



MONEY SMART 2.0  
**GLOSSARY**  
for Grades 9-12



The National Theatre for Children

NTC Financial Literacy  
K-12 Curriculum

# 9-12 GLOSSARY

**401k:** A plan offered through an employer that gives employees a choice of investment options, typically mutual funds, to save a portion of their salary for retirement.

**403b:** A plan offered to employees of public schools, certain nonprofits and some members of the clergy to set aside money for retirement.

**Annual Percentage Rate (APR):** The cost of borrowing money on a yearly basis, expressed as a percentage rate. For example, a \$100 loan repaid in its entirety after one year with a \$10 finance charge has an APR of 10%.

**Annual Percentage Yield (APY):** A percentage rate reflecting the total amount of interest paid on a deposit account based on the interest rate and the frequency of compounding for a year. For example, a \$1,000 investment that earns 6% per year pays \$60 at year-end and has an APY of 6%.

**Asset:** An item with economic value, such as stock or real estate.

**Auto Insurance:** A contract between you and an insurance company in which you agree to pay a fee (premium) and in return, the insurance company agrees to pay for certain expenses associated with an accident or other covered losses on your vehicle. (See also Insurance.)

**Automated Teller Machine (ATM):** A machine activated by a magnetically encoded card or other medium that can process a variety of banking transactions. These include accepting deposits and loan payments, providing withdrawals and transferring funds between accounts.

**Balance Sheet:** A summary of a company's assets, liabilities and shareholders' equity.

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

**Bank Teller:** A bank employee who handles routine transactions, such as deposits or withdrawals into a bank account.

**Beneficiary:** Someone who is designated to receive certain benefits after the death of another individual.

**Bonds:** A debt security, similar to an IOU. When you buy a bond, you are lending money to the issuer in exchange for the issuer's promise to pay you a specified rate of interest and to repay the principal when it matures, or comes due.

**Branch Manager:** A bank employee that supervises bank operations at a branch location.

**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; also called a spending plan.

**Capacity:** Refers to your ability to repay a loan and other debts.

# 9-12 GLOSSARY

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**Capital:** Refers to the value of your assets and your net worth.

**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:** The amount of money flowing in (income) and flowing out (expenses) of a personal budget.

**Cash Flow Statement:** A summary of the money that comes in (income) and out (expenses) of a household or business over a period of time.

**Certificate of Deposit (CD):** A special type of savings account offered by banks or credit unions that typically offers a higher rate of interest than a regular savings account. You generally must keep your funds in the CD for a specified period of time to avoid penalties. The end of that time period is called the maturity date.

**Certified Public Accountant (CPA):** An accountant who has passed an examination and met other requirements and has been granted a certificate by a state agency.

**Character:** In finance, this refers to how you have paid your bills or debts in the past.

**Charitable Giving:** Money that you give to a nonprofit organization, charity or private foundation.

**Checking Account:** A deposit account at a financial institution that allows consumers to make deposits, pay bills and make withdrawals. Money that is in a checking account is very liquid, meaning it can be easily accessed.

**Claim:** Request to an insurance company for payment for a covered loss under an insurance policy.

**Closing Costs:** The expenses incurred by sellers and buyers in transferring ownership in real property. These costs may include the origination fee, attorneys' fees, loan fees, title search and insurance, and recordation fees.

**Collateral:** An asset that secures a loan or other debt that a lender can take if you default (don't repay) the money you borrow. For example, if you get a real estate mortgage, the bank's collateral is typically your house.

**College Work-Study Program (Federal Work-Study):** A program that enables qualifying students to work part time to receive money that helps finance the costs of post-secondary education.

**Commercial Property Insurance:** Coverage that a business or other entity purchases from an insurer to help cover losses to buildings and contents due to a covered cause of loss, such as a fire. (See also Insurance.)

# 9-12 GLOSSARY

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**Compound Interest:** The interest paid on principal and previously earned interest.

**Consumer Installment Loan:** Money that a person borrows and agrees to pay back by making a set number of payments over a period of time.

**Co-Pay:** Also known as a copayment, a fixed amount (for example, \$40) you pay for a covered health care service, usually when you get the service.

**Corporation:** A legal entity that is distinct from the individual(s) who compose the business yet has rights and abilities similar to those of a natural person.

**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).

**Credit Card Accountability Responsibility and Disclosure Act:** A law that prohibits certain practices that are unfair or abusive. The law also makes the rates and fees on credit cards more transparent so consumers can understand how much they are paying for their credit card and can compare different cards.

**Credit Report:** A record of your credit – and some bill repayment history – and the status of your credit accounts. This information includes how often you make your payments on time, how much credit you have, how much credit you have available, how much credit you are using and whether a debt or bill collector is collecting money you owe.

**Credit Score:** A number, roughly between 300 and 800, that measures an individual's creditworthiness. The most well-known type of credit score is the FICO® score. This score represents the answer from a mathematical formula that assigns numerical values to various pieces of information in your credit report.

**Credit Union:** A not-for-profit financial institution owned by its members and represented by a volunteer board of directors who are elected by the membership. To become a member, you must meet the credit union's field of membership requirements and open a share account.

**Creditworthiness:** A creditor's measure of a consumer's past and future ability and willingness to repay debts. (See also Credit Report and Credit Score.)

**Crowdfunding:** A process of raising money for a cause or purpose, often online, from multiple people.

**Customer Service Representative:** A person who provides general information, handles complaints or inquiries, and may help consumers open accounts.

# 9-12 GLOSSARY

**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-to-Assets:** Measures the ratio of monies owed (liabilities such as a car loan) to items that are of value (assets such as property). To calculate, divide total liabilities by total assets. For example, if you own a home that is worth \$200,000 (asset), but you have a mortgage of \$50,000 left on the home (liability), your debt-to-asset ratio is 25% ( $\$50,000 \div \$200,000 = 0.25$  or 25%).

**Debt-to-Equity:** A measure of solvency (the ability of a business to pay off its debt if the business were immediately sold) that is calculated by dividing total liabilities by stockholders' equity.

**Debt-to-Income:** A measure calculated by dividing monthly debt payments by gross monthly income. For example, if you pay \$200 each month for a car loan and \$1,000 each month for a home loan, your total debt payment each month is \$1,200 ( $\$200 + \$1,000$ ). If your monthly gross income is \$4,000, then your debt-to-income ratio is 30% ( $\$1,200 \div \$4,000$ ).

**Deductible:** The dollar amount or percentage of a loss that you have to pay before the insurance policy begins to pay.

**Deduction:** An amount that reduces the amount of income on which a person pays tax.

**Direct Loan:** A low-interest loan for students and parents to help pay for the cost of a student's education after high school.

**Disability Insurance:** Protects a person from loss of income due to a covered illness or injury. (See also Insurance.)

**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.

**Entrepreneur:** An individual who establishes and operates their own business.

**Equal Credit Opportunity Act:** A federal law that prohibits credit-related discrimination on the basis of gender, race, marital status, religion, national origin, age or receipt of public assistance.

**Equity:** The difference between the value of a piece of property (such as a house) and any debts for it (such as the amount of a mortgage).

**Estate:** The property of a person who has died.

**Estate Planning:** Planning for what will happen with assets or property after death.

**Estate Tax:** A tax on your right to transfer property at your death.

# 9-12 GLOSSARY

**Executor:** Someone who is selected to administer an estate (for example, make sure that the instructions in the will are properly followed).

**Expense:** The cost of goods and services.

**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.

**Finance Charge:** The total dollar amount paid for credit. For example, a \$100 loan repaid with \$9 interest plus a \$1 service fee has a finance charge of \$10.

**Financial Advisor:** A person who provides financial information and advice.

**Financial Aid:** Award(s) to individuals to help pay for education expenses.

**Financial Planning:** Identifying a person's financial goals, needs and expected earnings, saving, investing, insurance and debt management activities.

**Financial Ratios:** Useful indicators of financial performance.

**Financial Recordkeeping:** The documentation of a person's financial affairs, including income earned, taxes paid and expenses.

**Fiscal Policy:** A broad term used to refer to the tax and spending policies of the federal government. Fiscal policy decisions are determined by Congress and the governing administration.

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

**Fixed-Rate Loan:** A loan that has an interest rate that does not change.

**Free Application for Federal Student Aid (FAFSA):** The free application used to apply for federal student aid, such as federal grants, loans and work-study.

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

**Grant:** A form of financial aid, often based on financial need, that does not need to be repaid (unless, for example, you withdraw from school and owe a refund).

**Gross Income (Gross Pay):** Earnings before deductions (as for taxes or expenses) are subtracted.

**Health Insurance:** A contract that requires your health insurer to pay some or all of your health care costs in exchange for a premium (money paid).

**Home-Based Business Insurance:** Protection against certain losses and other risks for those who engage in business activity at their home. (See also Insurance.)



# 9-12 GLOSSARY

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**Homeowner's Insurance:** An insurance policy that covers a homeowner's house, other structures on their property and personal contents against losses caused by such things as windstorms, fire and theft. It generally also provides liability coverage (coverage if you are found responsible for the injury of a friend who injures themselves while visiting you). (See also Insurance.)

**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.

**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).

**Individual Retirement Account (IRA):** A deposit or investment account that an individual opens and uses to save money for retirement and that has certain tax advantages.

**Inflation:** A rise in the general level of prices of goods and services in an economy over a period of time; the opposite is deflation.

**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.

**Insurance Agent:** A person who sells insurance policies.

**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. You can earn interest from a bank (such as when you keep money in a saving account) or pay interest (such as when you borrow money).

**Inventory Turnover Ratio:** A ratio showing how often a company's inventory is sold and replaced during a year or other period of time.

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

**Investment:** Using money or time in a way that you expect will bring you a return or increase in value.

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

**Investors:** People who expect a future financial return from using their money to finance investments.

# 9-12 GLOSSARY

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

**Joint Tenancy:** Equal ownership of property by two or more parties, each of whom has the right of survivorship (for example, when a person dies, their interest in the property is transferred to the other owners).

**Lawyer:** A person who practices law; also known as an attorney.

**Lease:** A contract transferring the use of property or occupancy of land, space, structures or equipment in exchange for rent (generally money).

**Lender:** An organization or person that lends money with the expectation that it is repaid.

**Liability:** An amount owed to a person or organization for borrowed funds; responsibility to another for negligence that results in injury or damage.

**Liability Insurance:** Covers losses that an insured is legally liable, such as for another's personal injury or for property damage. (See also Insurance.)

**Life Insurance:** A form of insurance that will pay money to a beneficiary if the policyholder dies. (See also Insurance.)

**Limited Liability Company (LLC):** An entity formed under state law by filing articles of organization as an LLC. Unlike a partnership, none of the members of an LLC are personally liable for its debts.

**Loan:** Money borrowed that has to be repaid, generally with interest.

**Loan Officer:** A bank employee that (depending on the bank) evaluates, authorizes or recommends approval of loan applications for people and businesses.

**Long-Term Care:** Services that include medical and non-medical care provided to people who are unable to perform basic activities of daily living, like dressing or bathing. Medicare and most health insurance plans don't pay for long-term care.

**Medicare:** A health insurance program for people who are 65 or older or certain younger people with disabilities. This program is financed by deductions from wages and managed by the federal Social Security Administration.

**Monetary Policy:** Policies used by the Federal Reserve, the nation's central bank, to influence the amount of money and credit in the U.S. economy. What happens to money and credit affects interest rates (the cost of credit) and the performance of the U.S. economy.

**Money Market Deposit Account:** A savings account that offers a higher rate of interest in exchange for larger than normal deposits.



# 9-12 GLOSSARY

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**Mortgage (Home Loan):** A contract, signed by a borrower when a home loan is made, that gives the lender the right to take possession of the property if the borrower fails to pay, or defaults on, the loan.

**Mutual Funds:** 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.

**Net Income (Take-Home Pay):** The gross pay minus deductions (such as for taxes, health care premiums and retirement savings).

**Net Worth:** The difference between what you own (assets) and what you owe (debts).

**Online Banking:** A service that enables an account holder to obtain account information and manage certain banking transactions through the financial institution's website on the internet.

**Partnership:** Two or more persons who join to carry on a trade or business. Each person contributes money, property, labor or skill and expects to share in the profits and losses of the business. Partners are liable for the partnership's financial responsibilities.

**Paycheck:** A check that is used to pay an employee for his or her work.

**Pell Grant:** Financial aid that is awarded to undergraduate students who have demonstrated financial need.

**Perkins Loan:** Low-interest federal student loans for undergraduate and graduate students with exceptional financial need.

**Personal Exemptions:** Reduces the income subject to taxation by the exemption amount.

**Pharming:** Redirecting internet requests to false websites to collect personal information, which is generally then used to commit fraud and identity theft.

**Philanthropy:** Giving money or time for the purpose of trying to make life better for others.

**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."

**Pi:** A Greek letter that reflects the ratio of the circumference of a circle to its diameter.

**Predatory Lending:** Certain practices that result in a borrower obtaining a loan that is harmful. These include, among other things, charging excessive fees and interest rates, lending without regard to borrowers' ability to repay, refinancing borrowers' loans repeatedly over a short period of time without any economic gain for the borrower and committing outright fraud or deception (such as falsifying documents).

# 9-12 GLOSSARY

**Premium:** The amount of money that has to be paid for an insurance policy.

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

**Profit-and-Loss Statement:** A financial statement that summarizes the financial performance of a business during a specific period of time by outlining the firm's income, expenses and the resulting profit or loss.

**Policy:** Contract between the insured and the insurer.

**Power of Attorney:** A legal instrument authorizing someone to handle the financial or other business affairs of another person.

**Principal:** The amount of money originally invested or the money that is borrowed.

**Property Insurance:** Insurance to protect you against damage that may occur to your property. (See also Insurance.)

**Rainy Day Fund (Emergency Fund):** Money set aside to pay for unexpected expenses.

**Rate of Return:** Profit or loss over a one-year period, expressed as a percentage.

**Recession:** A period of reduced economic activity.

**Rent:** The amount of money needed to live in or use someone else's property, such as a home, condo or apartment.

**Rent-to-Own:** A lease contract that includes an option to buy the product.

**Return on Assets:** An amount calculated by dividing annual earnings by its total assets.

**Return on Investment (ROI):** The annual return on an investment, expressed as a percentage of the total amount invested.

**Revenue:** The total income produced by a given source.

**Right of Survivorship:** A successor's ability to acquire the property of a deceased individual upon death.

**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.

# 9-12 GLOSSARY

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**Roth IRA:** An Individual Retirement Account that you deposit after tax dollars into for accumulation of retirement savings.

**Rule of 72:** A rough calculation of the time or interest rate needed to double the value of an investment determined by taking the number 72 and dividing it by the interest rate. For example, to figure how many years it will take to double a lump sum invested at an annual rate of 8%, divide 72 by 8, for a result of 9 years.

**Salary:** Compensation for work paid on a regular basis (bi-weekly/monthly) typically expressed as an annual amount.

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

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

**Scholarship:** Money awarded to students based on academic or other achievements to help pay for education expenses. Scholarships generally do not have to be repaid.

**Secured Installment Loan:** A loan for which you provide collateral to secure your promise to repay the money you borrow.

**Self-Employment Tax:** Money that someone who is considered self-employed must pay to the federal government to fund Medicare and Social Security.

**Social Security:** A federal government program that provides retirement, survivors and disability benefits that is funded by a tax on income.

**Sole Proprietorship:** A simple business structure where there is only one person owning and operating the business.

**Spending Plan:** Another name for a budget.

**Start-Up Capital:** Money that is invested to help start a new business.

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

**Student Loans:** A sum of money borrowed by an individual to help pay for college with the intent that it will be repaid at a future date, along with any agreed-upon interest.

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

**Tenancy in Common:** Shared ownership of a property in which more than two people hold the title.

**Tenancy in Entirety:** Shared ownership of a property between a husband and wife, when one dies, the other still owns the property.

# 9-12 GLOSSARY

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**Text Message Spam:** Similar to email spam, but on your cellphone. Criminals often text offers of free gifts or low-cost credit offers to try to get you to click on a link so they can install malware on your phone or get you to give them information they can use to commit fraud.

**Time Value of Money:** The concept that a dollar today is not worth the same as a dollar in the future.

**Traditional IRA:** A retirement savings program to which yearly tax-deductible contributions up to a specified limit can be made. The amount contributed is not taxed until withdrawn. Withdrawal is not permitted without penalty until the individual reaches age 59 and a half.

**Trust:** A legal arrangement in which one person holds or manages assets or other property for the benefit of another.

**Unsecured Installment Loan:** A loan that is not secured by an asset (collateral) that a lender could take if you do not repay the loan.

**Variable Annuities:** A contract between you and an insurance company, under which you make a lump-sum payment or series of payments. In return, the insurer agrees to make periodic payments to you beginning immediately or at some future date.

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

**Variable-Rate Loan:** A loan where the interest rate might change.

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

**Will:** A legal document in which a person conveys information such as how they want their money and assets to be distributed after their death and who should be the guardian of their children.