

GLOSSARY AND CREDITS

Unit 4 considers ways to save and invest money and the benefits of doing so. Lessons take a look at different kinds of savings accounts and investments options. Financial terms such as compound interest, rate of return, and principal are explained. This unit reiterates the importance of using a decision making process to make sound financial decisions related to planning, saving, and investing.

VOCABULARY

401(k)	a retirement plan that some private corporations offer their employees
403(b)	a retirement plan available to employees of nonprofit organizations, such as schools and hospitals
529 plan	a saving plan for education designed to help set aside funds to pay for future college costs
Annual Percentage Yield	(APY); the amount of interest you will earn in one year from a savings account
CD	certificate of deposit; an account where you leave your money for a set period of time and are unable to make deposits or withdrawals during this time unless you pay penalties
club account	an account used to save money for a special reason, such as a holiday, a vacation, or college
compound interest	the interest the bank gives on the interest that has been already earned
diversification	investing in a variety of investments to limit losses in the event of a sharp decline in a particular type of investment
fund manager	the professional who decides where to invest money in a mutual fund
IDA	individual development account; a matched savings accounts; an organization, such as a foundation, corporation, or government agrees to add money to the account to match the money you deposit
interest thresholds	the minimum balances before the bank begins paying interest

investing	using your money to try to make more money
IRA	a retirement account that lets you save and invest money tax-free until you withdraw it when you retire
liquidity	how easy it is to turn an investment into cash without losing its value
mature	when a savings product has been saved for the full term and reaches its full value; becoming payable or due
money market account	a savings account that offers a higher rate of interest when you make large deposits
mutual funds	a collection of money from a group of investors used to buy different investments, like stocks, bonds, and real estate. The fund is managed by professionals
opportunity costs	the difference between a chosen investment and one that is passed up
P/E	price-to-earnings ratio; the latest closing price divided by the earnings per share
portfolio	a list of investments held by an investor
principal	the original amount of money deposited in a savings account or invested
rate of return	a percentage that shows how much gain or loss an investment makes
retirement account	a plan for setting aside money to be spent after retirement
return	the profit or gain from saving or investing money
Rule of 72	a formula that helps you calculate how long it will take for your savings to double in value
savings bond	a savings product; a certificate issued by the U.S. government with values ranging from \$50 to \$10,000
share	a single unit or equal part
shareholder	a person who owns shares of a company's stock
stock	a certificate representing a share of ownership in a company
stock broker	a professional who buys and sells stocks and other investments for customers

stock market	an organized way for people to buy and sell stocks and for corporations to raise money, The New York Stock Exchange and NASDAQ are the biggest in the United States
stock quote	the prices of a stock at a particular point during the day
stock symbol	a unique set of letters assigned to a company for the stock market
term	a set period of time
trade	to buy or sell stock
Treasury bills	T-bills; a savings product sold by the U.S. Treasury Department at a discount from their face value and range in terms from a few days to six months
Treasury Inflation-Protected Securities	TIPS; this savings product pays interest twice per year and provides protection against inflation
Treasury notes	T-notes; this savings product pays interest every six months and are issued in terms of two, three, five, and ten years
U.S. department of Treasury	an executive department of the United States government whose purpose is to manage the government's money
variable interest rates	different interest rates are paid for different size balances, with higher balances earning higher rates