

BUZZWORDS

BUZZWORD	DEFINITION
Compound Interest	Compound interest is the interest on a loan or deposit calculated based on both the initial principal and the accumulated interest from previous periods.
FICO Score	A FICO Score is a three-digit number based on the information in your credit reports. It helps lenders determine how likely you are to repay a loan. This, in turn, affects how much you can borrow, how many months you have to repay, and how much it will cost (the interest rate)
Net Worth	is the value of all the non-financial and financial assets owned by an individual or institution minus the value of all its outstanding liabilities.
Asset Allocation	an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance, and investment horizon
Bonds	A fixed income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental). A bond could be thought of as an I.O.U. between the lender and borrower that includes the details of the loan and its payments.
Capital Gains	the profits from the sale of an asset – shares of stock, a piece of land, a business – and generally are considered taxable income.
Defined-Benefit Plans	an employer-sponsored retirement plan where employee benefits are computed using a formula that considers several factors, such as length of employment and salary history. ¹ The company is responsible for managing the plan's investments and risk and will usually hire an outside investment manager to do this.
AGI	an individual's total gross income minus specific deductions. It is used to calculate taxable income
Standard Deduction	a dollar amount that non-itemizers may subtract from their income before income tax is applied.
Itemized Deduction	eligible expenses that individual taxpayers can claim on federal income tax returns and which decrease their taxable income, and is claimable in place of a standard deduction, if available.
Insurance Premium	The amount of money an individual or business pays for an insurance policy.
ROI	Return on investment is a ratio between net profit and cost of investment. A high ROI means the investment's gains compare favourably to its cost.

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Assets	any resource owned by a business or an economic entity
Liabilities	future sacrifices of economic benefits that the entity is obliged to make to other entities as a result of past transactions or other past events
Fund (Finance)	A pool of liquidity that an investment company places in various securities and/or derivatives with the goal of producing a certain return. Funds may carry greater or lesser risk, depending on their particular investment goals.
EPS	Earnings per share is the monetary value of earnings per outstanding share of common stock for a company.
Stock	(also known as equity) is a security that represents the ownership of a fraction of a corporation.
Certificate of Deposit (CD)	A certificate of deposit is a time deposit, a financial product commonly sold by banks, thrift institutions, and credit unions. CDs differ from savings accounts in that the CD has a specific, fixed term and usually, a fixed interest rate.
Escrow	a bond, deed, or other document kept in the custody of a third party and taking effect only when a specified condition has been fulfilled.