Personal Finance Terms

1. **Savings** – Money deposits placed securely in a bank or other financial institution.
2. **Interest** – money banks pay for the use of your savings.
3. **Investments** – money you pay into a business with the expectation, but NOT the guarantee, of future rewards.
4. **Certificate of deposit (CD)** – A deposit you promise to leave in the bank for a specific amount of time, usually a year or more, in exchange for a higher rate of interest.
5. **Savings and loan association** – Similar to a bank, but it gets most of its deposits from consumers, rather than businesses, and lends most of its money to home buyers.
6. **Reserves** – Cash banks keep in reserve – in the event depositors decide to withdraw their savings. (The Federal Reserve requires banks to keep a percentage of checkable deposits in reserve) Excess Reserves are money in excess of the required reserves.
7. **Federal Deposit Insurance Company (FDIC)** – Insurance for bank deposits so if your bank goes bankrupt, you will not lose your money.
8. **Credit Union** – A not-for-profit financial institution that is owned and controlled by its members, usually people who work in the same company or the same occupation.
9. **Bonds** – lending money to a corporation, the federal government, to a state or city, or to an organization involved in a public construction project.
10. **Capital gains** – Profits obtained when you sell your stock in a company.
11. **Mutual fund** – A mutual fund pools money from many investors and uses it to buy a variety of stocks and bonds called a **portfolio**. Mutual funds offer a compromise by including low-risk, low return stocks with some high-risk, high-return stocks.
12. **Demand-pull Inflation** – If aggregate demand rises faster than producers can supply goods and services, the result is shortages, which lead to higher prices. This situation is called demand-pull inflation.
13. **Cost-push inflation** – If aggregate supply suddenly falls because of a natural disaster, while demand stays the same, there will also be shortages, which result in higher prices. This situation is called cost-push inflation.
14. **Purchasing Power** – The amount money will buy. You can't buy as many goods and services for your money as you could in the past, if inflation is high. Therefore, the "purchasing power" declines.
15. **Cost-of-living adjustment** – An increase in wages by the same percentage as the inflation rate.
16. **Proportional taxes** – taxes in which people with higher incomes pay the same proportion or percentage of their incomes as people with lower incomes do.
17. **Progressive taxes** – Taxes in which people with higher incomes pay a larger proportion, or percentage, of their income than people with lower incomes. Progressive taxes are graduated, meaning the tax rate gradually increases as income increases.
18. **Tax deductions** – Expense that can be deducted from a person's income and is not subject to income tax
19. **Regressive tax** – tax in which people with lower incomes pay a larger proportion, or percentage of their income than people with higher incomes. Regressive taxes place a greater burden on the poor Example: sales tax.
20. **Excise tax** – An extra sales tax on items such as alcohol and tobacco, which is collected by the federal government.
21. **Property tax** – Tax imposed on land and buildings, which is usually collected by local governments, and is often used to support local schools.
22. **Creditworthy** – One who is willing and able to repay a loan.
23. **Collateral** – Something the bank could take away from you if you do not repay the loan.
24. **Credit history** – How well you have managed your bills and credit in the past.

25. **Installment plan** – A loan where you agree to pay a fixed amount per month for a specified number of months and make all the payments on time – to show your creditworthiness.
26. **Fixed expenses** – The amount you must pay every month for rent, utilities, transportation, etc.
27. **Variable expenses** – expenses that "vary" each month.
28. **Simple interest** – You are charged interest ONLY on the original amount of the loan.
29. Co**m**pound **interest** – The interest charged on a loan is not only on the original amount you borrow, but on the existing amount you owe.
30. **Insurance policy** – A written agreement between you and the insurance company that explains what kinds of losses the company will cover, and how much it will pay to cover these losses, and how much you will pay for this protection.
31. **Coverage limits** – The maximum amount the company will pay you for your loss.
32. **Deductible** – The amount of loss that you must pay yourself before the insurance company will step in and pay the rest.
33. **Claim** – A request for payment of your losses from your insurance company.
34. **Premium** – The amount of money you must pay per month, per quarter, or per year in order to guarantee your insurance coverage.
35. **Car insurance** – Insurance coverage on a car.
36. **Liability coverage** – Pays for any personal injuries or property damage in the event of a car accident.
37. **Collision coverage** – Pays for any damage to your own car.
38. **Health insurance** – Insurance that pays your medical bills when you are sick or injured.
39. **Property insurance** – If you live in an apartment, you can get renters' insurance to help you replace your belongings in case they are stolen or destroyed by fire. If you buy a house, you need homeowners' insurance to protect your belongings, as well as the value of your house.
40. **Disability insurance** – If you suffer an illness or injury that keeps you from working for an extended period, this insurance will pay you 75% of your monthly income until your recover.
41. **Life insurance** – This insurance provides money to the people you leave behind when you die. When you buy life insurance, you name a beneficiary, the person you want to receive the money. There are two major types of life insurance – **term insurance** or **whole life insurance**. Each has different advantages and disadvantages:
    a. **Term insurance** – type of life insurance that you can buy only for al limited term, or period of time.
    b. **Whole life insurance** – Type of life insurance that provides coverage over your entire lifetime and for which the premiums never increase. Policy owners can also borrow money from their life insurance policy.