



MONEY SMART 2.0  
**GLOSSARY**  
for Grades 6-8



The National Theatre for Children

NTC Financial Literacy  
K-12 Curriculum

# 6-8 GLOSSARY

---

**Annual Percentage Rate (APR):** The cost of borrowing money on a yearly basis, expressed as a percentage rate.

**Bank:** A financial institution and business that accepts deposits, makes loans and handles other financial transactions.

**Budget:** A plan that outlines what money you expect to earn or receive (your income) and how you will save it or spend it (your expenses) for a given period of time.

**Career:** The type of work a person pursues for the majority of their life that may involve formal education, special training or be within a specific industry.

**Cash Flow:** Income and expenses over a given period of time.

**Credit:** The ability to borrow money and pay it back later.

**Credit Card:** A plastic card that can be used to obtain credit (such as to purchase goods and services).

**Debit:** An amount of money taken out of a deposit account to pay for something.

**Debit Card:** A plastic card that can be used to deposit or withdraw cash from a checking or other bank deposit account, such as at Automated Teller Machines or at retail locations that accept cards.

**Debt:** Money that is owed.

**Discretionary Expenses:** Money that is not essential to spend; money spent on wants.

**Diversification:** The approach of spreading your money among various investments with the hope that if one investment loses money, the others will make up for those losses.

**Earned Income:** Money you get from working, such as wages, commissions and tips.

**Expense:** The cost of goods and services; the amount of money that is spent.

**Federal Deposit Insurance Corporation (FDIC):** An independent agency of the federal government created in 1933. The FDIC preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$250,000.

**Financial Institution:** A bank or credit union.

**Fixed Expense:** An expense that does not change from month to month.

**Goal:** Something you wish to achieve or accomplish in a specific amount of time.

**Identity Theft:** When someone steals another person's identity to commit fraud, such as by using another person's name or Social Security number to get something.

# 6-8 GLOSSARY

---

**Income:** Money that you receive from jobs, allowances, gifts, interest, dividends and other sources.

**Income Tax:** A compulsory contribution on income, both earned (salaries, wages, tips, commissions) and unearned (interest, dividends). Income taxes can be levied on both individuals (personal income taxes) and businesses (business and corporate income taxes).

**Insurance:** A contractual relationship that exists when one party (the insurer), for a fee (the premium), agrees to reimburse another party (the insured or third party on behalf of the insured) for a specific loss.

**Interest:** Money that a bank or other financial institution pays you for keeping money on deposit with them, or the amount of money you pay a bank as a fee when you borrow money.

**Invest:** To put money at risk with the goal of making a profit in the future.

**Investment Vehicles:** The methods that a person (or business) can use to invest money.

**Job:** A specific duty, task or activity someone completes using skills and energy to earn money.

**Mutual Fund:** An investment tool that pools the money of many investors and invests it in stocks, bonds, money market assets or other securities.

**Need:** Something you must have to survive, such as food, shelter and clothing.

**Opportunity Cost:** The next best thing that you give up in order to do something else; a trade-off of a decision you make.

**Payroll Deduction:** Money that an employer withholds from earnings.

**Phishing:** When fraudsters impersonate a business or government agency to try to get you to give them personal information, such as through an email or text message. Can also be thought of as “fishing for confidential information.”

**Profit:** The money gained or left over after money spent (expense) is subtracted from money earned (income).

**Return:** Money made (profit) from an investment.

**Risk:** The possibility that something unplanned or unintended may happen (such as losing money). In finance, it refers to the degree of uncertainty about the rate of return and the potential harm that could arise when financial returns are not what the investor expected.

**Risk Management:** The process of calculating risk and choosing approaches to minimize or manage loss.

**Save:** Setting something, like money, aside to use in the future.

# 6-8 GLOSSARY

---

**Savings Account:** A bank account that you can use to set aside money that pays you interest.

**Savings Bond:** Savings bonds are debt securities issued by the U.S. Department of the Treasury to help pay for the U.S. government's borrowing needs. Over time, the government gives that money, plus a bit extra (interest), back to those people as payment for using the borrowed money.

**Stock:** An investment that represents a share of ownership in a company.

**Tax:** Money that has to be paid to a government to provide public goods and services.

**Variable Expense:** Money that a person spends or gives away that varies from month to month.

**Want:** Something that you would like to have but that you could live without.