

A PLAIN-LANGUAGE FINANCIAL & ESTATE GLOSSARY

A reference for understanding common terms before making decisions.

FINANCIAL & INVESTMENT TERMS

Annuity: A contract with an insurance company designed to provide income, growth, or both, usually in exchange for a lump sum of money. Some annuities focus on guaranteed income, others on accumulation, and some attempt to combine features of both.

Income Annuity: An annuity primarily designed to provide regular payments, either immediately or at a future date. Income may be guaranteed, conditional, or based on specific contract terms.

Accumulation Annuity: An annuity primarily designed to grow money over time, often with limits on gains or specific crediting methods. Income is optional and typically elected later.

Rider: An optional feature added to a financial product that changes how it works. Riders may provide income options, death benefits, or other features, often at an additional cost.

Surrender Charge: A fee charged for withdrawing money from a product before a specified period ends. Surrender periods often last several years and may decrease over time.

Liquidity: How easily money can be accessed without penalties or restrictions. A product can be described as “liquid” even if access is limited or conditional.

Commission: Compensation paid to a salesperson or advisor for selling a financial product. Commissions may be paid upfront, over time, or built into the product’s cost.

Fee-Based: A compensation model where fees are charged directly to the client, often as a percentage or flat amount. Fees may be ongoing or one-time, depending on the arrangement.

Fiduciary: A person or firm legally required to act in the client’s best interest. The term applies only in specific contexts and does not automatically apply to all financial professionals.

Guaranteed*: A term indicating that a specific feature is backed by the claims-paying ability of an insurance company, not the market. What is guaranteed—and under what conditions—varies by contract.

*Guarantees are subject to the financial strength of the issuing company and the terms of the contract.

Rate of Return: A measure of how much an investment gains or loses over time. In some products, returns are projected, limited, or credited differently than market investments.

Risk: The possibility that outcomes differ from expectations. Risk can include market risk, inflation risk, liquidity risk, tax risk, or longevity risk.

TAX TERMS

Roth Conversion: The process of moving money from a tax-deferred account into a Roth account, triggering taxes in the year of conversion. Future withdrawals may be tax-free if rules are met.

Tax-Deferred: Taxes are postponed until money is withdrawn, rather than paid upfront.

Taxable Income: Income that is subject to federal or state income tax in the year it is received.

Required Minimum Distribution (RMD): A minimum amount that must be withdrawn annually from certain retirement accounts once a specific age is reached.

ESTATE & LEGACY TERMS

Estate Plan: A set of legal documents that outline how assets are managed and distributed during life and after death.

Will: A legal document stating how assets should be distributed after death. A will generally goes through probate.

Trust: A legal structure that holds assets for the benefit of one or more people. Trusts can be designed to manage assets, reduce court involvement, or control timing and distribution.

Grantor: The person who creates a trust and transfers assets into it.

Trustee: The person or entity responsible for managing the trust according to its terms.

Beneficiary: The person or entity entitled to receive benefits or assets from a policy, account, or trust.

Probate: A court-supervised process used to distribute assets after death when they are not otherwise directed by beneficiary designations or trusts.

Estate Tax: A tax that may apply to large estates at the federal or state level, depending on size and location.

Final Note: This glossary is intended to support understanding, not to recommend or discourage any specific decision.

