



FINANCE GLOSSARY

If you've ever wondered what these words or abbreviations mean...here you go!

Asset: economic resource that brings value in the future (i.e. house, art collection, trademarks, cash)

Capital Gain: earned when the value of an asset exceeds purchase price

CC: a credit card is a borrowed form of payment

CD: a Certificate of Deposit is an interest earning note but your \$ is locked in for a predetermined length of time

Diversification: investing in a range of products to reduce risk

Dividend: portion of profit/reserve paid to a company's shareholders

ETF: Exchange Traded Funds are a collection of investments you buy at once

FICO Score: a method to measure consumer risk originated by Fair, Isaac & Company (also called a credit score)

Interest: your earning for letting a person or company use/hold your money

IPO: an Initial Public Opening is when a private corporation becomes available in the stock market

IRA: an Individual Retirement Account holds money for retirement. It comes with tax & investing advantages

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Liability: debt that you're obligated to repay

Liquidity: likelihood of an asset to be cash quickly without losing value

Net Worth: the value of your assets minus your liabilities

P2P Lending: Peer 2 Peer lending allows lending of funds from one person to another without involving a bank

Passive Income: source of income from a source you aren't actively involved with (i.e. rental property, partnership, stocks)

Principal: amount of money originally borrowed without fees or interest included

REIT: a Real Estate Investment Trust is a company that owns various properties and allows investors to pool their money & earn a profit

Share: a unit of ownership in a company & a way to earn Dividend income

Stock: used interchangeably with "share"

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