Glossary of Financial Terms

1099-INT form: A tax form that you get from your credit union or other financial institution that reports the payment to you of interest earned on your savings.

Account: A business agreement between two or more people or companies that includes the exchange of money or some other asset. For example, you might have a savings account, checking account, and/or credit card account.

Accounts payable: Money that a company owes to suppliers of goods and services purchased on credit. The accounts payable amount is a liability to the company. (Compare with accounts receivable.)

Accounts receivable: Money that is owed to a company for goods and services it has provided to customers on credit. The accounts receivable amount is an asset to the company. (Compare with accounts payable.)

Advertising: Marketing messages brought to you in various forms such as: newspapers, magazines, billboards, letters, radio, television, and online. Marketers pay for the space that carries their message to you. (The word "ads" is short for advertisements.)

Affinity card: A type of credit card issued jointly by a lending institution and a non-financial organization, such as a retail store or not-for-profit group. (Also known as a co-branded card because it bears each partner's name.) As an affinity card-holder, you usually are entitled to discounts or other special deals from the non-financial partner. In some cases, for example when the non-financial partner is an environmental group, using the card means that the group receives a donation in your name in the amount of a percentage of the purchase. Usually an affinity card will cost more to use than a credit card directly from a credit union or other lender.

Annual percentage rate (APR): Annual interest rate expressed as a percentage of the loan balance.

Account statement: A written record of changes in your credit union account s. You'll automatically, usually each month or each quarter, receive account statements that show additions to and subtractions from your account balance.

Antitrust: Activities to prevent business practices that restrain competition. (See trust.)

Asset: Anything of value that a person or organization owns. Examples include cash, securities, accounts receivable, inventory, and property such as land, office equipment, or a house or car. (Compare with liability.)The same item can be both an asset and a liability, depending on your point of view. For example, a loan is a liability to the borrower because it represents money owed that has to be repaid. But to the lender, a loan is an asset because it represents money the lender will receive in the future as the borrower repays the debt.)

ATM card: A plastic card that allows you to get basic financial services from an automated teller machine.

Automated teller machine (ATM): A device for conducting business at your credit union or other financial institution without a teller's help even when it's closed. With an ATM card, you can typically withdraw cash, transfer money between two accounts, or check your account balances.

Audit: A periodic check of an organization's financial and accounting records to ensure that its management and staff are following sound business practices. Some audits are required by law and may involve hiring an independent professional auditor. Also an IRS examination of an individual's or corporation's tax return.

Balance: 1. The amount of money in an account. 2. Comparing your personal check records with the checking account statement your credit union sends you to make sure the amounts match, or "balance." Also known as "reconciling" your checking account.

Bank: A business, with a state or federal government charter, that provides services such as paying interest on deposits, issuing and collecting checks, and making loans, especially to businesses. Shareholders receive part of a bank's profit as a return on their investment in the bank, represented by the stock that they've purchased.

Bank holding company: A company that owns more than one bank.

Bankruptcy: The result of a court decision to excuse some or all of the debts of an insolvent person or corporation. Bankrupt corporations usually go out of business. Bankrupt people usually have a hard time getting credit later, and may lose property, which a judge orders to be sold in order to repay as much debt as possible.

Barter: The practice of exchanging one good or service for another, without using money.

Beneficiary: Someone who benefits by receiving money from an insurance policy, will, or trust fund.

Board of directors: People that shareholders have elected to oversee the management of a credit union, corporation, or other organization. Directors meet periodically to fulfill their legal responsibility to represent the other shareholders' interests. Although most organizations pay their directors for their services, most credit union boards consist of unpaid volunteers.

Bond: A legal document that is a promise to repay borrowed principal along with interest on a specified schedule or certain date (the bond's maturity). Federal, state, and local governments, corporations, and other types of institutions raise capital by selling bonds to investors.

Bounced check: A check written for an amount exceeding the checking account balance. Bouncing a check has several negative consequences for the account holder, including fees and a damaged credit report. When a financial institution closes a checking account due to bounced checks, the account holder's name becomes part of a national list of people who've mismanaged checking accounts—making it difficult to open another one.

Brand: A printed symbol of ownership that a company hopes consumers will associate with quality.

Brokerage firm: A company that assists buyers and sellers of investments for a fee.

Budget: A tool individuals, companies, and governments use to plan earnings and expenses for a period. A personal budget lists income and expenses such as housing, food, clothes, and entertainment. A balanced budget also includes saving a portion of income. To budget is to create a plan for funds, time, or other items.

Capacity: Your ability to repay a loan, estimated in part from your work history and current income.

Capital: 1. Wealth in the form of cash or property that can be used to earn income. 2. The net worth of a business, which is the amount by which its assets are greater than its liabilities. 3. What you own free and clear.

Career: The work you choose as your occupation for life.

Cash: 1. Currency and coins. 2. The currency, coins, bank balance, and (negotiable) money orders and checks that a business owns.

Certificate of deposit (CD): A debt instrument from a financial institution. When you purchase a CD from your credit union (usually some multiple of $500 or $1,000), you're lending it that amount for a specific period, for which you'll earn a specific amount of interest. If you want your money back early, you'll usually have to pay a penalty.

Character: Your willingness to repay a loan, estimated, in part, from your credit history.

Charter: Government authorization to do business. A credit union or other financial institution must have a charter with a state or the federal government.

Check: A document that promises to pay a specific amount of money, taken from funds on deposit, to a specific party on demand. Some credit unions call a check a share draft.

Check register: The written record you keep of your checks as you write them and the deposits you make in your checking account. Each month when you get your checking account statement, you'll want to balance your account to make sure that you know the maximum you can write checks for without getting hit with a non-sufficient funds penalty.

Checking account: An agreement that allows you to write a check for payment from deposits in a financial institution. Some credit unions call a checking account a share draft account.

Circulation: The total of all currency in use at a given time.

Closing price: The price of a stock's final trade at the end of the official trading day.

Collateral: What you give up if you don't repay a loan. For example, the collateral on a car loan is usually the car itself. If you don't make payments on time, the lender can take the car and sell it to pay off the loan.

Commercials: Marketing messages brought to you on television or radio. Marketers pay for the time to broadcast their message to you.

Commercial bank: A bank that offers services to individuals, but specializes in business deposits and loans.

Commission: A fee an investor pays a broker for executing a transaction—buying or selling stock. The commission may be a flat fee—say $75.00 per trade, it may be set at a certain amount per share of stock involved in the transaction, or it may be based on the total value of the transaction.

Commodity: A useful or valuable object, usually used in reference to trade.

Common bond: Characteristics, such as employer or community, that link the member s of a particular credit union. A common bond distinguishes members, who are eligible to receive services from that credit union, from the general public.

Compound interest: Interest calculated not only on the original principal (def. 3) that was saved but also on the interest earned earlier and left in the account.

Compounding: Earning interest on principal saved and on previously earned interest.

Consumer Price Index (CPI): A measure of inflation that calculates the change in the cost of a fixed set of goods and services, including housing, electricity, food, and transportation. The federal government publishes the CPI, which is also called the cost-of-living index, monthly. See "What is a dollar worth?"

Cooperative: An arrangement in which each participant is part owner of an asset or group of assets. For example, people have formed a cooperative (sometimes known as a "co-op") to democratically share ownership of a business or apartment building. A credit union is a financial cooperative.

Corporation: A type of business organization that exists separately from its owners. A corporation has a charter giving it legal rights and responsibilities that protect its owners by limiting their potential obligation and losses. Corporations raise capital and distribute ownership by selling shares of stock.

Co-sign: To accept joint responsibility for repaying someone else's loan. If the borrower doesn't make loan payments, the co-signer is liable for the debt.

Cost-of-living adjustment (COLA): A yearly change in workers' pay to erase the effect of inflation on purchasing power. A COLA is usually a wage increase, based on the Consumer Price Index.

Counterfeit: Fake, usually referring to phony currency. The Secret Service is in charge of investigating counterfeit money in the U.S. and can tell you a lot about its history and what it looks like.

Credit: A legal agreement in which a borrower receives something of value now by promising to pay the lender for it later. When the item of value is money, the agreement is called a loan. When the item of value is a product, the purchaser buys it "on credit." (See also finance.)

Credit bureau: A company that records borrowers' credit histories. The three U.S. credit bureaus are Equifax Credit Information Services, Experian, and Trans Union Credit Bureau.

Credit card: A plastic card that allows you to borrow money or buy products and services on credit with your signature. The lender that issues the credit card puts a dollar limit on its use, depending on your creditworthiness. (Compare with debit card.)

Credit history: A record of loan repayment. Financial institutions send information on the loans they make to several companies to keep as a reference for future lending. Each time you apply for a loan, the lender will check your credit history with these companies. As a consumer, you have certain rights to review your record and correct inaccuracies. A credit history is also called a credit record or credit profile.

Credit rating: A financial institution's estimate of how risky it is to lend you money. Your credit rating will be based on such factors as your income, your history of repaying debt, and your work record.

Credit report: A record of your credit history.

Credit union: A not-for-profit financial cooperative whose members own it. You are eligible to join a particular credit union if you belong to the field of membership defined in its charter. All members have the right to democratically elect a board of directors. The board gives the credit union's management and staff general instructions. Historically, credit unions encourage thrift among members and provide them with credit at a low rate.

Credit union member: Someone who meets the eligibility requirements for joining a credit union and who maintains a required minimum savings balance. A credit union's members own the credit union.

Credit Union National Association (CUNA): A not-for-profit trade association for credit unions. To join CUNA, credit unions pay dues. In return, CUNA represents credit unions' interests with federal government agencies and members of Congress. CUNA also provides information, public relations, professional education, and business development services to credit unions.

Creditworthiness: A lender's estimate of a borrower's ability to repay a loan.

Creditworthy: Having a favorable credit rating.

Currency: Paper money. Explore the federal government's American Currency Exhibit online and take a virtual tour of the Money Museum.

Debit card: A plastic card that you can use like a credit card. The difference is that a credit card lets you borrow money for a purchase, while a debit card makes payment immediately and electronically from your checking account or savings account; also called "check card" or "cash card."

Debt: A liability in the form of a bond, loan agreement, or mortgage, owed to someone else with the promise of repayment by a certain date, the debt's maturity.

Debt consolidation loan: A loan used to repay several other loans. Debt consolidation usually reduces the borrower's monthly payments by lowering the interest rate or extending the repayment period or both.

Debt instrument: 1. A written agreement to repay a loan such as a bond or CD. 2.A borrowed tuba.

Deductions: Amounts subtracted or withheld from your gross income (def. 1). Some deductions, such as taxes, are required by law. Others are elective. For example, you might have the option of putting part of your earnings aside in a pension plan, individual retirement accounts (IRA), or other savings account. You also might instruct your credit union to automatically regularly deduct a loan payment so that you don't have to remember to write a check each month (also called "payroll deductions").

Default: Failure to follow the terms of a loan agreement, usually by not making payments on time.

Deflation: A drop in overall prices, often the result of a shortage of money or credit. Deflation is the opposite of inflation.

Deposit: 1. Money you place in a savings account at a financial institution. 2. Money you give to a seller as proof of your intention to buy a piece of property; also called "down payment." 3. To put money into your credit union account.

Deposit insurance: A system that guarantees that people who deposit their money in a financial institution are protected if the institution fails. Depending on the type of account and ownership, this protection totals $100,000 or more. Two government agencies provide this type of coverage: the National Credit Union Administration insures credit unions and the Federal Deposit Insurance Corp. covers banks. Some financial institutions buy similar coverage from private insurers.

Depository bank: A financial institution that holds excess money for other financial institutions such as your credit union.

Depreciation: Decrease in the value of an asset over time.

Disability: Inability to work because of illness or accident.

Discount brokers: A brokerage firm that processes customer orders at lower prices than "full-service" brokers.

Dividend yield: The annual rate of return earned by a stockholder. To find a corporation's dividend yield, divide the annual dividend by the current market price of a share of the corporation's stock. For example, if X Corporation pays an annual dividend of $2.00 and its stock is trading at $32.00 per share, its dividend yield is 2.00/32.00, or 6.25%.

Diversification: The concept of not putting all your eggs in one basket. The opposite of diversification is "concentration"—where a large portion of the investor's money is invested in only a few stocks. Let's say that two investors have $30,000 to invest. The first diversifies her portfolio by investing $1,000 in 30 stocks, one of which is ABC Corp. The second investor concentrates her portfolio by investing $10,000 in three stocks, one of which is ABC Corp. If ABC Corp. goes bankrupt and its stock becomes worthless, both investors will be upset. But the "diversified" investor (the first one) will only lose $1,000 while the "concentrated" investor will lose $10,000.

Dividend: A portion of earnings paid to the owners of a credit union or corporation. (A credit union's owners are called members; a corporation's owners are called shareholders. Credit unions and banks both pay savers a percentage of the money in their savings accounts. Credit unions call this payment a dividend because their members are, by definition, owners. Banks call this payment interest because their customers are not, by definition, owners. Bank dividends go to shareholders.) The board of directors decides what the dividend rate, or percentage, will be. Dividend payments are usually added directly to an account balance. But sometimes a corporation will issue dividends in the form of more stock in the company.

Economist: Someone who studies how the force of supply and demand determines how resources are put to use and what they cost.

Endorse: To sign the back of a check made out to you so that you can get the check amount in cash. The simplest endorsement is to sign your name exactly as it appears on the "payee" line. If instead of getting cash, you want to give the check to someone else, you can endorse it with the note: "Pay to the order of (the other person's name)."

Entrepreneur: Someone who starts his or her own business.

Equity: Ownership of an asset.

Exchange rate: The rate at which you can convert one nation's currency into another (also called "foreign exchange rate"). An online exchange rate calculator will tell you what your money would be worth in any of several other countries.

Expense: A business's cost for such things as rent, electricity, and worker's pay. Your cost for such things as movies, snacks, clothes, and music.

Fair Credit Reporting Act (FCRA): The federal law that promotes accuracy and ensures the privacy of the information in consumer reports, including credit histories. The Federal Trade Commission enforces FCRA.

Fair Labor Standards Act: The federal law that sets such rules as those for child labor and workers' minimum wage and overtime pay.

Federal: Having to do with government on a national level.

Federal Reserve Bank: One of 12 regional banks that the federal government set up to help regulate the money supply by holding funds in reserve and lending money to member financial institutions. See Federal Reserve System.

Federal Reserve System: The central banking system of the U.S. (also called the "Fed"). Among other services, the Fed determines how much money the government needs to make available and helps credit unions and other financial institutions operate smoothly and safely. Check out the Fed's 12 regional Federal Reserve Banks and their 24 branch banks, many of which offer tours in which you can learn about such things as counterfeit currency and what happens to worn-out money.

Federal Trade Commission (FTC): The agency of the federal government that enforces a variety of federal antitrust and consumer protection laws. In general, the FTC works to help consumers exercise informed choice, such as by eliminating business practices that are unfair or deceptive.

FICA: Stands for the Federal Insurance Contributions Act, which created the Social Security system. The employee and employer both pay a FICA tax of 6.2% on a portion of the employee's annual gross income. (For 1999, this portion is the first $72,600 earned. FICA tax does not apply on earnings after that.) This money funds certain government payments, such as for retirement and disability, for you and other workers (and, in some cases, their dependents).

Field of membership: A description of how credit union members are united by a common bond such as where they work or live.

Finance: To pay for something with credit.

Financial Aid: Money for post-secondary education expenses such as tuition, fees, books, and room and board. Sources include post-secondary schools, private organizations, and federal and state governments. Types of aid include grants, scholarships, work-study, and student loans.

Finance company: A company that raises funds from investors or borrows from a bank to make loans to other individuals and/or businesses. Unlike a credit union or bank, a finance company does not accept savings deposits.

Fiscal year: An accounting period covering 12 consecutive months. A company's fiscal year is not always the same as the calendar year, which ends on Dec. 31.

Four Cs: The key factors a lender uses to determine your creditworthiness. They are: character, capacity, collateral, and capital.

Fraud: Cheating someone to gain something valuable usually by lying.

Free market: economic system that operates according to the principle of supply and demand without government involvement.

Full-service brokers: Brokerage firms that offer a wide range of services to clients. Such services may include research materials and advice on what stocks, bonds, and/or mutual funds to buy and sell. A full-service broker's commissions and other account fees will generally be higher than the commissions and fees a discount broker charges.

Googolplex: The largest named number. A googol is 10 to the 100th power (1 followed by 100 zeros). A googolplex is 10 to the googol power (1 followed by a googol zeros). The estimated number of atoms in the universe is less than a googolplex. In other words, there isn't enough matter in the universe to write a googolplex on.

Goods: Products.

Grace period: Time during which a lender doesn't charge interest on credit card purchases.

Grant: A kind of financial aid awarded to students based on their financial need. You don't have to repay a grant.

Great Depression: A period of about 10 years, beginning in October 1929, during which many people lost their jobs and many companies went out of business throughout the world. Desperate unemployed workers took their families on the road to look for work Today, people who lived through the Great Depression still remember the daily hardship. Here is a detailed summary of the period.

Gross Domestic Product (GDP): The total value of all the goods and services produced in a particular country in a particular year. In other words, the sum of all that nation's consumer and government spending and investment, plus exports, minus imports. Divide this figure by the country's population to derive its "GDP per capita."

Gross income: 1. For individuals, the amount you've earned before payroll deductions are subtracted. Gross income is usually figured in one of two ways: Either by multiplying your hourly wage by the number of hours you worked during the pay period. Or by dividing your annual salary by the number of pay periods in the year. 2. For businesses, the amount of revenue from product sales minus the cost of producing the products that were sold. (Compare with net income.)

Hyperinflation: A period in which the rate of inflation is so high that money is practically worthless.

Income: Earnings from a job or an investment.

Income tax: A payment to federal, state, and local governments based on individual or company earnings.

Individual retirement account (IRA): A special federal program that allows you to delay the payment of income tax on some money you save, which reduces the amount of tax owed. IRA rules determine how much money you can save under this program, how you can get your savings out, and how much tax you finally pay.

Inflation: A rise in the general price level of goods and services; inflation is the opposite of deflation. The Consumer Price Index and the Producer Price Index are the most common measures of inflation. Find out what inflation has done to the value of U.S. money between any two years from 1800 to 2000 with an online calculator.

Insolvent: Unable to repay debts. See bankruptcy.

Insurance: Protection from certain losses in the future in exchange for periodic payments (see insurance premium). You can buy insurance that will pay you (or someone you name) specific amounts in case of death, injury, accident, or other damage.

Insurance premium: A periodic payment for protection against loss. The size of the payment is based on various risk factors. For example, your auto insurance premium depends partly on your age.

Interest: An amount paid for the use of someone else's money. You pay the credit union to use the money you borrow from it. The credit union pays you to use the money you save there.

Interest rate: A percentage that tells what borrowed money will cost or savings will earn. An interest rate equals interest earned or charged per year divided by the principal amount, and expressed as a percentage. In the simplest example, a 5% interest rate means that it will cost you $5 to borrow $100 for a year or you'll earn $5 for keeping $100 in a savings account for a year. (The math is more complicated when the financial institution uses a daily or monthly interest rate. Another complication occurs when borrowers make loan payments and savers add or withdraw savings periodically during the year. See also compounding.)

Internal Revenue Service (IRS): the agency of the federal government that's responsible for collecting federal income and other taxes and enforcing the rules of the department of the treasury.

Inventory: A company's unsold products, finished and unfinished, and the raw materials used to make them.

Investment: Something of value that you buy, expecting that it will provide income and increase in value.

Investor: Someone who buys an asset for the income it'll earn and the increased value it'll have in the future.

Job benefits: Something of value that an employer gives employees in addition to money. Job benefits vary widely from business to business and are typically available only to full-time workers. Benefits can range from health insurance to your own space in the company parking lot.

Large companies: Those with a market capitalization of $1 billion or more.

Liability: Something owed to another party. (See also debt and loan. Compare with asset.) The same item of value can be both an asset and a liability, depending on your point of view. For example, to the borrower a loan is a liability because it represents money owed that has to be repaid. But to the lender, a loan is an asset because it represents money the lender will receive in the future the debt is repaid.

Liquidity: Assets that you can easily convert to cash.

Loan: An agreement in which a lender gives money or property to a borrower, who has to repay or return it, with interest, at a specified time. Shakespeare once said: Never lend money without a written agreement specifying ye olde payback terms.

Loan shark: A person who lends people money and charges an extremely high interest rate on the loan. Loan sharks are usurers who operate secretly, without government regulation, so that people who borrow from them have little or no consumer protection.

Loss: The amount by which the purchase price of something (usually an investment) exceeds the selling price.

Mark: Victim or target of a scam.

Market capitalization: A corporation's size expressed as the value of its "issued shares"--stock shares the company owns plus shares the public owns. Market capitalization can be called invested capital. To find a company's market capitalization, just multiply the number of shares the company has issued by the price per share. For example, if Largeco, Inc. has issued 25 million shares of stock and the stock is trading for $45 per share, Largeco, Inc.'s market capitalization is $ 1.125 billion, and it would be considered a "large" company. If Smallco, Inc. has also issued 25 million shares of stock but those shares are trading for $5 each, Smallco, Inc. is a "small" company because its market capitalization is $125 million.

Marketer: A person whose job involves persuading consumers to buy what producers want to sell.

Marketing: The process of determining the need for a product or service, devising a profitable way to produce it, arousing desire for it through advertising, and making it possible for buyers to get it.

Mass media: Broadcast or printed channels of information, news, and entertainment that reach a large audience. Marketers place commercials and advertisements in these channels, to get these messages to the large audience.

Maturity: The date on which a financial obligation is due to be fully repaid.

Media: Newspapers, magazines, billboards, television stations, and other vehicles that carry messages to the public.

Medicaid: A joint federal and state government program that pays for medical care for people who can't afford it.

Medicare: The federal government's hospital insurance plan, which pays for certain health care expenses for people age 65 or older. The Social Security Administration manages Medicare.

Member: Someone who belongs to a credit union. To join, you must be eligible according to the credit union's field of membership rules and make a minimum deposit. Once a member, you are a part owner, with equal voting rights in elections for the credit union's board of directors.

Merchandise: Goods for sale.

Merchant: A person who sells goods for profit.

Minimum wage: The least amount an employer can pay workers, according to the federal government law known as the Fair Labor Standards Act. Some states have different minimum wage standards. http://www.dol.gov/

Mint: A government "factory" for making coins. Get information about the U.S. mint in Denver and about the Philadelphia mint. Both U.S. mints offer tours that will leave a cool, refreshing taste in your mouth.

Money market: The system for buying and selling debt instruments or securities with terms of less than a year, and often less than 30 days.

Money market account: A special type of savings account that makes it easy to invest in short-term securities.

Money order: A legal document that is a promise to pay the individual or business named on it a specified amount of cash when presented at a financial institution. Money orders are an alternative to paying by share draft or check or cash.

Mortgage: A loan to buy real estate.

Mutual fund: A kind of investment that a company makes on behalf of shareholders. The company sells shares in the fund and invests the money in a group of assets, usually securities. The fund's managers make investment decisions according to stated objectives.

Mutual savings bank: A bank whose depositors own it. Although a credit union's members own the credit union, the two institutions differ in many ways. They have different charters and are subject to the regulation of different government organizations. Furthermore, the board of directors of a mutual savings bank is paid (compared to a credit union's volunteer directors) and the owners of a mutual savings bank have voting rights in proportion to the amount of money on deposit (compared to the one-member-one-vote practice of most credit unions).

National Credit Union Share Insurance Fund (NCUSIF): An amount of money credit unions set aside by law to insure their members' money against loss. The NCUSIF protects savings up to $100,000 per member at all credit unions with federal charters and most with state charters. Although credit union contributions to the NCUSIF amount to only a little more than one cent for each $1 in assets , nationwide this adds up to a total fund of $3.8 billion.

Negotiable: Able to be sold or transferred to another party as payment of an obligation.

Net income: 1. For individuals, your total earnings minus your required and elective payroll deductions. Commonly known as "take-home pay." 2. For businesses, gross income (def. 2) minus all other expenses.

Net profit margin: The net income of a company as a percentage of its sales or revenue. If a company has sales or revenue of $2.5 million and net income of $350,000, its net profit margin is 350,000 divided by 2,500,000, or 14%. This ratio measures a company's operating efficiency (how much of its revenue it spends on expenses), its pricing strategy (how high above its costs can the company price its products), and the amount of profit per sale it makes.

Net worth: An individual's or company's total assets minus total liabilities. (Also known as capital, def. 2)

Non-sufficient funds: The state in which you don't have enough money in your checking account to pay off someone you wrote a check to. There's usually a penalty for doing this, so be sure to keep track of your money by balancing your account.

Not-for-profit: A special kind of corporation dedicated to education or charity, whose stockholders give up all financial benefits.

Obligation: A written promise or debt.

Outstanding balance: A loan amount not yet repaid.

Overdraw: To write a check for more money than you have in your account. You'll be charged a penalty for being "overdrawn," so record all your checks and balance your checking account carefully and promptly.

Overdraft protection: A line of credit established when a checking account is open to protect the account holder from bouncing a check. Should the account holder write a check exceeding her or his account balance, the financial institution draws on the line of credit to fully clear the check. The account holder pays interest on those funds.

Overhead: Business costs—such as rent and utilities—that don't directly relate to the production or sale of goods and services. Overhead is sometimes called indirect cost or indirect expense.

Patent: Government protection for up to 20 years of your exclusive right to make and sell something you've invented. The U.S. Patent and Trademark Office's web site answers FAQs and offers plenty of inventive games, puzzles, and activities.

Payday loan: An expensive way to borrow against your paycheck. Here's how it works: A borrower writes a personal check payable to the lender for the amount he wishes to borrow plus a fee. The lender gives the borrower the amount of the check minus the fee. The lender holds the check for two weeks, and then cashes it. If the borrower does not have the money to cover the check by the end of the two weeks, she can pay the fee again and the lender will wait another two weeks to cash the check. Typically, payday lenders charge about $15 per $100 borrowed. That translates into an annual percentage rate of about 390%. Payday lenders are required under the Truth in Lending Act to disclose, in writing, the finance charge and the annual percentage rate of the loan. The Federal Trade Commission calls these loans "very expensive credit" and urges consumers to consider alternatives before choosing a payday loan. Payday loans are also known as cash advance loans, check advance loans, post-dated check loans, and deferred deposit check loans.

Pension: A government-approved employee retirement plan.

Personal identification number (PIN): A secret code that helps keep other people from using your credit card or debit card.

Portfolio: All the investments a person or organization owns.

Prepaid card: Also called "stored value cards," these plastic cards function much like a traveler's check; the user pays money up front, gets a plastic card authorizing a certain amount of money, and then spends the value over time. Prepaid cards derive purchasing power from information stored in the card itself. In contrast, ATM and credit cards get their purchasing power from the computer system at the issuing financial institution.

Principal: 1. The amount borrowed or the part of the amount borrowed that remains unpaid (not including future interest). 2. The part of a monthly payment that reduces the outstanding balance of a mortgage or other loan. 3. The original investment amount.

Producer Price Index (PPI): A measure of inflation that considers changes in wholesale prices. The federal government publishes the PPI monthly.

Profit: Business revenue minus all expenses.

Property: What you own, an asset.

Purchasing power: A measure of money's value in terms of what it can buy. Purchasing power tends to change over time, mainly because of inflation. Also called "buying power."

Real estate: Land, including any buildings or structures on it.

Receipt: A written record of a financial transaction, such as a purchase or a loan payment.

Resource: Anything that is available to reach a goal, including people, materials, and assets.

Retail: The sale of goods to individuals instead of to institutions or other stores. (Compare with wholesale.)

Retirement: Withdrawal from an active working life.

Return: The increase in value of an investment over time.

Revenue: Total dollars a business receives for the goods and services it sells.

Royalty: The portion of the sales revenue paid to an author or composer for each copy of a work sold. Also, the payment to an inventor for each item sold under a patent.

Rule of 72: A shortcut for estimating how long it will take to double your money at a certain interest rate. Here's how it works: Divide 72 by the interest rate. The answer is the number of years it will take for any amount of money to double. For example, if your money in savings earned 3% interest, then you'd need (72/3 =) 24 years to double it. You also can use the Rule of 72 to estimate the interest rate needed to double your money in a certain number of years. For example, if you want your money in savings to double in 9 years, then you'd need to earn (72/9 =) 8% interest on it.

Salary: Earnings received for regular periods, usually weekly, biweekly, or monthly. Salary is usually based on duties you perform, not the number of hours you work per pay period.

Savings account: A business agreement in which a credit union or other financial institution agrees to hold and pay interest on money you've deposited. You may withdraw some or all of your money, but not by writing a share draft or check.

Savings and loan association (S&L): A business, with a state or federal government charter, that takes deposits from individuals and uses them to make loans, especially mortgage loans. Depositors or shareholders receive part of an S&L's profits as a return on their investment in the S&L, represented by the money they've deposited or the stock that they've purchased.

Savings bank: Another name for mutual savings bank.

Scam: Purposely distorting the truth in order to get someone else to part with something of value. Scams can be small or large operations involving few or many people.

Scam artist: A person who designs or operates a scam.

Scholarship: A kind of financial aid for students who meet special athletic, academic, or artistic qualifications, or who plan to study certain subjects or who belong to certain groups. You don't have to repay a scholarship.

Securities: An investment document that a corporation, government, or other organization issues as proof of debt or equity.

Services: Work a business performs for its customers.

Share: 1. A given amount of money you deposit with a credit union to become a member. A share entitles you to certain ownership rights (such as the right to vote for members of the board of directors), has a stated value, and pays dividends. 2. One unit of ownership in a corporation or mutual fund (same as stock).

Share account: The basic credit union savings account. You may usually withdraw money from your share account "on demand," that is, without giving your credit union advance notice and without paying a penalty. (Compare with share certificate account.)

Share certificate account: A credit union savings account that will earn dividends at a particular rate if held to maturity. If you withdraw any or all of the principal before maturity, you may have to pay a penalty of a percentage of the amount withdrawn.

Share draft: A credit union term for check, so called because it allows you to withdraw funds or pay bills from your credit union shares.

Shareholder: Someone who owns shares in a corporation or mutual fund. Shareholders earn dividends and typically have the right to vote for members of the board of directors and on other company matters; also known as "stockholder." You can be a customer of a bank without having a shareholder's ownership rights; in contrast, credit union membership automatically gives you ownership rights such as the right to vote for members of the credit union's board of directors.

Small companies: Those with a market capitalization of $500 million or less.

Social Security: A program of the federal government that provides workers and their dependents with retirement, disability, and other payments. The money for Social Security payments comes from a tax, usually labeled "FICA" on your paycheck that employees and employers pay equally. Learn more about what you'll get out of Social Security here.

Speculator: A person who gambles on high-risk investments, hoping to make a large profit quickly.

Statement: 1. The periodic report of your use of your accounts at a financial institution. 2. A written record of financial information, such as money owed.

Stock: A document that shows equity in a corporation. Stock represents each shareholder's claim on a part of the company's assets and profits.

Stock exchange: An organization that operates a marketplace for the buying and selling of stock. Examples in the U.S. include the New York Stock Exchange and NASDAQ.

Stockholder: Someone who owns stock in a corporation or mutual fund. Stockholders earn dividends and typically have the right to vote for members of the board of directors and on other company matters; also known as shareholder. You can be a customer of a bank without having a stockholder's ownership rights; in contrast, credit union membership automatically makes you an owner.

Stock market: The system for buying and selling units of ownership (called shares or stock) in a corporation or mutual fund.

Stop payment: To tell your credit union not to honor a specific check you've written, usually because you're seriously unhappy with the product or service you bought. "Stopping payment" is extra work, so you'll be charged a fee for the service.

Stored value card: See prepaid card.

Student loan: A means of borrowing money for education after high school at low interest rates and generous repayment terms from federal government programs. Ask your credit union for details.

Supplemental Security Income (SSI): A program funded by general (not Social Security) taxes. Through SSI, aged, blind, or disabled people who have little or no income can receive cash for food, clothing, and shelter.

Supply and demand: The economic principle that asserts that the less common something is or the more that people want it, the higher its price. The opposite is also true, according to this principle: The more common something is, or the less that people want it, the lower its price.

Synergy: The effect of a combination of separate actions or operations that make the whole greater than the sum of its parts. When one business buys another, synergy is often the goal—that the combined enterprise will perform better than the previously separate companies because it is more efficient.

Tax: A payment to federal, state, and/or local governments based on the sales price of a product, on worker income, or on other property and activities.

Thrift: 1. The wise use of money, especially avoiding unnecessary spending. 2. A financial institution that accepts savings deposit s but is not a bank; this includes credit union s, savings and loan association s, and mutual savings bank s.

U.S. Treasury Bill (T-bill): A short-term investment, which matures in one year or less, in the U.S. government. A buyer lends the government money by purchasing a Treasury Bill. The bill has a "face value," which tells the investor how much the bill will be worth when it matures. The buyer pays less than face value, and then holds the investment while he earns interest on it. The U.S. Treasury department issues Treasury Bills, Treasury Notes, and Treasury Bonds to raise the money for federal government operations and to pay off other debts.

U.S. Treasury bond: A long-term investment, matures in more than seven years, in the U.S. government. See also Treasury bill.

U.S. Treasury note: An intermediate-term investment, which matures between one and seven years, in the U.S. government. See also Treasury bill.

Trust: A group of businesses illegally organized to reduce competition and control prices.

Trust fund: Funds set aside for another person's benefit. An individual known as a "trustee" invests the funds and manages the fund account until the beneficiary is eligible to take control of them, usually because of reaching a certain age.

Unemployment insurance: Compensation plans by which federal and state governments provide money to workers who've lost their jobs through no fault of their own. The federal Social Security Act of 1935 set up this system. Employers pay federal and state taxes to support unemployment systems. The amount employers pay depends on their wages, the amount they've contributed to the fund, and the amount their former employees have drawn from it.

Usurer: Someone who lends people money and charges them an extremely high interest rate on the loan. Usurious rates on short-term loans are not always easy to see. For example, a two-week payday loan for $100 might cost $15. That sounds like an interest rate of 15%, which is similar to credit card rates. However, a credit card rate is an annual rate. To compare the two loan options fairly, you need to recalculate the payday loan rate for a full year. In this example, the true annual rate for the payday loan turns out to be about 390% (0.15 x 26 two- week periods)!

W-2 form: A tax form that you get from your employer that reports your wages earned for the year, state and federal taxes withheld (see withholding), and Social Security information. You include a copy of the W-2 form when your file your state and federal tax returns.

W-4 form: A tax form that you get from your employer and fill out to help your employer determine the amount of taxes to withhold from your paycheck (see withholding).

Wage: Payment for work, sometimes used to refer to payment based on hours worked instead of duties performed. (Compare with salary.)

Wealth: Property that is valuable because it could be sold or used to generate income.

Wholesale: The sale of goods in quantity to a distributor who in turn sells to retail stores and institutions, instead of individual consumers.

Withdraw: To take money out of your account at a financial institution.

Withholding: The part of your earnings that your employer sends directly to the federal, state, or local government as partial payment of your expected tax for the year.

Work permit: A government form that records basic information about a worker who is a minor (generally this means under the age of 18) and an employer. The purpose of a work permit is to ensure that teenage employees are protected by federal and state child labor laws. The first person to talk to about a work permit is your school guidance counselor.

Work study: A financial aid program in which the federal government subsidizes certain part-time jobs for needful students.