Personal Finance

1040EZ tax form – The basic **tax** form used by many people for filing their **federal income taxes**. An income tax form is also called a tax return.

1099 form – A **tax** form similar to a **W-2 form** that is used by independent contractors, such as part-time freelance employees, lawyers, or accountants.

401(k) account – A type of **retirement savings account** set up by employers for their employees.

529 plan – A fund that allows parents to prepay or save for their children's future college expenses. There are two types of 529 plans: prepaid plans and savings plans. A prepaid 529 plan lets parents purchase college tuition at today's rates, with the guarantee that they'll be able to apply today's rates to college in the future, no matter how much they go up. A savings 529 plan is an **investment** account where money is set aside for college expenses.

Accountant – A finance professional who keeps track of a company or individual's money. Accountants are sometimes called **auditors**.

Accounting – The recording, reporting, and analyzing of financial information.

Accounting equation – See **balance sheet equation**.

Accounting journal – See **ledger**.

Accounts payable – A part of a company's **liabilities**. These are amounts of money owed to other companies for products.

Accounts receivable – Amounts of money that are owed to a **company** by customers.

Accrual basis accounting – The standard **accounting** type defined by **GAAP**.

Active listening – When you are fully engaged and participating as a listener.

Adjustable interest rate – See **interest rate**.

Advertising – When a **company** pays for messages that are meant to get **consumers** to notice and want its **products**.

Affirmative Action – A collection of policies that recruit and advance qualified minorities, women, people with disabilities, and veterans. Not all businesses use affirmative action.

Affordable Care Act – A law passed in the United States in March 2010. This law is intended to make **health insurance** more affordable and easier to get.

Aggression – Behavior that is intended to harm or cause pain to others. Aggression can be verbal or physical.

Agricultural workers – Workers in the farming industry.

Alternative investments – **Investments** other than the traditional categories of **stocks**, **bonds**, and **cash**. Alternative investments include things like **real estate**, **annuities**, lending, **private equity**, **investment commodities**, foreign exchange, collectibles, and **social investing**.

Amendment – A change that's made to the **Constitution**.

Americans with Disabilities Act (ADA) – An act that protects the rights of people with disabilities.

Angel investor – An investor or small group of investors who provide funding to a startup **business** in its very early stages. This often takes the form of a **private equity investment**. See also **venture capital**.

Annual – Once per year.

Annual percentage rate (APR) – An annual **interest rate** that doesn't take into account any compounding of interest that happened during that year. See also **annual percentage yield**.

Annual percentage yield (APY) – An annual **interest rate** that does take into account **compounding** of interest that's happened that year. See also **annual percentage rate**.

Annuity – An agreement you can make with an **insurance** company in which you pay the company a specific amount of money, and the insurance company agrees to pay you back a larger amount of money in regular payments in the future. See also **straight annuity** and **installment-certain annuity**.

Appreciation – When an **equity investment** increases in **value**. See also **depreciation**.

APR – See **annual percentage rate (APR)**.

APY – See **annual percentage yield (APY)**.

Assets – Your assets include money you have and things you own that are worth money. Assets also refers to things a **company** owns that are worth money.

Bankruptcy – The inability to pay back **creditors**, to the extent that you file legal papers that put your finances under the supervision of the court system. See also **declaring bankruptcy**.

Bargaining – See **negotiation**.

BBB – See **Better Business Bureau**.

Behavior – The combination of things a person says and does.

Being organized – Having a reliable and efficient system for organizing your tasks and appointments.

Being trustworthy – Being a person that others can depend on.

Beneficiary (of a life insurance policy) –The person or group of people who will receive your **life insurance** money.

Benefits (of a job) – **Health insurance**, **life insurance**, **retirement plans**, or many other things that a **company** offers to help employees personally and financially.

Benefits (of a product) – The ways a **product** will improve your life by solving a problem or by making you feel good. See also **features**.

Better Business Bureau – An organization that reports on the reliability and **ethics** of **companies** and other organizations.

Bias – A prejudice or limit that damages the completeness and accuracy of the information a **primary source** or **secondary source** is providing.

Bill of Rights – The first ten **amendments** to the **Constitution**.

Bills – See **invoice**.

Blank endorsement – A type of **endorsement** that includes a signature on the back of a **check** without any special notes.

Board of Governors – The portion of the **Federal Reserve System** appointed by the government to oversee the work of the Fed.

Bonds – A type of **debt investment** in which you lend money to a **company** or a government, and the company or government gives you a document called a bond. The bond

Convenient – Easy to get without a lot of effort.

Corporation – A separate legal **business entity**. It is legally independent from its owners.

Co-signer – The person with established credit who shares responsibility for the debt on a co-signed account. See also **primary borrower**.

Co-signing – A way to take advantage of someone else's **credit history** to get a **credit card**. See also **co-signer** and **primary borrower**.

Counterfeiting – Making illegal copies of money and trying to pass them off as the real thing.

Cover letter – A short letter from a job application that gives additional information about their qualifications for and interest in the job. A cover letter is sometimes called a **letter of application**.

CPSC – See **Consumer Product Safety Commission (CPSC)**.

Credit – A commitment to pay for something in the future, instead of paying for it right away. When you use credit, you are creating **debt**. See also **credit card** and **lines of credit**. In U.S. financial policy, credit refers to the amount that **banks** or other financial institutions are able to **loan** to their customers.

Credit bureau – An organization that keeps **credit history** records.

Credit card – A card that looks similar to a **debit card**, but is connected to a **credit** account.

Credit counseling service – An organization designed to educate and advise **consumers** about **credit**, **debt** management, and **budgeting**. The people who work to advise consumers at these services are **credit counselors**.

Credit history – Your history of using credit and making payments. A good credit history makes it more likely that **creditors** will trust you. See also **credit score**.

Credit limit – The maximum amount of **credit** a **creditor** will give you.

Credit score – A number that tells lenders how likely you are to make payments on time.

Credit union – An institution that accepts deposits and makes loans like a **bank**, but credit unions are cooperative. This means that each person who has an account at the credit union is also a part owner of the credit union. Most credit unions are not set up to make a profit for their owners.

Currency – A specific type of money, such as the U.S. dollar, Euro, or Japanese yen.

Debt settlement program – A program that claims it can get you out of **debt** by negotiating your debt to a much lower amount and working out a payment plan with your **creditors**. See also **debt management plan**.

Debt to equity ratio – A **ratio** that compares the company's **debt** to the amount of **equity** invested into the company. The debt to equity ratio is calculated with this equation: Total liabilities ÷ Total equity.

Declaring bankruptcy – The process of filing legal papers that state that you are unable to pay your **debts**. See also **bankruptcy**.

Deductible – A dollar amount you will be expected to pay before the **insurance plan** takes effect and the **insurance** company starts paying. See also **meeting the deductible**.

Defaulting – When a borrower pays what is owed.

Demand – How much of something **consumers** want. See also **supply**.

Department of the Treasury – See **U.S. Department of the Treasury**.

Dependability – Being reliable, showing up on time, doing what you say you will do, and being willing to take on tasks as needed.

Dependent – A member of the household who depends on your **income**, such as a child or relative.

Depending on experience (DOE) – A **salary** that is likely to be higher for someone with more experience, education, or skills.

Deposit – See **transaction**.

Depreciation – When an **equity investment** or **fixed asset** decreases in **value**. See also **appreciation**.

Depression – See **recession**.

Desires – Things people want to have in order to be happy and feel good. Desire-based **marketing** shows people who are achieving what they desire. See also **fears**.

Direct competitors – Companies that offer basically the same **product**, such as two companies that both sell jeans, sports cars, or pizza delivery. The companies do not have to

Etiquette – A collection of standards that define proper social behavior in a specific community.

Exchange rate – The calculation of how much one unit of **currency** is worth when converted to another currency.

Exchange rate risk – The **risk** that **investors** and business people have when converting their money to a foreign **currency** to invest or do business. It is the risk that the money might not be worth as much when it eventually gets converted back to the **domestic** currency.

Excise tax – See **transaction taxes**.

Exit stage – The stage of a business when the business owner makes plans to end their day-to-day commitment to run the company. See also **Improve stage**, **Identify stage**, **Operate stage, Start stage**, and **Plan stage**.

Expected expenses – **Expenses** you've planned for and can predict. See also **unexpected expenses**.
Expenses – Things a person or company pays money for. See also **expected expenses** and **unexpected expenses**.

Exponential growth – In **compounding**, exponential growth is growth that speeds up as the **value** of the account grows.

Exporting – When a country sells its **products** to people, organizations, and governments in other countries. See also **importing**.

Extract – To take something out by force. See also **extractive industry**. For extracting a **zipped** file, see **unzipping**.

Extractive industry – The **industry** that physically takes resources from the earth, such as metals, minerals, oil, plants, and so on. The extractive industry is sometimes called the **primary industry** because it is one of the first types of industry to develop in an **economy**.

Factor – See **factoring**.

Factoring – When a company sells its **accounts receivable** to another company. The company that buys the accounts is called the **factor**. The factor pays the company right away for the accounts and then collects the money from the customers when it is due.

Factors of production – The forces that combine to make the **production** of **goods** and **services** possible. See **land**, **labor**, **capital**, and **entrepreneurship**.

Improve stage – The stage of a **business** when business people make plans to change or expand an operating business. See also **Exit stage**, **Identify stage**, **Operate stage, Start stage**, and **Plan stage**.

Impulse goods – See **convenience goods**.

Income – The amount of money a person earns or receives. See also **earned income** and **unearned income**.

Income statement – A document that shows the company's **revenue** and **expenses** during a specific time period, such as a year, month, or quarter (three months). An income statement is sometimes called a **profit/loss statement**.

Income tax – See **federal income tax**.

Index fund – A fund that works similarly to a **mutual fund**, except that instead of being managed closely by an **investment** expert, it is set up to track the overall performance of the **stock market**. It follows a **stock market index**.

Indirect competitors – Companies that offer **goods** or **services** that can be substituted for each other, but which are a little different from each other. The customer can choose one instead of the other, so the companies are competitors but not directly. See also **direct competitors** and **noncompetitors**.

Individual retirement account (IRA) – A common type of **retirement account** that you can get directly from an **investment** company. An IRA can be similar to a 401(k), but the IRA is not set up by your employer.

Industries – The way jobs are sorted based on the type of work involved in doing them.

Inelastic demand – See **elasticity**.

Inflation – When the value of a dollar goes down, so you can't get as many **goods** or **services** for your dollar. Inflation is a sign of a weak **economy**.

Informational interview – A meeting held to learn more about a career or workplace.

Information technology (IT) department – The department of a **business** that manages technology and systems, such as a computer network, database, or phone system.

Information utility – See also **types of utility**.

Installment – A payment.

Investing – When you give your money, time, or energy to something in order to get a reward in the future--usually a financial reward. By investing money, and by saving money in accounts that offer **interest**, you are putting your money to work. This way, not all of your money comes from your paycheck. Your investments can produce money for you while you are doing other things.

Investing activities – **Cash transactions** related to the company's financial **investments**. These transactions appear on a **cash flow statement**.

Investment – A way to use money to make more money by purchasing something that you think will grow in **value** or that will produce **income** for you.

Investment account – A **diversified** account that a **finance** professional sets up and maintains for you.

Investment commodity – A very basic **good** or **service**. **Commodities** have utility for the majority of consumers. They are almost always **needs** instead of **wants**. Commodities are usually precious metals, agricultural products, energy sources, or sources of meat.

Investment portfolio – A collection of **investments** and financial holdings.

Invoice – A record of a **product** that was provided but not yet paid for. Invoices are also called bills.

IRA – See **individual retirement account (IRA)**.

IRS – See **Internal Revenue Service (IRS)**.

IRS audit – When the **Internal Revenue Service** performs an examination of your **tax** forms to make sure everything you have claimed is accurate.

IT department – See **information technology (IT) department**.

Job opening – See **job opportunity**.

Job opportunity – A job that a company has available. The company will then look for a new employee to fill the job. Job opportunities are also called job openings.

Job performance – How well an employee does his or her job.

Job shadowing – When a person observes and follows around another person at their job.