

GLOSSARY OF TERMS

1. **401(k):** A 401(k) plan is a workplace retirement account that's offered as an employee benefit. The account allows you to contribute a portion of your pre-tax paycheck to tax-deferred investments. This reduces the amount of income you must pay taxes on in that year.
2. **Account Maintenance Fees:** an annual fee that a brokerage assesses on all accounts for the ability to keep an account at that brokerage.
3. **Bear Market:** A market in which securities prices fall over a period of time and widespread pessimism causes the negative sentiment to be self-sustaining.
4. **Block Chain:** A technology that cuts information into small blocks when storing it.
5. **Bond:** A fixed income investment in which an investor loans money to an entity (typically corporate or governmental) which borrows the funds for a defined period of time at a variable or fixed interest rate.
6. **Brokerage Account:** an arrangement where an investor deposits money with a licensed brokerage firm, who places trades on behalf of the customer.
7. **Bull Market:** A market in which share prices are rising over time, encouraging buying.
8. **Business Cycle:** the ups and downs of the economy.
9. **Capital Gains Tax:** a levy assessed on the positive difference between the sale price of the asset and its original purchase price.
10. **Commission/Trading Fees:** A service charge assessed by a broker or investment advisor in return for providing investment advice and/ or handling the purchase or sale of a security. A small fee depending on the trader's trading activity in the last 30 days.
11. **Commodity:** A commodity is a basic good used in commerce that is interchangeable with other goods of the same type. Commodities are most often used as inputs in the production of other goods or services.
12. **Compound Interest:** Gaining interest on your principal plus your interest. Essentially you are gaining interest on your interest.
13. **Contractionary Fiscal Policy:** Refers to either a reduction in government spending, particularly deficit spending, or a reduction in the rate of monetary expansion by a central bank.
14. **Cryptocurrency:** a new type of digital asset. It can be used to purchase products in both online stores and offline stores like money.
15. **Custodial Account:** Custodial Account generally refers to a savings account at a financial institution, mutual fund company, or brokerage firm that an adult control for a minor.
16. **Delayed Gratification:** Giving up something you might want today to have more in the future.
17. **Derivatives:** a type of financial security.



GLOSSARY OF TERMS

- 18. Diversification:** The distribution of investments among several companies/assets with the intention of reducing risk.
- 19. Dividend Yield:** A financial ratio that indicates how much a company pays out in dividends each year relative to its share price.
- 20. Dividend:** A distribution of a portion of a company's earnings, decided by the board of directors, paid to a class of its shareholders.
- 21. Dow Jones Industrial Average Index:** It tracks the performance of only 30 companies. These 30 companies are selected from different industries to represent the largest and most widely held publicly traded companies in the United States.
- 22. Earnings Per Share (EPS):** Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock.
- 23. Earnings:** The amount of profit that a company produces during a specific period, which is usually defined as a quarter or a year.
- 24. ETFs:** A group of assets, like a Mutual Fund, but instead of being managed regularly by someone (resulting in fees), it follows an index, commodity, bond or other basket of assets and is traded like a stock (commission fee at the time of purchase or sale).
- 25. Exercise Price:** the predetermined price to buy or sell the asset at a specific point in time.
- 26. Expansionary Fiscal Policy:** A macroeconomic policy that seeks to expand the money supply to encourage economic growth or combat inflationary price increases.
- 27. Fiscal Policy:** a way for the government to intervene in economics. The government adjusts its spending and the tax policies to stabilize the economy.
- 28. Foreign Exchange:** the process of exchanging one currency into another currency.
- 29. Index:** An index is like a ruler. It is a way of measuring the performance, or price movement.
- 30. Inflation:** The rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power of currency is falling.
- 31. IRA:** An IRA is an individual retirement account that people can set up and manage on their own.
- 32. Market capitalization:** Refers to the total dollar market value of a company's outstanding shares of stock. Commonly referred to as "market cap," it is calculated by multiplying the total number of a company's outstanding shares by the current market price of one share.
- 33. Mutual Fund:** A group of stocks managed by a fund manager usually resulting in fees charged to the investor.
- 34. NASDAQ Index:** It tracks stocks and similar securities listed on the NASDAQ stock market. It is one of the most followed indexes in the US stock market, and includes many tech stocks like Apple and Netflix.



GLOSSARY OF TERMS

- 35. Options:** financial derivatives that give buyers the right to buy or sell an underlying asset (the asset that is going to be traded) at an agreed-upon price and date.
- 36. PE Ratio:** Indicates the dollar amount an investor can expect to invest in a company in order to receive one dollar of that company's earnings.
- 37. Premium:** the price of buying the option.
- 38. Primary Market:** The primary market is the part of the capital market that deals with the issuance and sale of equity-backed securities to investors directly by the issuer. Investors buy securities that were never traded before.
- 39. Risk Tolerance:** the degree of variability in investment returns that an investor is willing to withstand in their financial planning.
- 40. Roth IRAs:** Yearly contributions are taxable but withdrawals are tax free when you are retired.
- 41. Russell 2000:** It tracks the performance of smaller, publicly traded companies.
- 42. S&P 500:** It tracks the performance of stocks of 500 of the largest companies in the United States.
- 43. Secondary Market:** The secondary market, also called the aftermarket and follow on public offering, is the financial market in which previously issued financial instruments such as stock, bonds, options, and futures are bought and sold.
- 44. Simple Interest:** Gaining interest only on your principal.
- 45. Stock Market:** Refers to the collection of markets and exchanges where the issuing and trading of equities or stocks of publicly held companies, bonds, and other classes of securities take place.
- 46. Stock Split:** when the company decides to exchange more shares at a lower price for stockholders' existing shares.
- 47. Stocks:** A form of security that indicates the holder has a portion of ownership in a corporation.
- 48. Traditional IRAs:** Yearly contributions are tax free but you have to pay taxes when you withdraw your money at retirement age.
- 49. UGMA (Uniform Gift to Minors Act):** limited to financial assets of cash, securities—stocks, bonds, or mutual funds—annuities, and insurance policies.
- 50. Underlying Asset:** the asset in the contract, which will be bought or sold if the option holder exercises his or her right.
- 51. UTMA (Uniform Transfers to Minors Act):** it allows a minor to receive gifts, such as money, patents, royalties, real estate and fine art, without the aid of a guardian or trustee States.

