

We know that understanding financial terms isn't always easy. That's why we've put together this glossary of financial terms. Any time you encounter a financial term that you don't understand, use this page to quickly find out what it means.

**Annual Percentage Rate (APR)** - the rate of interest (in terms of a percent, such as 9.4%) being charged for a loan over a year's time. The APR rate includes interest, transaction fees, and service fees. Look for APRs on such things as credit cards, student loans and car loans.

**Appreciate** - to grow in value. Usually a term used in relation to investments (stocks) or collectibles (old stamps, baseball cards, rare coins, etc.) that are now worth more than you originally paid for them.

**Asset** - any item of value that you own: house, property, jewelry, stocks, bonds, money in savings, etc.

**Balance** - 1) In talking about loans, the balance is the difference between the original amount owed and the amount paid on the loan to date. In other words, the money you still have to pay. 2) In talking about checkbooks, balancing means to account for all money that came into and went out of your account. 3) In talking about savings, your balance is what is left in your savings account after you deposit or withdraw money.

**Bankruptcy** - a state of being in so much debt that you are legally declared unable to pay in full the people and companies you owe. In some states, declaring bankruptcy means you must sell all your possessions and pay off your debts as best you can.

**Budget** - a plan you create for controlling spending and encouraging saving.

**Certificate of Deposit** - a type of investment that requires you to invest money for a certain length of time and guarantees the same rate of return (interest) for that entire period. CDs usually require a minimum deposit.

**Charge** - to borrow money (from a store, service provider, or credit card company) to make a purchase. If you do not pay the debt off in full each month, you will pay interest on the amount you owe.

**Check Register** - (sometimes called a check ledger). A booklet usually kept in your checkbook that you can use to keep track of all the deposits, withdrawals, and checks you write. After you record each transaction in your register, you subtract or add the amount to your checking account balance. If you keep your register updated, you will always know how much money you have in your checking account.

**Checking Account** (or Share Draft Account) - an account where you deposit money to fund the checks you write. A credit union checking account is called a share draft account.

**Compound Interest** - interest on an investment that is calculated not only on the amount originally invested, but also on any interest the investment has already earned. For example, if you invest \$100 dollars in a savings account and get 5% interest, after one period you will have \$105. During the next period, you will earn interest on the \$105 (not just on the \$100 originally invested) and end up with \$110.25.

**Credit** - a loan that enables people to buy something now and to pay for it in the future.

**Credit Limit** - the highest amount you may charge on a credit card. Your limit is set by your card company's opinion of your ability to handle debt.

**Credit History** - a record of your borrowing and paying habits. Credit reporting companies track your history and supply this information to credit card companies, financial institutions, and other lenders.

**Credit Rating** - a "score" that a credit agency assigns you based on your ability to manage credit responsibility. Your credit rating depends upon factors such as on-time payments, age, and amount of debt accumulated.

**Debt** - money or goods you owe.

**Debit Card** - a card like a credit card that you can use to pay for things directly from your credit union account without paying interest. You have to have the funds in your account at the credit union in order to spend them with your debit card.

**Deposit** - to put money into a checking, savings, or other investment account.

**Dividend** - a payment made by a company to a stockholder to share in the company's profits. In a credit union, a dividend is the interest paid on your savings or share account.

**Earned Income** - wages paid in exchange for work.

**Expenses** - things you pay money for - both needs and wants.

**Finance Charge** - the fee you pay when you do not pay off the entire credit card debt within a single payment period, usually about 25-28 days.

**Fixed Expenses** - expenses that stay basically the same from month to month, such as rent, transportation, and tuition.

**Grace Period** - the time, usually about 25-28 days, which you have to pay a bill or a loan in full. If you pay within the grace period, you do not have to pay a finance charge.

**Income Tax** - money that wage earners pay the government each year. The amount of the tax depends upon how much income you earn.

**Insufficient Funds** - a phrase that means you did not have enough money to cover an expense. Usually checks that bounce are returned stamped with the phrase "insufficient funds." The amount of the check was larger than the balance in the checking account.

**Interest** - the amount paid by a borrower to a lender for the privilege of borrowing the money.

**Interest Rate** - the price paid for borrowing money, expressed as an annual percentage rate, such as 10.5%.

**Invest** - to put your money into CDs, money market accounts, mutual funds, savings accounts, bonds, stocks or objects that you hope will grow in value and earn a profit.

**Loan** - money or an object that is lent with the understanding that the loan will be paid back, usually with interest.

**Minimum Payment** - the smallest payment you are required to make each month on a debt.

**Opportunity Cost** - the next best alternative that is given up when a choice is made.

**Profit** - the money you've earned after you subtract a) any money you had to spend to make the product or perform the service. b) any taxes that had to be paid on your earnings.

**Rate of Compounding** - When an account compounds interest it does so in regular intervals. Compounding can take place annually, semi-annually, quarterly, monthly, or daily. The more often interest is compounded the faster your money will grow.

**Return** - the amount of money you receive from a savings account or fund. The return is usually expressed as a percentage, such as "This account returns 6.3%."

**Risk** - the likelihood that you will lose money on an investment.

**Save** - holding onto your money for a future goal instead of spending it now. Saving is the opposite of spending.

**Savings Account** (or Share Account) - a credit union account that pays you interest for keeping your money in it.

**Share** - a unit of ownership in an investment or a company or a credit union. Depositors in a credit union own the CU because it is a member owned financial cooperative.

**Share Draft Account** (or Checking Account)

**Unearned Income** - income that is not the result of your labor, such as interest from a savings account or other kind of investment.

**Variable Expenses** - spending that changes from month to month. For example, entertainment can be a variable expense. Depending on your preferences, the amount you spend on movies, CDs, video games, and eating out will be different each month. With variable expenses, you have choices.

**Withdraw** - to take money out of an account.