Financial Literacy Vocabulary

SAFA Financial Literacy Lesson

Vocabulary

Asset: An item with economic value, such as stock or real estate.

ATM: Stands for "automated teller machine," a machine that lets bank customers perform basic transactions, such as deposits and withdrawals.

Bank: A financial institution and business that accepts deposits, makes loans, and handles other financial transactions.

Bankruptcy: Bankruptcy is a legal proceeding involving a person or business that is unable to repay their outstanding debts.

Bond: A type of debt, similar to an IOU. When you buy a bond, you're lending to the issuer, which may be a government, municipality, or corporation. The issuer promises to pay you a specified rate of interest during the life of the bond and to repay the principal — also known as the bond's face value or par value — when the bond "matures," or comes due after a set period.

Budget: A plan that outlines what money you expect to earn or receive (your income) and how you will save it or spend it (your expenses) for a given period of time; also called a spending plan.

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Comparison Shopping: The practice of comparing prices, features, benefits, risks, and other characteristics of two or more similar products or services.

Credit: Borrowing money, or having the right to borrow money, to buy something. Usually it means you're using a credit card, but it might also mean that you got a loan.

Credit card: An open-ended loan that allows you to borrow money up to a certain limit and carry over an unpaid balance from month to month. There is no fixed time to repay the loan as long as you make the minimum payment due each month. You pay interest on any outstanding credit card loan balance.

Credit score: Numbers created by mathematical formulas that use key pieces of your credit history to calculate your score at a moment in time.

Cryptocurrency: Also called "crypto," it's a type of encrypted digital currency that generally only exists electronically. There is no physical coin or bill unless you use a service that allows you to cash in cryptocurrency for a physical token. You usually exchange cryptocurrency with someone online, with your phone or computer, without using an intermediary like a bank. Cryptocurrency accounts are not backed by a government. Cryptocurrency values change constantly.

Debit card: A plastic card used to make purchases at businesses (like grocery stores and gas stations) with money in your checking account.

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Debt: Money you owe another person or a business.

Emergency Fund: A cash reserve that's specifically set aside for unplanned expenses or financial emergencies. Some common examples include car repairs, home repairs, medical bills, or a loss of income.

Federal income tax: The federal government collects taxes based on the earnings of individuals and businesses, called an income tax. The federal income tax pays for national programs such as defense, foreign affairs, law enforcement, and interest on the national debt.

Federal minimum wage: The lowest national wage as established by law in the Fair Labor Standards Act (FLSA).

Fixed expenses: Expenses, like bills, that must be paid each month and generally cost the same amount. Some fixed expenses, like a utility bill, may also be variable because the amount changes each month depending on usage.

Fraud: An illegal act that occurs when people try to trick you out of your personal information and your money.

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Income: Money earned or received such as wages or salaries, tips, commissions, contracted pay, government transfer payments, dividends on investments, tax refunds, gifts, and inheritances.

Inflation: Inflation occurs when the prices of goods and services increase over time.

Insurance: The practice or arrangement in which a company or government agency provides a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a premium.

Interest: A fee charged by a lender, and paid by a borrower, for the use of money. A bank or credit union may also pay you interest if you deposit money in certain types of accounts.

Invest: To commit money to earn a financial return; the strategic purchase or sale of assets to produce income or capital gains.

Long-term goals: Goals that can take more than five years to achieve.

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Minimum payment: The minimum dollar amount that must be paid each month on a loan, line of credit, or other debt.

Mortgage: Mortgage loans are used to buy a home or to borrow money against the value of a home you already own.

Return: The profit or loss on an investment

Risk: Exposure to danger, harm, or loss.

Salary: Compensation received by an employee for services performed. A salary is a fixed sum paid for a specific period of time worked, such as weekly or monthly.

Savings: Money you have set aside in a secure place, such as in a bank account, that you can use for future emergencies or to make specific purchases.

Source

Definitions are from the Consumer Financial Protection Bureau and Investopedia