💸 Finance Basics: 15 Key Concepts Everyone Should Know

IPO (Initial Public Offering)
An IPO marks the first time a private company offers its shares to the public. It's a way for businesses to raise capital by allowing individuals and institutions to invest in them.

Investment Types
There are various types of investments, including stocks, bonds, and mutual funds. Each has its own risk and return profile and understanding these can help you build a diversified portfolio.

Bull Market
In a bull market, stock prices are on the rise. This generally signals strong investor confidence, where people expect the economy to perform well and push prices higher.

Diversification
Diversification is a strategy to reduce risk by spreading investments across different asset classes, such as stocks, bonds, and real estate. This way, losses in one area may be offset by gains in another.

Income Statement
An income statement is a financial report that shows a company’s revenue and expenses over a specific period. It's a key tool for assessing the profitability and financial health of a business.

Budget
A budget is a spending plan that helps individuals allocate their income across various categories like housing, food, and savings, helping them live within their means and save for future goals.

Savings Account
A savings account is a low-risk option for securely storing money while earning modest interest. It’s perfect for building an emergency fund or saving for short-term goals.

APR (Annual Percentage Rate)
APR is the yearly cost of borrowing money, including both interest and any associated fees. It helps consumers compare the true cost of different credit products, such as loans or credit cards.

Emergency Fund
An emergency fund is money set aside to cover unexpected expenses like medical bills, car repairs, or job loss. Having one can help you avoid going into debt during financial emergencies.

Credit Score
Your credit score reflects your creditworthiness, showing lenders how likely you are to repay borrowed money. A good score can help you secure loans with lower interest rates.

Liability
Liabilities are debts or obligations owed to others. These can include things like a mortgage, car loan, or credit card debt, and they must be repaid over time.

High-Interest Debt
High-interest debt, such as credit card debt, can be a financial burden due to the high rates at which interest accumulates. Paying off this type of debt as quickly as possible is key to maintaining financial health.

Net Income
Net income is the amount you take home after taxes and other deductions. It's often referred to as "your paycheck" and represents your actual earnings available for spending and saving.

Inflation
Inflation is the rate at which prices for goods and services rise, eroding the purchasing power of money. Understanding inflation helps you make informed decisions about savings and investments.

Compound Interest
Compound interest is the process where interest is calculated on both the initial principal and the accumulated interest. This can significantly accelerate the growth of your savings or investments over time.