankruptcy filings.

Bankruptcy Reform Act of 1978

A federal act that made it easier for both businesses and individuals to file for bankruptcy and to reorganize. It established U.S. Bankruptcy Courts in each judicial district and made the new panels courts of record.

bank statement

A printed or online statement that provides the depositor with a record of deposits, checks, ATM transactions, and electronic fund transfers made to an account over a certain period of time.

basic banking account

New York State Banking Law requires that all banks in the state offer a low-cost transaction account. This account can be opened with \$25, and has a small monthly fee that covers eight transactions per month without any additional charge.

bear market

A stock market with a prolonged period of falling share prices.

beneficiary

An individual, institution, trustee, or estate that receives, or may become eligible to receive, benefits under a will, insurance policy, retirement plan, annuity, trust, or other contract.

Better Business Bureau (BBB)

Organizations in the United States and Canada that work with businesses and consumers to resolve complaints and keep the government informed. Local BBBs can be contacted for help with questions about or complaints against businesses in their service area.

Big Board

The New York Stock Exchange (NYSE), oldest and largest stock exchange in the U.S., located on Wall Street in New York. Responsible for setting policy, supervising member activities, listing securities, overseeing the transfer of member seats, and evaluating applicants.

blue chip stock

Stock of a large, national company with a solid record of stable earnings and/or dividend growth and a reputation for high quality management and/or products.

bodily injury liability

Insurance policy that pays for physical injuries caused to other individuals in the event of a motor vehicle accident.

bond

A certificate of debt issued by a government or corporation guaranteeing payment of the original investment plus interest by a specified future date.

bounced check

A check that a bank returns because it is not payable due to insufficient funds. Banks charge a fee for checks that are returned (*see* overdraft). Also called an unpaid check or rubber check.

broker

Any person, other than a bank, engaged in the business of buying or selling securities on its own behalf or for others.

budget

A budget is both a spending plan and a list of spendable funds.

bull market

A stock market with a prolonged rise in stock prices.

C

capacity

A person's ability to repay a loan (judged by earning power and current financial commitments; also based on record of financial responsibility). A measure of creditworthiness.

capital

The amount of monetary resources a potential buyer and/or loan applicant has available. A measure of creditworthiness.

capital gain

Profit from selling or transferring assets at a higher price than their initial cost. For most investments sold at a profit, the IRS is owed capital gains tax. **Capital loss** is a decrease in the value of an investment or asset.

cash value

The amount available in cash upon surrender of an insurance policy before it becomes payable upon death or maturity.

certificate of deposit

A form of time deposit at a bank or other savings institution. A time deposit cannot be withdrawn before a specified maturity date without being subject to an interest penalty for early withdrawal. Small-denomination CDs are often purchased by individuals. Large CDs of \$100,000 or more are often in negotiable form, meaning they can be sold or transferred among holders until maturity.

Chapter 7

Part of the U.S. Bankruptcy Code allowing the liquidation of all of a debtor's non-exempt assets to pay creditors; i.e., sale of property.

Chapter 11

The U.S. Bankruptcy Code section allowing companies and corporations to reorganize their debt or rehabilitate and reorganize their financial structure. The goal of Chapter 11 is to propose a plan that is accepted by a vote of the creditors.

Chapter 13

The part of the U.S. Bankruptcy Code allowing an individual to begin debt repayment without forfeiting property. Chapter 13 requires that the debtor maintain a source of income and adhere to a payment schedule set forth by the court.

charitable giving

Providing a gift in the form of money or goods to a public or private nonprofit organization.

character

A person's willingness to repay a debt. A character loan is based on the reputation and/or personal credit history of a borrower, rather than collateral. A measure of creditworthiness.

check

A negotiable instrument drawn on a bank and payable on demand. A draft or order upon a bank purporting to be drawn upon a deposit of funds, for the payment of a certain amount of money to a certain entity or bearer, and payable instantly on demand. A **certified check** is a depositor's check that has been guaranteed by the bank upon which it is drawn and is so stamped.

Check 21

The Check Clearing for the 21st Century Act — legislation authorizing financial institutions to exchange images instead of paper checks. This law also allows for the creation of substitute checks or IRDs (Image Replacement Documents).

check-cashing fee

The rate a check-cashing business can charge for cashing checks. Many states, including New York, regulate the rates.

check-cashing industry

An industry founded in the 1930s that provides a link to the U.S. payments system for consumers who select not to deal with the banking system.

check fraud

Check fraud most frequently begins with a stolen check. It includes counterfeiting and forgery.

checking account

An account that allows customers to write checks on the money that is deposited. Also called *demand deposits* because once this money is deposited it can be demanded from the bank.

check register

A booklet for keeping a record of checking transactions such as deposits, withdrawals, checks written, and fees. A **check stub** is part of a check retained as a record of transactions.

COBRA (Consolidated Omnibus Budget Reconciliation Act)

A federal law that provides temporary continuation of health benefits to certain former employees, retirees, spouses and dependents at group rates. Qualified individuals may be required to pay the entire premium for coverage under the plan.

collateral

An asset such as an automobile or a piece of property that a person uses when taking out a loan, promising to give the asset to the lender if loan payments cannot be met.

collision coverage

Insurance designed to pay for the repair or replacement of the policy owner's car in the event of an accident, no matter who has caused the accident.

comprehensive coverage

Insurance that covers damage to the policy owner's car not caused by a collision with another car (e.g., theft, fire, flood, vandalism, collision with an animal or bird, earthquake).

compound interest

Interest that is calculated not only on the initial principal but also the accumulated interest of prior periods.

consolidation loan

A debt management program that replaces multiple unsecured loans with a single loan, often with a lower monthly payment and a longer repayment period.

consumer debt

Debt that has been incurred primarily for the purchase of consumer goods.

Consumer Credit Counseling Service (CCCS)

Nonprofit agency that assists people with budgeting, financial management, and payment arrangements to creditors. CCCS agencies operate under the National Foundation for Credit Counseling — the parent organization.

consumer reporting agency (CRA)

Credit bureaus that collect and sell information about consumers to creditors, employers, businesses. They are regulated by the Fair Credit Reporting Act (FCRA) and also by state laws. The three major CRAs are Experian, Equifax, and Trans Union.

cost-benefit analysis

A method to evaluate a situation in advance by comparing the expected costs with the expected positive results. (Costs are not always money but can be the impact on people, the environment, etc.)

credit

The borrowing capacity of an individual or company. A transaction in which a borrower (or debtor) receives goods, services, or cash and agrees to repay the lender at a future date, normally with interest.

credit card

A plastic card with a magnetic stripe on one side that can be used to purchase goods and services. The issuing company records the purchases, bills the purchaser, receives payment, and subsequently settles the purchaser's debts with the goods and services providers. Some credit cards offer cash advances to its holders.

creditor

A person or organization which extends credit or lends money to others.

credit rating

A formal evaluation of an individual's or business' credit history and capability of repaying obligations by a credit reporting agency. The credit rating is based on the number of outstanding debts and whether debts have been repaid in a timely manner.

credit repair

Process of re-building one's credit status in order to restore eligibility for secured loans. See credit repair services.

credit repair services

Companies that offer to take actions to bolster the credit rating of consumers. Consumers are advised to contact the Better Business Bureau for background information on companies offering credit repair services. In some states, these credit repair businesses are regulated.

credit report

Information gathered from businesses and companies with which a person has a financial/business relationship (present or past). These could include department stores, banks, credit card issuers, and mortgage companies. Information on tax liens, bankruptcies, and lawsuits comes from court records. One free annual report can be ordered once every 12 months from each of the three major consumer-reporting agencies.

credit score

Numeric value compiled from information in a credit report using a standardized formula that ranks the risk of default according to the person's credit history. A score is based on past payment history, the amount of credit available, and other factors.

credit union

Not-for-profit cooperative of members with some common bond who, in effect, save their money together and make low-cost loans to each other. A financial institution.

D

death benefit

Amount payable by an insurance company to beneficiaries after the insured's death.

debit card

A card used for purchases that is issued by the consumer's bank. Funds are deducted from the consumer's checking account and transferred electronically to the merchant's bank account when a purchase is made by debit card.

debtor

An individual or company that owes debt (money) to another individual or company.

Debtor's Anonymous

A 12-step fellowship for debtors trying to recover from money problems and compulsive debt. The program is adapted from Alcoholics Anonymous (AA).

deductible

The part of an insurance claim that is paid directly by the insured person.

deduction

An amount subtracted from gross pay or income when calculating taxable income, such as for state and local taxes, charitable gifts, and certain types of interest payment. Also called tax deduction. Deductions may be compulsory or voluntary. Social Security tax is an example of a compulsory deduction. A payroll deduction for charity or a savings plan is voluntary.

deficit

The insufficiency of revenues relative to outlays. Also, the opposite of a surplus.

dependent

A person who is financially supported by another person.

deposit

A sum of money placed in an account in a financial institution. Also a sum payable as a first installment on a time-payment purchase, or as a pledge for a contract.

depositor

A person or entity that puts money in a bank or other financial institution.

direct deposit

An automatic deposit of wages or benefits (such as payroll payments) into a consumer's bank account. Direct deposit payments are processed through the Federal Reserve's Automated Clearing House.

disability insurance

An insurance policy that pays benefits in the event that the policy holder becomes incapable of working.

disclosure statement

For credit cards, the reporting of the exact terms and conditions under which credit will be extended prior to applicant signing up for the card.

discretionary and nondiscretionary spending

Discretionary spending implies the buyer has a choice (for example, purchasing clothing or delaying a proposed purchase). *Nondiscretionary* spending is for expenses over which one does not have control (e.g., income tax, mortgage payments, insurance).

disposable income

The amount of income remaining after taxes and available for spending. This is the amount of money left after deductions (mandatory and nonmandatory) have been taken from gross pay.

dividend

The portion of a company's profits that the firm pays out each period to shareholders. Also called distributed profits.

diversification

A variety in the investments in a portfolio, such as stocks, bonds, and real estate. The goal of diversification is to reduce the risk in a portfolio.

Dow Jones Industrial Average

A figure indicating the weighted average value of shares in thirty companies listed on the New York Stock Exchange at a particular time.

due date

On a credit card account, the date by which the minimum payment must be received every month, without incurring a late fee or other penalty.

E

earned income

Income derived through employment.

e-filing (electronic filing)

The filing of taxes electronically (a paperless filing). The submission of tax forms via the Internet, using personal computers and tax preparation software.

electronic check

A form of payment made via the Internet that acts like a conventional paper check. Security features include authentication, public key cryptography, digital signatures, and encryption.

electronic funds transfer (EFT)

A variety of systems and technologies for transferring funds (money) electronically rather than by check. Includes Fedwire, Bankwire, automated clearinghouses (ACHs), and other automated systems.

emergency funds

Money set aside or budgeted for unanticipated but necessary expenditures.

endorse

To sign the back of a check, in order to cash it or specify another payee, who then can endorse and cash it. Some banks also require customers to include their bank account number as part of the endorsement.

Equal Credit Opportunity Act (ECOA)

A federal law that protects consumers from being refused for credit for any reason other than inability to repay. The ECOA also provides guidelines that credit bureaus must follow and promotes accuracy, privacy of information and fairness in reporting. The law is summarized on the Federal Trade Commission website at www.ftc.gov/bcp/online/pubs/credit/ecoa.htm

excise tax

A federal or state tax imposed on the manufacture and distribution of certain non-essential consumer goods. Examples of excise taxes include environmental taxes, communications taxes, and fuel taxes.

exemption

A direct reduction of taxable income for a specific reason, as allowed by the IRS, typically for financially supporting another person.

F**face value**

The amount stated on the face of an insurance policy that will be paid in case of death or at maturity.

Fair Credit Reporting Act

A federal law granting individuals the right to examine their own credit history and enabling them to dispute wrong or incomplete information in their credit records.

Federal Deposit Insurance Corporation (FDIC)

An independent agency of the federal government that insures accounts up to \$250,000 per depositor at almost all United States depository institutions. This deposit limit was increased from \$100,000 by the FDIC in October, 2008, in response to the banking system crisis. The insured amount of \$250,000 is effective through December 2009. The FDIC has primary federal supervisory authority over insured institutions that are not members of the Federal Reserve System.

Federal Insurance Contribution Act (FICA)

The federal act under which mandatory contributions for Social Security tax and Medicare tax are deducted from paychecks.

Federal Trade Commission (FTC)

The federal agency whose purpose is to encourage free enterprise and prevent monopolies and restraint of trade. It is also the agency to which identity theft is reported.

finance charge

The cost of credit, including interest paid by a customer or a consumer for a consumer loan. Under the Truth in Lending Act, the finance charge must be disclosed to the customer in writing. It may include other charges associated with credit transactions such as cash advance fees.

financial institution

Banks (sometimes called commercial banks), credit unions, savings associations, savings and loans.

fixed expenses

Expenses that do not generally change from month to month (e.g., rent, car payment, health insurance, union dues, etc.)

fringe benefit

An employee's benefit supplementing a money wage or salary. Examples of fringe benefits are: medical and dental insurance, child care, life insurance, retirement plans, paid vacation time, or sick days.

fraud

An intentional lie or misrepresentation to obtain benefit or advantage. Making a false or misleading statement.

G**goals**

In terms of personal finances, any future plans or objectives that require specific financing, such as purchasing a house or paying college tuition.

government budget

Federal, state, or local government's planned expenditures and anticipated receipts for the upcoming year.

grace period

The time allowed by law for payment of an amount due.

gross pay (earnings)

An individual's taxable income before any appropriated adjustments are made.

growth income

Income from stock which grows earnings and/or revenue faster than its industry or the overall market. Companies with growth stock usually pay little or no dividends, preferring to use the income instead to finance further expansion.

H

head of household

A tax filing status that can be used by a married or unmarried person who maintains a household for a dependent (or nondependent relative) and provides more than half of the dependent's financial support.

human capital investment

The investment in a person's education, training or skills development.

I

incentive

A benefit or cost that influences decision making.

identity theft

The criminal act of obtaining key pieces of personal information, such as Social Security or driver's license numbers, in order to impersonate someone else. The information can be used to obtain credit, merchandise, and services in the name of the victim, or to provide the thief with false credentials.

inflation

A general and continuing rise in the prices of goods and services. Moderate inflation is a common result of economic growth. Hyperinflation, with prices rising at 100 percent a year or more, causes people to lose confidence in the currency and put their assets in hard assets like real estate or gold, which usually retain their value in inflationary times.

instant refunds

Refund anticipation loans, often with very high interest, arranged by tax preparers for people who file their returns electronically.

installment credit

Credit that is granted for purchase of durable goods, on condition of its repayment at regular intervals over a specified period of time until paid in full (e.g., for an automobile or home). The seller retains legal title to goods until the last installment is paid.

installment loan

A loan, extended by a financial institution or retail firm, to be repaid with interest charges in installments over a fixed period of time. Example: student loans.

installment plan

A sum of money due as one of several equal payment for a purchase spread over an agreed period of time.

insufficient funds (ISF)

When a bank account does not have enough money to cover checks.

insurance

A contract guaranteeing payment of a sum of money in the event of loss or damage to property or a life. Insurance may also guarantee medical services. Policies are secured by regular payments (premiums) made by the consumer.

interest

An amount of money paid for using funds over a period of time, generally an annual percentage rate. Bank interest is both an amount paid to depositors of funds and a finance charge for money that is borrowed. Interest is also a compensation that someone receives for temporarily giving up the ability to spend money. Simple interest is calculated as a percentage of the principal over a certain period (usually annually), while compound interest is calculated on both the initial principal and on the accumulated interest of prior periods.

Internal Revenue Service (IRS)

The federal agency responsible for administering and enforcing the Treasury Department's revenue laws through the assessment and collection of taxes, determination of pension plan qualification, and related activities.

investment

Property or other possession acquired for future financial return or benefit; also a commitment of time (e.g., to education or career training).

itemization

The process of listing deductible personal expenses paid during the year, such as medical and dental care, state and local income taxes, real estate taxes, home mortgage interest, and gifts to charity. Such a list would appear on Form 1040, Schedule A, Itemized Deductions.

itemized deduction

An incurred expense that reduces an individual's taxable income, in accordance with IRS regulations (specifically, such deductions are usually limited to two percent of adjusted gross income). Examples include mortgage interest, state and local taxes, charitable gifts, and medical expenses.

L

liability

Financial obligations or debt for which a person or organization is responsible.

liquidation

To sell all of a company's assets, pay outstanding debts, and distribute the remainder to shareholders, then go out of business.

liquidity

The degree to which an investment or assets of a company can easily be sold or converted into cash.

local taxes

Deductions from a paycheck or a mandatory contribution by self-employed persons and businesses to finance local (city or county) government.

long-term care

Coverage that provides skilled nursing, intermediate care, or custodial care for a patient (generally over age 65) in a nursing facility or his or her residence following an injury or illness.

M

managed care

Arrangement between an employer or insurer and selected providers to provide comprehensive health care at a discount to members of the insured group.

means test

Under the BAPCPA, a means test is a way to determine if a person can file for a Chapter 7 bankruptcy. Current monthly income is measured against the median income for a similar household in the same state.

median income

The midpoint in the range of incomes, half of the earners above it and half below.

Medicare

A federal program that pays for certain health care expenses for people aged 65 or older. Enrolled individuals must pay deductibles and co-payments, but much of their medical costs are covered by the program. Medicare is divided into four parts. Part A covers hospital bills, Part B covers doctor bills, Part C provides the option to choose from a package of health care plans and Part D provides subsidies for the cost of prescription drugs.

minimum payment

On a credit card account or loan, a fixed percentage of the balance due which must be paid each month.

medium of exchange

A function of money that means it will be accepted as payment for goods or services.

money

Anything that serves as a medium of exchange, a store of value, and a unit of measure. In the U.S., paper currency, coins, and funds in checking and similar accounts are examples of money.

money market account

A savings account that pays variable interest rates based on current conditions in the market for very short-term securities. These accounts are safe and easily liquidated and offer a higher interest rate than ordinary savings accounts.

money order

A means for safe transmission of sums of money. Resembling checks, they are issued by governments (usually postal authorities), banks, and other qualified institutions to buyers who pay the issuer the face amount of the money order plus a service charge. Money orders can be used for purchases throughout the world.

municipal bond (MUNI)

A long-term, interest-bearing security issued by county, city, or state governments, having a maturity of at least ten years. Owners of municipal bonds pay no federal income tax on the interest.

mutual funds

Funds from many investors pooled together to establish a diversified portfolio of investments. Mutual funds raise money by selling shares of the fund to the public. Shareholders are free to sell their shares at any time. Many employees invest in mutual funds through their employers, by setting aside some of their wages to invest in one or more funds on a regular basis. The price of a share in a mutual fund fluctuates daily, depending on the performance of securities held by the fund.

N

National Credit Union Administration (NCUA)

NCUA is an independent federal agency that charters and supervises federal credit unions and insures savings in federal and most state-chartered credit unions across the country.

National Foundation for Credit Counseling (NFCC)

The parent organization for more than 100 nonprofit agencies with 900 local offices that comprise this network. These agencies help consumers establish budgets and negotiate payment plans with creditors.

needs

Goods and services that an individual must have to survive; e.g., food, clothing, shelter. See wants.

net pay (income)

The amount of pay received after all deductions (compulsory and voluntary) have been subtracted from the gross amount. For a business, same as net profit.

net worth

Total assets minus total liabilities.

nominal rate of return

The stated interest rate, unadjusted for inflation.

O

occasional or periodic expense

Expenditure of money that occurs from time to time, not on a regular basis.

online banking

Conducting bank transactions from a computer over the Internet.

opportunity cost

The cost of passing up the next best choice when making a decision.

overdraft

A draft or check written for an amount that exceeds the funds in the account on which the check is drawn. (Draft, in this sense, means a document for transferring money.) Some depositors select **overdraft protection**, which is a line of credit to write checks for more than the actual account balance.

overlimit fee

A fee that is added to a credit account when the amount owed exceeds the limit on the account.

over the counter (OTC)

Procedure for trading any equity (stock) that is not listed or traded on a national securities exchange or NASDAQ (National Association of Securities Dealers Automated Quotations).

P

passbook savings account

A savings account that uses a passbook to record deposits, withdrawals, and interest earned.

payee

The business or person to whom a check is paid.

payer

The person or business that issues or pays a check.

payment methods (consumers)

The ways that people use to pay for goods and services (i.e., cash, check, electronic transfer, credit cards, debit cards, money orders, etc.).

personal identification number (PIN)

A sequence of digits assigned to consumers for the purpose of identification when debit cards are used at an ATM or POS terminal or a home device.

pharming

Similar to phishing, but involves Trojan programs, worms, or other sophisticated virus technologies that attack the Internet browser address bar. When users type in a valid URL, they are redirected to a fraudulent website.

phishing

An attempt to fraudulently acquire sensitive information via electronic communication, such as usernames, passwords, and credit card details, by masquerading as a trustworthy business. PayPal, eBay, and online banks are common targets. The term is a variant of “fishing” and refers to baits used in the hope of a “catch” of financial information.

portfolio

A list of the financial assets held by an individual, bank, or other financial institution

predatory lending

Fraudulent, unethical, discriminatory, or abusive lending practices designed to exploit vulnerable borrowers and lead to their increased indebtedness (e.g., excessive and disguised fees for home mortgages).

premium

An amount to be paid for a contract of insurance. A sum added to interest, wages, etc.; a bonus.

principal

The original sum invested or loaned.

profit

A financial gain, the excess of returns over expenditure, income over expenses. The opposite of loss.

progressive tax

A tax system in which those who earn higher incomes pay a higher percentage of their income than those with lower incomes. The individual income tax is one example.

property damage liability

An insurance policy that pays for damage caused to the property of others, including cars, as a result of an accident. Coverage for property damage payment is often mandatory.

proportional tax

A system in which all levels of income are taxed at the same rate, also called flat tax.

public goods

Goods or services provided by the government and not restricted by a person’s ability to pay for them.

R

rate of return

A percentage amount of the return on an investment or loan.

real estate

The right, title, or interest that a person has in real property, as distinguished from the property itself.

reconcile

In banking terms this means cross-checking one’s bank statement against one’s own records to make sure they agree.

refund

Money returned by the government to a taxpayer who paid in excess of the amount due.

regressive tax

A tax that takes a larger percentage of the income of low-income people than of high-income people.

reloadable card

An electronic, stored value card that permits a user to increase the value on the card (e.g., prepaid credit card, store cash card). A **nonreloadable card** has a fixed value stored on it (e.g., disposable phone card).

reorganization (debt)

The action that may allow a company to emerge from Chapter 11 bankruptcy. Reorganization consists of a series of agreements between the company, its creditors, and the court that allow the company to repay its debts and alter its structure to prevent the same problems from arising again.

revenue sharing

A share of tax funds provided by the federal government to state governments, or by state governments to local municipalities.

revolving credit

System of retail credit (e.g., department store or bank credit cards) in which buyers make periodic payments on purchases and service charges. The service charge is based on the outstanding balance; if the buyer pays the entire balance, no service charge accrues.

risk

Uncertainty as to the outcome of an event. The chance of loss. A person or thing insured.

Rule of 72

A rule used to calculate the doubling of money (72 divided by the anticipated interest rate gives the number of years it would take to double one's money). For example, at 4 percent interest it would take 18 years to double one's money.

S

safe deposit box

A locked, secure box in the vault of a financial institution where an account holder's valuable documents or items may be deposited.

savings account

An account in a financial institution that earns interest and allows regular deposits and withdrawals. The minimum required deposit, fees charged, and interest rate paid vary among providers.

savings bond

A certificate representing a debt. A U.S. savings bond is a loan by buyer to the government. The government agrees to repay the amount borrowed, with interest, to the bondholder.

scarcity

The basic economic situation — limited resources and unlimited wants.

secured credit card

A credit card that is secured against loss by other assets (often by money placed in a savings account with the credit card company).

secured loan

A loan which is backed by the borrower's assets, when the borrower's credit rating is not strong enough to justify an *unsecured* loan (not backed by the borrower's assets). The assets may be forfeited to the lender if the borrower fails to make the necessary payments.

Securities and Exchange Commission (SEC)

An independent agency of the U.S. government, consisting of five members appointed by the President, that administers comprehensive legislation governing the securities industry.

Securities Investor Protection Corporation (SIPC)

The SIPC protects investors' cash and securities when a brokerage firm goes out of business, up to \$500,000, including a \$100,000 limit for cash. The SIPC does *not* protect against losses caused by a decline in the market value of securities. And it does *not* provide protection for investment contracts not registered with the SEC.

shares

Any of the equal parts into which a company's capital is divided entitling its owner to a proportion of the profits.

short form (tax)

Any shorter version of a standard tax form, most commonly the 1040-A or 1040-EZ tax return forms. These require fewer or no supplementary forms (schedules) be attached.

social insurance

Insurance that is provided by government; local, state, or federal.

Social Security

The comprehensive federal program of benefits providing workers and their dependents with retirement income, disability income, and other payments. The Social Security tax is used to pay for the program.

speculator

A person who invests in stocks, etc., anticipating price changes with a view to making profits, at the risk of loss. Speculators often have no long-term interest in the securities or assets in which they trade.

state taxes

A mandatory contribution to finance state government, deducted from paychecks or paid by self-employed persons.

stock

The capital raised by a corporation by issuing shares of ownership; a certificate documenting a proportional share in the corporation's assets and profits. (Also known as an equity.) *See* shares.

stockbroker

An agent (financial consultant) who primarily executes transactions involving stocks and other securities. A discount stockbroker is someone who sells stocks and securities at a lower commission rate.

stock market (exchange)

Any organization, association, or group that maintains a marketplace where securities, options, futures, or commodities can be traded; or the marketplace itself, whether physical or electronic.

store cash card

A prepaid, disposable or reloadable card used for purchases in the specific store that issues it to the consumer.

store of value

A function of money that provides for the transfer of today's purchasing power to a future time.

substitute check

A paper reproduction of a check that has been copied electronically.

surplus

An amount by which revenue exceeds expenditure. The excess value of a company's assets over the face value of its stock.

T**tariff**

A tax imposed on a product when it is imported into a country.

tax return

A filed tax form. Also called return.

taxable income

The amount of income subject to income taxes found by subtracting exemptions and the appropriate deduction (IRA contributions, alimony payments, unreimbursed business expenses, some capital losses, etc.) from adjusted gross income.

three C's of credit

Credit worthiness is measured by three factors, sometimes called the three C's — character, collateral, and capacity.

trade-off

Giving up one want in order to satisfy another; a compromise.

Treasury bill (T-bill)

A short-term debt security issued by the U.S. government, having a maturity of one year or less. The interest earned is estimated

by taking the difference between the price paid and the par value of the bond, and calculating that rate of return on an annual basis. Considered the safest securities available to the U.S. investor.

Treasury bond (T-bond)

A long-term interest-bearing security issued by the U.S. government. Interest is paid semiannually. These securities mature in 10 to 30 years. Minimum investment is \$100.

Treasury note (T-note)

Government debt security issued with maturities of two to ten years and traded in the capital markets. Treasury notes bear a fixed interest, paid semiannually.

U**unemployment compensation**

Payments made under state-administered programs to qualified workers who become unemployed. To qualify, a worker must be involuntarily unemployed (terminated from a "covered" job) and be willing and able to take new employment. Programs are entirely employer financed except in a few states that require small employee contributions.

unit of measure

A function of money that measures the value of goods and services.

U.S. government securities

The bonds, notes, and bills issued by the U.S. Treasury.

U.S. savings bond

A nontransferable bond issued by the U.S. government. Savings bonds cannot be bought and sold after they are purchased, except to redeem them to the government. All federal taxes may be deferred until the bond is redeemed. Face values range from \$50 to \$10,000.

usury

Charging an extremely high interest rate that is beyond the legal limit set by law. Usury laws vary from state to state.

V

variable expenses

Expenses that vary from month to month (e.g., auto repairs, utility bills, food, phone service, etc.)

volatility

A measure in the fluctuation in the market price of a security. A volatile issue has frequent and large swings in price.

W

W-2 form

A tax form prepared by an employer and given to an employee to be filed with his/her 1040 form, listing wages earned during that year, federal and state taxes withheld, and Social Security tax information.

W-4 form

A form prepared by an employee for an employer indicating the employee's allowances (exemptions) and Social Security number, that enables the employer to determine the amount of taxes to be withheld.

wants

Goods and services that an individual would like to have, e.g., an upgraded computer, a sports car, dance training, etc. *See* needs.

wealth

The total accumulated value of the assets a person possesses. Financial assets include savings, stocks, and bonds. Physical assets can include real estate, rental property, gold, antiques, and other collectibles.

withholding

An amount of an employee's income that an employer sends directly to the federal, state, or local tax authority as partial payment of that individual's tax liability for the year. When a person starts a new job, he/she is required to fill out a W-4 form indicating his/her filing status and the number of allowances (exemptions) claimed.

workers' compensation

A system of compensation for work-related injuries or death, paid for by employer contributions.

Notes