

# Seaholm Investing Club - Investing Terms Glossary

## Basic Investing Concepts

- **Investing** - Putting money into something (like stocks, bonds, or real estate) with the goal of growing it over time.
- **Risk vs. Reward** - Higher potential reward usually comes with higher risk. Understanding your personal risk tolerance is key.
- **Diversification** - Spreading your investments across different assets to reduce risk. "Don't put all your eggs in one basket."
- **Portfolio** - A collection of investments owned by an individual or group
- **Compound Interest** - Earning interest on both your initial investment and the interest that accumulates over time. This is why starting early matters.
- **Liquidity** - How easily an investment can be converted into cash without significantly affecting its price.
- **Time Horizon** - The length of time you plan to hold an investment before selling it.
- **Volatility** - A measure of how much an investment's price fluctuates. Higher volatility means higher potential risk and reward.
- **Risk Tolerance** - Your personal ability and willingness to endure drops in the value of your investments.

## Types of Investments

- **Stock (Equity)** - A share in the ownership of a company. You become a partial owner and can earn returns through price increases or dividends.
- **Bond** - A loan to a company or government. You earn interest over time and get your original money back when the bond matures.
- **Mutual Fund** - A pool of money collected from many investors that is professionally managed and invested in stocks, bonds, or both.
- **Exchange-Traded Fund (ETF)** - Similar to mutual funds, but traded like a stock on an exchange. Often has lower fees and more flexibility.
- **Index Fund** - A type of mutual fund or ETF that tracks a specific market index (like the S&P 500). Great for passive investing.
- **REIT (Real Estate Investment Trust)** - A company that owns or finances income-producing real estate. Offers exposure to real estate without owning property.
- **Options** - Contracts that give investors the right (but not the obligation) to buy or sell an asset at a specific price before a certain date. Higher risk, more advanced.

- **Cryptocurrency** - A digital or virtual currency that uses cryptography for security. Examples include Bitcoin and Ethereum.
- **Commodities** - Physical goods like gold, oil, or agricultural products traded on exchanges. Used to diversify portfolios.
- **CD (Certificate of Deposit)** - A savings product offered by banks with a fixed interest rate and maturity date. Very low risk.

### Stock Market Basics

- **Stock Exchange** - A marketplace where stocks are bought and sold. Examples: New York Stock Exchange (NYSE), NASDAQ.
- **Ticker Symbol** - The abbreviation for a company's stock. (Example: AAPL for Apple)
- **Market Capitalization (Market Cap)** - The total value of a company's shares: share price  $\times$  number of shares.
  - Large-cap: Stable, established companies
  - Mid-cap: Growing companies
  - Small-cap: Riskier but high potential
- **Bull Market** - A market condition where prices are rising.
- **Bear Market** - A market condition where prices are falling.
- **Bid Price** - The highest price a buyer is willing to pay for a stock.
- **Ask Price** - The lowest price a seller is willing to accept for a stock.
- **Spread** - The difference between the bid and ask price. Narrow spreads = high liquidity.
- **IPO (Initial Public Offering)** - The first time a private company sells stock to the public.
- **Blue-Chip Stocks** - Shares of well-established, financially sound companies with reliable performance (e.g., Coca-Cola, Johnson & Johnson).
- **Penny Stocks** - Low-priced stocks (under \$5/share), typically more volatile and risky.

### Investing Metrics to Know

- **Share Price** - The current cost of one share of a company.
- **Dividend** - A portion of a company's earnings paid to shareholders, usually quarterly.
- **P/E Ratio (Price-to-Earnings)** - Share price  $\div$  earnings per share. A way to value a stock—high P/E might mean high expectations (or overvalued).
- **Volume** - The number of shares traded during a given time period. High volume = high activity.
- **52-Week High/Low** - The highest and lowest price of a stock in the past year. Helps show volatility.

- **EPS (Earnings Per Share)** - A company's profit divided by the number of outstanding shares. Shows profitability.
- **Dividend Yield** - Annual dividend  $\div$  current share price. Shows return from dividends relative to stock price.
- **Beta** - Measures a stock's volatility compared to the overall market.
  - Beta  $> 1$ : more volatile
  - Beta  $< 1$ : less volatile
- **Return on Equity (ROE)** - Net income  $\div$  shareholder equity. Measures how effectively a company uses shareholder money.
- **Price-to-Book (P/B) Ratio** - Share price  $\div$  book value per share. Useful for comparing stock price to a company's asset value.

### Financial Accounts and Tools

- **Brokerage Account** - Account you open with a brokerage firm to buy/sell investments.
- **Roth IRA** - A retirement account with tax-free growth and withdrawals.
- **Market Order** - Buy/sell immediately at current price
- **Limit Order** - Set a price you're willing to buy/sell at, and the trade only executes if the market hits that price
- **Traditional IRA** - A retirement account where contributions may be tax-deductible, but withdrawals are taxed later.
- **401(k)** - Employer-sponsored retirement plan allowing employees to contribute part of their paycheck. Some employers match contributions.
- **Rebalancing** - Adjusting your portfolio to maintain your desired allocation

### Market and Economic Concepts

- **Inflation** - The rate at which prices rise over time. Reduces purchasing power.
- **Interest Rate** - The cost of borrowing money, set by central banks like Federal Reserve.
- **GDP (Gross Domestic Product)** - Total value of all goods/services produced in a country.
- **Recession** - A period of economic decline, often defined as two consecutive quarters of negative GDP growth.
- **Diversified Indexes** - Examples:
  - **S&P 500** - Tracks 500 large U.S. companies
  - **Dow Jones Average (DJIA)** - Tracks 30 large, influential U.S. companies
  - **NASDAQ Composite** - Tracks over 3,000 tech-heavy companies