

MODULE 9: Vocab & Key Terms

Earned Income

Investing

The act of allocating money or capital to an asset or endeavor with the expectation of generating a return on investment (ROI). Investing aims for long-term wealth accumulation.

Savings

Money set aside for future use, often stored in a low-risk, easily accessible account like a savings account. Unlike investing, savings don't typically generate significant returns.

Income Tax

Taxes levied by the government on the money earned by individuals or businesses. Income tax is a primary source of revenue for the government.

Capital Gains Tax

Taxes on the profit made from selling an asset like stocks, real estate, or other investments. Capital gains tax rates are usually lower than income tax rates.

Gross Income

The total amount of money someone earns before any taxes or deductions are applied. It includes wages, bonuses, dividends, and other sources of income.

Net Income

The amount of money left after all taxes and expenses have been deducted from gross income. Net income reflects the true earnings that can be spent or saved.

Tax Evasion

The illegal act of deliberately not paying taxes owed to the government. Tax evasion can result in hefty fines and imprisonment.

Tax Basis

The initial value of an asset for tax purposes, usually the purchase price, which is used to calculate capital gains or losses. Understanding your tax basis is essential for accurate tax reporting.

Realized Gains

Profits from investments that have been sold. Realized gains are subject to capital gains tax.

Unrealized Gains

Potential profits from investments that are still owned. Unrealized gains are not taxed until the asset is sold.

Payroll Deductions

Amounts subtracted from an employee's paycheck for various reasons, including taxes, insurance, and retirement contributions. Understanding payroll deductions helps in budgeting.

Charitable Donation

Giving money, goods, or time to a non-profit organization. Charitable donations may be tax-deductible, reducing one's taxable income.