

Common Financial Terms



1. **401k:** A retirement savings plan provided by employers where employees can set aside a portion of their pre-tax income.
2. **403b:** Similar to a 401k, but offered by tax-exempt organizations like schools and non-profits.
3. **457:** A retirement savings plan for employees of state and local governments and certain non-profits.
4. **529:** A tax-advantaged savings plan for education, where money is invested in things like stocks and can go up or down in value.
5. **Annuity:** A financial product that provides regular payments over a set period, typically bought with a lump sum.
6. **Bond:** A loan made to a company or government for a set period at a fixed interest rate.
7. **Buying Power:** The amount of goods and services that can be bought with a unit of currency, considering inflation.
8. **Consumer Price Index (CPI):** Measures the average change in prices paid by consumers for goods and services over time.
9. **Credit:** The ability to borrow money or buy things with the promise to pay for them later.
10. **Debt:** Money you owe to someone else.
11. **ETF (Exchange-Traded Fund):** A fund traded on stock exchanges holding assets like stocks or bonds.
12. **Financial Literacy:** Knowing about money and how to use it wisely, like understanding how to save and spend.
13. **Futures:** Contracts obligating the buyer to purchase or the seller to sell a commodity or financial instrument at a future date and price.
14. **Gig Economy:** An economy with many short-term, freelance, or temporary jobs rather than permanent positions.
15. **High-Yield Savings Account (HYSA):** A savings account with a higher interest rate than traditional accounts.
16. **Interest Capitalization:** When unpaid interest is added to the amount you owe, making your debt even bigger.
17. **Index Fund:** A mutual fund or ETF designed to replicate the performance of a specific market index.
18. **Individual Retirement Account (IRA):** A tax-advantaged investment account for retirement savings.
 - a. **Savings Incentive Match Plan for Employees (SIMPLE) IRA:** For small businesses where both employers and employees can contribute.
 - b. **Simplified Employee Pension (SEP) IRA:** A retirement plan for self-employed individuals and small business owners.
19. **Liquidity:** How easily an asset can be converted into cash without affecting its price.
20. **Money Market Account:** A savings account offering higher interest rates and limited check-writing privileges.



Common Financial Terms



1. **Mutual Fund:** A pooled investment vehicle investing in stocks, bonds, or other securities.
2. **Net Worth:** How much money you have overall after you subtract what you owe from what you own.
3. **Opportunity Cost:** The value of the next best alternative given up when making a decision.
4. **Passive Income:** Money earned from investments or other sources not requiring active work, like rental income or dividends.
5. **Real Estate Investment Trust (REIT):** Company that owns, operates, or finances income-producing real estate.
6. **ROTH IRA:** A retirement account where contributions are after-tax and grow tax-free.

COMMON FINANCIAL TERMS – Estate Planning

1. **Advanced Directive:** Legal document that outlines a person's preferences for medical treatment and end-of-life care, including living wills and health care proxies.
2. **Health Care Proxy:** Legal document that designates a person to make medical decisions on behalf of another individual if they are unable to do so themselves.
3. **Intestate:** Situation where a person dies without a valid will, leading to the distribution of their assets according to state intestacy laws.
4. **Irrevocable Trust:** A type of trust that cannot be modified or revoked once it has been created, typically used for tax planning or asset protection purposes.
5. **Living Trust:** Type of trust created during a person's lifetime to hold and manage assets, often used to avoid probate and provide for incapacity planning.
6. **Living Will:** Legal document that outlines a person's preferences for medical treatment and end-of-life care in the event they are unable to communicate their wishes.
7. **Power of Attorney:** Legal document that grants authority to another person (attorney-in-fact) to make financial or legal decisions on behalf of the person creating the power of attorney (principal).
8. **Probate:** Legal process of validating a will, administering the deceased person's estate, and distributing assets to heirs and beneficiaries.
9. **Residuary Estate:** Portion of a person's estate that remains after specific gifts and bequests have been distributed.
10. **Trust:** Legal arrangement where a trustee holds assets on behalf of the beneficiaries as specified in the trust document.
11. **Will:** Legal document specifying how a person's assets & properties will be distributed after their death.

