**Vocabulary**

**Thing 1: You’ve got to have a plan**

1. Assets – Owned property that has legitimate value
2. Balance Sheet – A financial statement that reports what an individual owns and owes; also called a net worth statement
3. Budget – Estimate of income and expenditure for a set period of time
4. Budget Variance – Difference between amount budgeted and amount received or spent
5. Cash Flow Statement – Statement that summarized cash receipts and payments for a given period; also called a personal income and expenditure statement
6. Debt – Borrowing to finance consumables (vacation, education, etc.)
7. Deficit – The amount by which actual spending exceed planned spending
8. Discretionary Income – Money left over after paying for housing, food, and other necessities
9. Financial Plan – A series of steps used to achieve a financial goal
10. Income – Revenue or earnings
11. Liabilities – Amounts owed to others
12. Money Management – Day-to-day activities necessary to manage current resources while working toward long-term financial security
13. Net Worth – The difference between total assets and total liabilities
14. Resume – A self-promotional document that presents you in the best possible light, for the purpose of getting invited to a job interview
15. Surplus – The amount by which actual spending is less than planned spending

**Thing 2: Hey, you got a dollar I can borrow**

1. Adjustable Rate Mortgage (ARM) – A mortgage loan with an interest rate that changes according to market conditions
2. Amortization – Repaying a loan in regular payments over a given period of time
3. Appreciation – The increase in value of a property or other asset
4. Balloon Mortgage – Typically a short term mortgage where the owner makes interest only payments for a set period of time, then pays the remaining balance at the end of the term
5. Certified Pre-Owned – An auto that has been through a special inspection process by car dealers (standards are set by the manufacturer)
6. Closing – A meeting between the buyer, seller, relators, etc. to finalize the mortgage transaction
7. Process of combining one or more loans into a single new loan
8. Conventional Mortgage – Typically a mortgage loan with a 30 year fixed interest rate that is not guaranteed or insured by the government (buyer must meet many requirements)
9. Deed – A signed document that indicates the transfer of ownership of real property
10. Default – Failure to repay a loan according to the terms agreed to in the promissory note
11. Deferment – Postponement of payment on a loan allowed under certain conditions during which interest does not accrue on subsidized loans
12. Depreciation – The decrease in value of a property or other asset
13. Entrance Counseling – A mandatory information session which takes place before you receive your first federal student loan that explains your rights and responsibilities as a student borrower
14. Escrow Account – A deposit account maintained by the lender and funded by the borrower so the lender can make tax and insurance payments for the borrower as they come due
15. Exit Counseling – A mandatory information session which takes place when you graduate or attend school less than half-time that explains your loan repayment responsibilities and when repayment begins
16. FAFSA – Free Application for Federal Student Aid; used to apply for federal financial aid
17. Federal Housing Administration – Part of the Department of Housing and Urban Development; provides insurance for loans granted by approved lenders
18. Forbearance – A period during which monthly payments are temporarily suspended or reduced
19. Grants – Financial aid, often based on financial need, that normally does not need to be repaid
20. Housing and Urban Development – Enforces fair housing laws and controls the FHA
21. Installment Loan – Repaid in fixed monthly payments over a specific period of time
22. Institutional Loan – A student loan available through a university or college (not a federal loan)
23. Interest – A loan expense charged for the use of borrowed money
24. Lease (car) – The borrower makes monthly payments for a set term; after the term expires, they are required to return the vehicle
25. Loan and Origination Fees – Specific fees associated with obtaining the loan
26. Loans – Funds that are borrowed and must be repaid
27. Mortgage – Long term loan used to finance a real estate purchase, typically a home
28. Negative Amortization – Borrowers make monthly payments less than the monthly interest owed which causes the total amount owed to increase over time
29. New Car – A car with no prior owner
30. NSLDS – National Student Loan Data System; Centralized database that stores individual student grant and loan information
31. Perkins – Federal student loan for students with exceptional financial need
32. PLUS – Federal unsubsidized loan available to parents of dependent undergraduate students (Parent PLUS) and to graduate students (Graduate PLUS)
33. Points – The reduction of the long term interest rate through pre-payments at closing
34. Principal – Actual amount borrowed before interest is calculated
35. Private Loan – A non-federal loan made by a lender such as a bank, credit union, state agency, or school
36. Private Mortgage Insurance (PMI) – Insurance policy that protects the mortgage lender against loss if the borrower defaults on the loan
37. Promissory Note – Binding legal document that you must sign when you get a federal student loan
38. Realtor – A real estate professional who is a member of the National Association of Realtors
39. RESPA – Real Estate Settlement Procedures Act; Laws set in place to protect consumers during closing of a real-estate transaction
40. Scholarship – Money awarded to students based on academic or other achievements to help pay for education expenses (generally do not have to be repaid)
41. Service Contracts – A contract for maintenance services
42. Subsidized – Loan based on financial need for which the government pays the interest that accrues while the borrower is in-school, grace, or deferment status
43. Title – A document that shows ownership of a property
44. Title Insurance – Protection against challenges or issues with the title that may result in the loss of the property
45. Unsubsidized – A loan for which the borrower is fully responsible for paying the interest regardless of the loan status (interest accrues from the date of disbursement and continues throughout the life of the loan)
46. Used Car – A car with a previous owner
47. Veteran’s Affair Loan (VA) – A special loan backed by the government that is only available to veterans and surviving relatives
48. Warranty – A written guarantee issued to the purchaser
49. Work-Study – A federal student aid program that provides part-time employment while you are enrolled in school to help pay your educational expenses

**Thing 3: Charge!!!**

1. Annual Fee – A fee charged each year just for owning the credit card
2. Annual Percentage Rate (APR) – Describes the interest rate for the whole year
3. Bankruptcy – A legal declaration that discharges the debtor from debt owed
4. Collection Agency – Pursues payment of a debt on behalf of the creditor
5. Credit – Agreement in which the borrower receives something now, with the contract to pay later
6. Credit Counseling – Consumer financial counseling
7. Credit Limit – Maximum amount a creditor will extend credit
8. Debt Consolidation – Rolling all debts into one monthly payment
9. Default – Failure to repay a loan according to the terms agreed to in the promissory note
10. Disclosures – Making important information known
11. ECOA (Equal Credit Opportunity Act) – Makes it unlawful for creditors to discriminate against any applicant
12. Finance Charges – Any fee representing the cost of credit
13. Garnishment – A court order that directs wages or property to be seized to satisfy an owed debt
14. Grace Period – time in which a debt may be paid without accruing interest
15. Judgement Lien – A court ruling that grants a creditor the right to take possession of property or allows garnishment
16. Repossess – To take back or seize property
17. Terms and Conditions – Requirements and specifications of an agreement

**Thing 4: They are watching**

1. Capacity – The amount of debt one can actually handle
2. Capital – The financial resources owned by the individual or business
3. Character – The moral qualities of an individual
4. Collateral – The supplemental item used to back a loan
5. Conditions – The current factors that are affecting the economy
6. Credit Bureau – An agency that researches the credit history of consumers so that creditors can make decisions about making loans
7. Credit Worthiness – Ability to repay based on prior credit history
8. Federal Trade Commission (FTC) – Agency that focuses on the education and enforcement of consumer rights
9. Identity Theft – Assuming another person’s personal and financial identity for financial purposes

**Thing 5: If it sounds too good to be true…**

1. Affinity – Con artists who prey on people with similar groups or interests (they get in your circle)
2. Better Business Bureau (BBB) – Promotes ethical business practices by rating business reliability
3. Consumer Federal Protection bureau (CFPB) – Federal agency established by congress (Dodd-Frank Act) to carry out consumer financial protection laws
4. Internet/Cyber Scams – Hacking, theft, fraudulent offers, email, requests for personal information to steal money or your identity
5. Kickbacks – An illegal payment (monetary, goods or services) that is made to someone for facilitating a business deal
6. Mail – Send official looking letters to solicit a payment or to get personal information
7. Payday Loans – Small, short-term unsecured loan that generally involves extremely high interest rates
8. Phishing – Trick people into providing confidential personal data such as social security number, bank account information, etc. (Ex: ad pop-ups with free offers)
9. Predatory Lending – Deceptive actions carried out by a lender in order to “trick” the borrower
10. Pyramid – Typically recruits others to pay for non-existent services
11. Telephone, Telemarketing – Attempt to get you to donate money to offer personal information

**Thing 6: Appearances can be deceiving**

1. Accidental Life – Insurance coverage for accidental death
2. Adjusted Gross Income (AGI) – Gross income minus deductions (used to calculate income taxes)
3. Auto Insurance – Provides financial protection for property damage to your car, damage caused by your car, bodily injury, and theft
4. Catastrophic Event – An event that causes a major loss such as a tornado, fire, etc.
5. Claim – Demand or request for payment due to a loss covered by an insurance policy
6. Collision – Type of auto insurance that helps pay for the repair or replacement of the insured vehicle after an auto accident
7. Comprehensive – Insurance coverage for more than one type of loss
8. Deductible – Amount the policy holder must pay out of pocket before payment can be claimed from the insurance policy
9. Estate Tax – A tax imposed on a person’s estate after they are deceased (before the assets are distributed)
10. Excise Tax – A tax (or additional tax) on specific goods or services such as gas, tires, air travel, or a luxury item, etc.
11. Health Maintenance Organization – Requires that you select one primary care provider, typically less expensive
12. Homeowners Insurance – Provides financial protection against loss of property (home and contents) and liability
13. Income Tax – Tax on personal income or that of a corporation (aka corporate income tax)
14. Inheritance Tax – A tax on the values of property or other assets inherited from an estate
15. Insurance Risk – The likelihood that an insured event will occur that would require the insurer to pay a claim (the higher the risk, the higher the premium will be)
16. Investment Income – Interest and dividends earned from investments
17. Net Income – Amount of income after deductions and taxes
18. Passive Income – Income that does not come from active participation in a business, such as investment income or income from rental properties or a limited partnership
19. Personal Property Tax – An annual tax based on the value of personal property (ex. Boats, RV’s, etc.)
20. Preferred Provider Organization – Allows flexibility in selecting doctors and specialists, typically more expensive
21. Premium – Amount paid for the insurance policy, payments may be monthly, semi-annually, or annually
22. Real Estate Tax – Tax based on the value of land and building you own
23. Renters Insurance – Renters insurance provides financial protection against loss of property (your contents) and liability
24. Rider – An amendment to your insurance policy to increase or add coverage for specific items such as collectibles, jewelry, firearms, etc. for an additional charge
25. Sales Tax – A tax imposed on the goods and services you purchase
26. Social Security Tax – Payroll tax imposed on income by the federal government eventually to be paid out as retirement income to the disabled/elderly who qualify
27. Tax Deferred Income – Income that is received, but not taxed until later
28. Tax Exempt Income – Income that is not subject to taxes
29. Term Life – Provides coverage for a predetermined term with fixed premiums
30. Whole Life – Life insurance that has an investment component and can build cash value over time

**Thing 7: The most important bill you pay is yourself**

1. 401(k) – Private sector tax deferred retirement plan
2. 403(b) – Public schools and non-profit organizations tax deferred retirement plan
3. 457(b) – State and local governments and some tax exempt organizations retirement plan
4. Civil Service Retirement System – Part of the retirement system for members of uniformed services
5. Defined Benefit – Employer sponsored retirement plan that pays a specific monthly amount at retirement; defined by a formula based on your salary, age, and number of years of service for the employer
6. Defined Contribution – Retirement saving plan sponsored by the employer; the employee and/or employer contribute specified amounts to the retirement plan
7. Employee Retirement Income Security Act – The law that regulates many private retirement and benefit plans
8. Federal Employee’s Retirement System – Part of the retirement system for certain federal employees
9. Individual Retirement Account – An individual savings plan for retirement
10. Inflation – The general rise of prices for goods and services
11. Internal Revenue Service (IRS) – Agency responsible for collecting taxes for the U.S. government
12. Medicare – Federal health insurance program for people 65 and older, certain young people with disabilities, and those with End-Stage Renal Disease (permanent kidney failure)
13. Pre-Tax Deduction – A discount on the amount of taxable wages the employee will owe taxes on; may be used by employers to create an incentive for employees to plan and save for retirement
14. Roth IRA – IRA that offers a future tax advantage
15. Simplified Employee Pension Plan – A retirement account (IRA) for the self-employed and their employees
16. Social Security – Benefits include retirement income, disability benefits, benefits for widows and children, and death benefits
17. Supplemental Security Income (SSI) – Income to assist the aged, blind, and disabled who have little or no income
18. Tax Deferred Income – Income not subject to taxes until withdrawn from the account
19. Thrift Savings Plan (TSP) – A defined contribution plan for civil service employees and uniformed soldiers
20. Vested – Process in which an employee with a qualified retirement plan becomes eligible and/or entitled to benefits

**Thing 8: The younger the better**

1. Compound Interest – interest accrues on the initial deposit, earning “interest on interest”
2. Future Value – How much a dollar today will be worth in the future
3. Opportunity Cost – The “cost” of a missed opportunity, or something you must “give up” for something else, or the next best alternative
4. Present Value – A dollar today is worth more today than a dollar tomorrow (all things being equal)
5. Price Per Unit – Cost per unit measured by volume or size, examples; price per ounce, price per square foot, price per gallon
6. Rule of 72 – The number of years it takes your money to double (or “flips”)
7. Simple Interest – Interest paid only on the principle
8. TISATAAFL – There is such a thing as free lunch!

**Thing 9: So you want to be a millionaire**

1. Entrepreneurship – The risk and effort by one or more individuals who own and manage a business, their innovations, and economic success
2. Gifts-in-Kind – Donation given instead of cash to a non-profit organization that is usually tax deductible
3. Legacy – A gift by will, such as money or personal property or something handed down from an ancestor or predecessor
4. Leverage – Use of debt financing to help increase your returns
5. Return on Investment (ROI) – Measures the profitability on the sale of an asset
6. Small Business Association (SBA) – A government agency that provides support to small U.S. based business
7. Wealth – An accumulation of resources or goods; something of economic utility or exchange value