Glossary

401(k): An (non-Roth) employer-sponsored retirement plan that allows employees to make pretax contributions. Contributions reduce the employee's taxable income.

403(b): A public school or non-profit employer-sponsored retirement plan that allows employees to make pre-tax contributions; contributions reduce the employee's taxable income; also, sometimes known as a Tax-Sheltered Annuity.

Accidental Death and Dismemberment (AD&D): If a death occurs due to an accident; or if a limb above the wrist or ankle joints are severed due to an accident, insurance payments are made.

Accrued Interest: The accumulation of interest added to a bond's contract price; calculated from the last interest payment to the settlement date; does not include settlement date.

Addendum: A legal document added to a contract.

Adjusted Gross Income (AGI): Net income; all earned, passive, portfolio income and capital gains, minus allowable deductions.

Affidavit: A written statement that is sworn to an/or notarized.

Alpha: A measurement of investment product gain that is not credited to the market.

American Depositary Receipt (ADR): Bought and sold in the U.S. Securities Markets, a negotiable certificate representing a specific number of shares of stock in a foreign corporation.

American Stock Exchange® (AMEX): A non-profit, private New York corporation that executes securities trades.

Amortization: Principal and interest payments collected as per a stated schedule to repay a mortgage obligation in full at the completion of the term of the contract.

Annual Expense Ratio: Percentage of a mutual fund's assets that are subtracted annually to pay for fund expenses like sales/operating costs, 12b-1 fees, management fees, administrative fees, etc. Costs incurred by the mutual fund to manage the fund.

Annual Percentage Rate: (APR) The annualized rate for the total finance charge on a loan; includes the interest rate, points, mortgage insurance, and fees.

Annual Percentage Yield: Annual rate of return paid out if held for the full year period.

Annual Return: Total gains for an investment; includes any interest or dividends and capital gains or losses calculated for a year period.

Annual Yield: The total amount of interest to be distributed based on the interest rate (coupon) and frequency of compounding for a yearly period.

Annualized Return: The average gain of an investment, measured over a specific period of

time. Annuitant: The individual on whose life an annuity contract calculates the payout.

Annuitize: To decide to take an income stream from an annuity policy; to move from the accumulation phase (growth of assets) to distribution (payout) phase of the contract.

Annuity: An insurance contract that can provide an income stream and has distributions options for the annuitant or owner.

Any Occupation: A disability term that describes when an individual is diagnosed with a qualifying disability that causes them not to be able to work in any occupation which they are 'reasonably' trained.

Appraisal: A statement of property value provided by a qualified professional.

Appreciation: The gains that investments enjoy; an increase in asset value.

Asset: "Any item that has value; Anything tangible or intangible that value can be attached to…" (61)

Asset Allocation: The proportion of asset classes in an investor's portfolio. For example: 60% equities, 40% Bonds and Cash.

Asset Class: Specific kind of investment; i.e., Cash, Bonds, Equities, etc.

Average: A mathematical calculation to determine the midpoint of a number of prices.

Back-end Load: A sales fee or commission that is levied when mutual fund shares or annuity contracts are redeemed before a pre-determined time.

Balance Sheet: A report identifying an entity's assets and liabilities for a specific time period.

Bankruptcy: A legal announcement of inability to repay debts.

Basis: The cost of a security or asset.

Bear Market: A length of time when either equity stock prices or bond coupons decline.

Beneficiary: An individual or entity named to receive assets at the time of an owner's death.

Benefit Period: The duration of time that an individual receives benefits as described in an insurance policy.

Beta: A measure of a specific mutual fund's comparative volatility verses a specific market index. If the Beta is more than 1, then the fund is more volatile than the market.

Blackout Period: A time period when trading is frozen.

Blue-Chip-Stock: Common stock of U.S. companies with historical earnings growth and dependable profits.

Bond: An instrument to allow entities to raise capital. The bond is a pledge to return principal at maturity, as well as pay a specific coupon (interest) for a specific period of time. Bonds are issued by a variety of entities such as cities, corporation, and the Federal Government.

Bond Equivalent Yield: The taxable yield an investor should achieve when compared to a tax free bond.

Borrower: One who receives money and in return is obligated to repay the debt over a specific time period at a stated rate; the borrower's name is acknowledged on the promissory note and mortgage contract.

Break Points: An aggregate dollar amount an investor invests with one Mutual Fund Company to qualify the investor for reduced mutual fund fees.

Budget: A spending plan by category.

Bull Market: A length of time when stock price or bond coupons rise.

Business Cycle: A long-term pattern of stages of economic growth and decline; the four phases are: expansion, peak, reaction and trough.

Buy-sell Agreement: A contract to purchase a business owner's interest in a business at a preset price or formula.

Call Date/Provision: The ability of an issuer to repay fixed-income product at an earlier time than the stated maturity; a date on which the issuer of a bond or fixed-income instrument may redeem the instrument at par; similar to an early maturity date.

Call Option: A contract that provides an investor with a 'right' to buy a stock, bond, commodity, or other investment instrument at a pre-determined price within a predetermined and specified time period. The investor-buyer is not obligated to 'exercise' that right and can let the option expire. This is the opposite of a put option (which provides the contract holder of the option contract the 'right' to sell shares.)

Call Risk: More likely to occur in a falling-interest rate environment, the potential for a bond to be called prior to maturity so the investor doesn't receive the bond's current income.

Capacity: A calculation of an individual's ability to repay a loan, given their income stream.

Capital: Money or goods on hand for use in achieving appreciation and growth.

Capital Appreciation: An increase in the investment's market price.

Capital Gain: Realized net gain achieved when an investment is sold for a higher price than the purchase price.

Capital Loss: Realized net loss achieved when an investment is sold for a lower price.

Capital Risk: Unrelated to the financial issues, the investor has a possibility to lose the invested principal.

Cash Advance: Use of a bank teller, automated tell machine, or instant loan from a credit card to access a cash withdrawal.

Cash Dividend: A portion of a corporation's current earning or profits paid to stockholders.

Cash Flow: Money in and out.

Cash Surrender Value: The amount of money that an owner can withdraw from an insurance policy at the surrender of the policy.

Certificate of Deposit: An interest-bearing account deposit that offers the investor a specific rate of return for the deposit, if left in the account until the maturity date.

Certified Public Accountant: (CPA) A trained person who assists in tax matters.

Closing: A meeting to complete a real estate transaction.

Collateral: Assets that are pledged for a guarantee of a loan.

Commission: A third party fee assessed for a business transaction.

Compound Interest: Money paid on both principal and interest according to a stated schedule.

Consumer Price Index (CPI): Measures the change of consumer goods and services.

Contract: A signed legal agreement to document a transaction between two parties.

Contingent Beneficiary: The person(s), or entity (i.e., trust), to whom proceeds are paid if the primary beneficiary has died.

Conversion Price: A convertible security's par value when exchange for one share of common stock.

Convey: Transfer of title of property from one party to another.

Corporate Bond: A private or public debt obligation.

Corporation: A type of business organization whereas the total worth of the corporation is divided into shares of stock; each share represents a unit of ownership.

Correlation: When two assets' performance move in the same direction in the market.

Correlation Risk: Risk that the correlation between two investment products does not equal the anticipated performance by the fund management.

Cost Basis: The price paid by an investor for an investment.

Cost of Living Rider: To offset the effects of inflation, this rider offers annual benefit increases; often tied to the Consumer Price Index.

Coupon: Percent interest rate the debt issuer pays investor for an explicit time period; paid on a specific predetermined schedule to investor.

Credit: Right to use resources in return for a 'promise to pay'.

Credit Report: Confidential report documenting a consumer's credit use history: payment history, total debt, length of credit history, credit requests, and types of credit in use.

Credit Risk: Risk that the issuer of an investment product, or a participant in an investment transaction, will not honor the terms of the transaction, or fails to meet commitments to the investor or to the fund. For example, Credit Risk occurs when the company with which you may hold a bond cannot make interest or principal payments, causing you to lose interest payments.

Currency Risk: When the exchange rate of the U.S. currency adversely affects the value or an investment product.

CUSIP Number: The nine-digit number assigned by the Committee on Uniform Security Identification Procedures that identifies stocks and registered bonds.

Custodian: An entity chosen a fiduciary to manage another's assets.

Cyclical Industry: An analyst term for an industry that is responsive to the business cycle.

Debenture: Debt obligation backed by the issuer.

Debit: A charge against assets.

Debit Card: A card that directly draws funds from a bank deposit account.

Debt Security: A security identifying an investor's loan to an issuer.

Debt-to-income Ratio: A calculation of a person's outstanding debt obligations to income.

Debt-to-security Ratio: Long term debt divided by equity.

Declaration Date: The date that an announced dividend amount, pay date, and record date is announced.

Deduction: A reduction taken against income to reduce taxes.

Deed: A written document that is recorded at the courthouse; the document records the transfer of property from one party to another.

Default: The failure to pay interest or principal when due.

Defensive Industry: An analyst's description for an industry that is impervious to business cycles.

Deferred Compensation Plan: A retirement plan funded with before-tax or Roth after-tax money; expected to be withdrawn after age 59 1/2; money set aside for individual's retirement, for nonworking years.

Defined Benefit Plan: A retirement plan funded with before-tax contributions that identifies payouts to the employee at retirement.

Defined Contribution Plan: A retirement plan funded with before-tax or Roth after-tax money, expected to be withdrawn after age59 ½; money set aside for an individual's retirement, or nonworking, years.

Deflation: A steady and quantifiable fall in the general level of prices.

Delinquent: An account that is past due.

Depreciation: A calculation of diminishing value for tangible assets relative to the assets' income contribution or value. A reduction of taxes calculated by deducting certain businesses expenses from income.

Depression: A time of falling economic weakening.

Dilution: When additional shares of common stock and conversion of convertible securities are issued, there is a reduction in earnings per share.

Direct Deposit: Funds are sent directly to an account per a previously signed agreement.

Disability: An injury or illness that prohibits an individual from earning an income.

Disclosure: Information is provided to parties of a transaction, as required by law.

Discount: The variance between the lower price paid for a security, and the security's face value at issue.

Discount Points: Additional fees assessed up-front to enable a borrower to reduce the interest rate of a principal loan.

Discount Rate: The 12 Federal Reserve Banks set this interest rate for short-term loans made to member banks.

Dispute: The credit card holder calls or writes to advise the credit card issuer of a charge believed to be incorrect. The credit card issuer must respond within 30 days. The credit card holder is not required to pay for the disputed charge during investigation.

Diversification: A risk management practice to reduce the overall impact of any one investment vehicle within a portfolio; to lessen risk by acquiring non-correlated investments in a portfolio.

Dividend: The distribution of either stock earning (cash or stock) or mutual fund's net investment income (cash, typically reinvested in fund) paid to shareholders.

Dollar Cost Averaging: Investing a pre-set amount of money in mutual funds or stocks on a predetermined schedule.

Donor: A person or entity that makes a gift of securities or money to another; the donor gives up all rights to the gift upon transfer.

Dow Jones Composite Average® (DJCA): A widely utilized market indicator; an index of 65 stocks from the Dow Jones Industrial®, Dow Jones Transportation®, and Dow Jones Utilities® Averages.

Dow Jones Industrial Average® (DJIA): A widely utilized market indicator; an index of 30 industrial U.S. companies.

Dow Jones Utilities Average® (DJUS): A widely utilized market indicator; an index of 15 utility U.S. companies.

Due Diligence: A term utilized to describe a thorough examination of reported information for verification.

Durable Power of Attorney: A legal document granting authority to an entity or individual, on another's behalf.

Earned Income: Money resulting from working; includes wages, salaries, tips, commissions and bonuses.

Earnest Money: Money provided to ‘bind’ a real estate contract.

Earnings Per Share: Divide the company profit for specific period of time by the number of outstanding shares of common stock.

Education IRA: An account that allows contributions of a stated amount per year, per child, to fund qualified higher-education expenses tax-free (including gains).

Effective Tax Rate: Add together both federal and state taxes and divide by gross income to determine percentage.

Efficient Market Theory: A theory presenting that information is processed by the stock market and is immediately reflected in the ‘fair price’ of stock.

Elimination Period: The time period an individual ‘waits’ before they receive benefits.

Emerging Markets: Newly developing markets in nations without mature stock markets.

Employee Retirement Income Security Act of 1974 (ERISA): Law that oversees corporate pensions and benefit plans; plans meeting ERISA standards qualify for beneficial tax treatment.

Endowment: Insurance that pays the face value either at a pre-determined date or age; or at the insured’s death.

Equity/Equity Security: Common and preferred stockholders’ ownership shares in a company; or the value an owner has established in real estate—the value minus the debt owed.

Escrow: A deposit made by a buyer to be held in a third-party account and is delivered upon completion of a provision of a contract.

Evidence of Insurability: Individuals who apply for insurance must supply documentation to satisfy requirements for medical, occupational, and financial insurability.

Ex-Dividend: When a stock is purchased ‘ex-dividend’ the seller keeps the scheduled dividend (not paid yet) because the buyer will not own the stock on the ‘record date’.

Exercise (an Option): The Stock Option has a specific price at which the owner/holder of the option may purchase the stock. The owner exercises the Option, thereby purchasing the stock at the pre-determined Option price.

Expense: The charge for a good or service.

Expense Ratio: Operating expenses of a fund is divided by the net assets in the fund.

Expiration Date: Expiration of the Option. This is the date on which the holder forfeits the rights to exercise the Option.

Face Amount: The death benefit of an in-force life insurance policy.

Fair Market Value: Without duress, an agreed-upon price by both the seller and buyer of real property to transfer property from one party to another.

Federal Deposit Insurance Corporation (FDIC): Government agency that insures deposits for member banks to prevent bank and thrift collapses.

Federal National Mortgage Association (FNMA): A public corporation that buys conventional and government agency mortgages.

Federal Reserve Board (FRB): A Presidential appointed, and Congress ratified, seven-member board that is responsible for the operation of the Federal Reserve System.

Fiduciary: A legally named person who manages assets for another’s benefit; one who acts on another’s behalf.

Finance Charge: Charges to be paid as a result of extending a loan.

Fiscal Policy: Set by the United States President or Congress, the policies affect government spending, interest rates, and tax rates; ultimately to manage the U.S. economy.

Fixed Asset: Physical property, i.e., computers, buildings, land.

Fixed Rate: An unchanging annual percentage rate. Coupon (or interest rate) fixed to maturity.

Flat Yield Curve: An illustration depicting short-maturity bond yields are equal to long-maturity bond yields.

Flow-through: Business income, deductions and credits are reflected directly on an individual business owner's personal tax return.

Floating Rate: Coupon (or interest rate) is adjusted to another financial instrument; changes over time.

Foreclosure: The lender takes possession of the mortgaged property.

Foreign Exchange Rate: The value of one country's currency in relationship to another country's currency.

Fractional Share: Less than a whole share.

Fraud: Intentional deception of a material fact.

Front-end Load: An up-front sales fee or commission that is levied when mutual fund shares or annuity contracts are purchased.

Funds (Mutual Funds): General guidelines:

- Global: +/-25% of portfolio holds securities traded outside the U.S.
- Global Income: Debt securities with exposure in countries outside the U.S.
- Growth: Objective of the fund is appreciation. Growth funds typically invest in companies with longer-term earnings that demonstrate potential to appreciate faster than the appropriate index.
- High Yield: Objective is high yields from fixed income investments. No quality or maturity restrictions; invests in lower grade debt issues.
- Income: Objective of the fund is current income through income generating stocks, bonds, and money market holdings.

- Intermediate U.S. Bond: +/-65% of assets are in U.S. government or government agency debt instruments with dollar-weighted average maturities of 5 to 10 years.
- Intermediate U.S. Treasury Bond: +/-65% of assets are in U.S. Treasury bills/notes debt instruments with dollar-weighted average maturities of 5 to 10 years.
- International: Most securities held in fund are non-U.S. companies.
- Value: Objective of the fund is to hold companies that are considered 'undervalued' verses the index.

Fundamental Analysis: Analysts investigate a company's financial strength, overall economy and industry conditions to assess a specific stock's value.

Futures and Options: Exchange-traded contracts that require either the seller to deliver, or the buyer to receive certain assets at a specific, pre-stated time:

- Futures have 'leverage' and 'correlation risk'; and potential also to have currency and political risk.
- Options may involve currency and political risk.

Gain: Sale price of the investment minus the investment cost which equals a surplus.

General Partnership: Whereby each partner is liable for the total partnership's liability; does not require legal formation.

Good Faith estimate: A itemization of expected costs of a mortgage transaction provided to a borrower prior to closing.

Government National Mortgage Association (GNMA): A government-owned corporation that issues pass-through mortgages.

Grace Period: The number of days stated in the policies which notes how many days after the payment due date that the individual has until coverage lapses or the contract terms are voided.
Typically, the individual can remit payment without penalty during this timeframe.

Gross Domestic Product (GDP): The production of goods and services for one year; includes: consumption, government, purchases, investments and exports, minus imports.

Gross Income: All sources of taxpayer income.

Growth Stock: Company whose earnings are growing faster than the industry average.

Guardian: A fiduciary responsible for the supervision of assets for the benefit of a minor or an incompetent person.

Hazard Insurance: Insurance purchased to reimburse the insured in case of loss or damage.

Homeowners Insurance Policy: A contract protecting a private dwelling and the contents against loss and damage.

Household income: Money attained from all household sources such as: salary, bonuses, commissions, alimony, child support, Social Security, wages, retirement benefits, disability, compensation, investment product income (dividends and interest), and unemployment benefits.

HUD-1: A standardized form to note all transaction costs at closing.

Income: Interest or dividends paid to an investor.

Index: Performance of a number of similar investment vehicles with similar objectives is calculated for a particular period of time.

Individual Retirement Account (IRA): Individual Retirement Account is an account that holds pre-taxed contributions; gains are tax-deferred and the individual pays taxes (current tax law) at an ordinary income tax rate upon distribution. Certain eligibility, contribution limits, and withdrawal rules apply. (Non-Roth)

Inflation: The measurable increase in the level of goods, usually calculated on an annual basis.

Initial Public Offering (IPO): First offer of sale of company stock; not previously offered.

Insurance: A protection contract against the loss of assets, life, health, and disability.

Insured: The individual on whose life is insured by a life insurance policy.

Intangible Asset: A non-physical property, such as copyright, goodwill.

Interest: Money paid by the borrower for use of loaned money.

Interest Rate Risk: The potential loss of a security's value due to the change in interest rates.

Inverted Yield Curve: An illustration depicting lower yields for longer-term bond maturities, compared to the higher yields of shorter-term bond maturities.

Investing: Placing money aside for the purpose of growing it to meet longer-term financial goals.

Investment Grade: Based on Moody's® BAA3 or higher; S&P® BBB-or higher ratings; credit quality ratings given for bonds.

Irrevocable Trust: A Trust that may not be revoked or removed.

Issuer: The entity, i.e., corporation, company, government, agency that issues the security or bond.

Joint Account: The ownership of assets by two or more individuals. There are various kinds of joint account arrangements:

1. Joint Tenants with Rights of Survivorship (JTWROS): Upon the death of one of the account owners, the assets pass to the other account owners.
2. Tenants in Common (TIC): The assets are held in 'shares'/separate interest for each of the account owners; at death the shares pass to the heirs of the owners.
3. Community Property (COMM): Assets acquired after marriage are considered joint property.

Joint Life With Last Survivor: A payout option that concerns more than one person; the benefit does not payout until the last person on the contract dies.

Joint Life Policy: A payout option that concerns more than one person; the benefit pays out at the death of the first person, and then the policy terminates.

Keogh Plan: A tax-deferred retirement plan for self-employed and unincorporated individuals funded with either pre-tax or after-tax dollars.

Key-Employee (Person) Insurance: Insurance for a person who is important to the well-being of a company.

Lagging Indicator: An economic market marker that confirms a market trend after the economy has demonstrated a change.

Lapsed policy: A terminated period (at the end of the grace period) due to non-payment.

Leading Indicator: An economic market marker that predicts a market trend prior to the economy demonstrating a change.

Legal Description: A narrative depiction of property utilized for legal purposes.

Legislative Risk: The possibility that changes in investment or tax laws can negatively affect an investor's investment value.

Level Premium: A premium that does not change for a stated period of time.

Leverage: A method of increasing investment return by using borrowed capital.

Liability: A debt or financial obligation.

Lien: A legal claim to property to recover payment of a loan.

Life Insurance: A contract that pays benefits to a beneficiary upon the loss of the insured's life.

Limited Liability: Limiting the amount of financial loss to the sum invested.

Line of Credit: An established loan amount available as ready money.

Liquid Assets: Assets that are quickly converted to cash.

Liquidate: To exchange an asset into cash.

Liquidity Risk: When a specific investment product cannot be sold at a time when it would be beneficial to do so. The possibility that when an investor wants to sell an investment, he or she may not be able to; real estate property is an example of liquidity risk.

Load: The front-or back-end sales charge assessed for a mutual fund. ‘No-load’ funds do not charge a front-or back-end fee.

Long-term Gain: The realized gain after holding a capital investment for at least 12 months.

Long-term Loss: The realized loss after holding a capital investment for at least 12 months.

Loss Carry-over: A realized loss that is carried over for use to reduce tax liability from one year to the next.

Lump Sum: A one-time payout of the total proceeds or benefits.

Market Risk: The possibility of investment loss due to everyday market volatility.

Market Value: The price at which an investor pays or sells an investment.

Maturity: When a fixed investment’s guarantee period ends, and the principal is returned.

Medicare: Managed by the Social Security Administration, a program to cover specific healthcare expenses for U.S. citizens who are ages 65 or older.

Money Market: A short-term security that is generally liquid.

Moody’s® Investors Service: Credit quality of issuers is rated by this organization.

Mortgage: To borrow from a lender and give partial interest in a property as collateral for the payment of the obligation.

Mortgage Insurance: Insurance to protect the mortgage lender against loss due to default.

Municipal Bond: States, cities, countries and various government agencies raise money by offering municipal bonds to finance public projects.

Mutual Fund: A professionally managed basket of stocks, bonds, and/or cash investments; managed to a pre-determined fund objective.

NASDAQ® Composite: The National Association of Securities Dealers Automated Quotations® (NASDAQ® system that embodies the largest domestic, over the counter, electronic screen-based equities trading market.

Negotiability: The ability of an owner to assign, give, transfer or sell a security to another person.

Net: The gross amount, minus fees and charges.

Net Asset Value (NAV: The assets of an open-ended fund, minus the liabilities, divided by the number of outstanding shares.

Net Investment Income: The difference between a company's operating expenses and the total realized dividends and interest.

Net Worth: What an individual owns, minus what is owed.

New Issue: Initial public offering or re-financing of existing corporation; the Securities and Exchange rules and regulations oversee all new issues.

New York Stock Exchange®: A Board of Directors of the exchange corporation sets policy, oversees the operation of the Exchange and member activities, lists securities, and conducts all necessary tasks in operating the exchange.

No-load Fund: No commission or sales charge is received when a mutual fund is purchased.

Nominal Yield: The interest rate paid on a debt instrument; bond yield.

Non-investment Grade Securities: Debt securities generally known as 'junk bonds', rated below investment grade.

Non-Qualified Retirement Plan: Contributions into the plan are not tax-deductible; the plan does not meet the ERISA guidelines.

Non-recourse Financing: A pledge for a loan that utilizes the purchased asset to secure the loan but does not hold the borrower personally liable.

Non-taxable Income: Money that is not taxed by one or more agencies: the federal, state, or local government.

Normal Yield Curve: An illustration depicting the maturity of longer-term debt instruments producing higher yields than shorter-term debt instruments.

Note: Short-term debt investment that typically has a 5 year or less maturity date.

Odd Lot: Generally, less than a unit of 100 shares of stock.

Open-end Investment Company: Same as Mutual Fund.

Operating Expenses: Costs sustained in running a business.

Operating Income: An annual profit for a business.

Opportunity Cost: The gain that is forfeited by selecting an investment product that does not perform as well as another product choice.

Option: A contract to purchase or sell a specific number of shares of stock at a pre-set price on/before a particular date.

Ordinary Income: Revenue that is from other than capital gains.

Origination Fee: Payment for the processing of the application and coordination of a loan.

Overdraft: Funds are not available to cover a submitted check.

Own Occupation: A disability insurance term stating that an insured will receive benefits if they become disabled and cannot work in the in their trained occupation.

Paid-up Policy: A life insurance policy that is in effect and does not require any additional premium payments to keep it in force.

Par: The dollar amount designated when the investment is issued, for a bond, also the value assigned at maturity.

Partnership: A type of business where all owners are liable for expenses and debt.

Partial Disability: When an insured cannot carry out all of his/her own occupation responsibilities.

Passive Income: Revenue realized from non-active business participation, like rental property.

Passive Loss: Losses realized from non-active business participation, like rental property.

Past Due: When payment has not been received within the stated billing period.

Pension: A retirement benefit paid at regular intervals to a retiree.

Periodic Rate: A description of an interest rate in relation to a specific stated time period.

Per Stirpes: If a named beneficiary is deceased, the proceeds pass down to their heirs.

Political Risk: Risk of investment losses due to government or legal events.

Posting Date: The recorded date on the credit card or (any) statement that identifies a purchase, fee, cash advance, or charge.

Power of Attorney: A document assigning legal rights to a fiduciary to act on another's behalf.

P/E Ratio—Price Earnings Ratio: Divide the current stock price by dollar earnings.

Preferred Stock: Ownership in a corporation; issued with a stated dividend that is paid prior to dividend payment to common stockholders; general characteristics are: offered in increments of $ 25, $50, $100, and $1000 par values, pay quarterly dividends, trade on the exchanges (i.e., New York Stock Exchange® and others), and typically are callable.

Premium: Payments for insurance contracts (annuity, life insurance, disability, etc.); the variance between a higher price paid for a security and the face value of the security at issue.

Price-to-Earnings Ratio: (P/E The current stock price divided by the stock earnings. If a high P/E is calculated (over 20), then the stock is predicted to have growth potential.

Primary Beneficiary: The first named beneficiary to receive proceeds.

Prime Rate: The interest rates the banks offer their best corporate customers.

Principal: The money that is initially invested; a beginning amount to buy an investment.

Principal Transaction: A broker-dealer buys or sells securities from its own inventory.

Proceeds: The money paid to beneficiaries from an insurance policy at the death of the insured.

Profit: The difference between revenue and expense which nets a positive result.

Profitability: The generation of income and gain that exceeds expenses.

Profit-Sharing Plan: A retirement plan where the employer shares a portion of the company profits with the employees.

Progressive Tax: A tax that increases as income increases.

Prospectus: Documentation that presents all relative financial and legal information for an investment (for a stock, bond, mutual fund, etc.).

Proxy: A stockholder authorizes another person to vote on stockholder issues on a specific issue; a limited power of attorney.

Public Offering: When an issue of common stock is offered; new shares or additional company shares.

Purchasing Power Risk: The possibility that inflation will erode the value of money and investments.

Put Option: A contract that gives the owner of the underlying investment position the ‘right’ to sell a pre-determined amount of the underlying security at a pre-determined price within a named time period. The owner of the contract is not obligated to sell the contract; the investor can simply let the contract expire. This is the opposite of a call option (which provides the holder of the option contract the ‘right’ to buy shares.)

Qualified Retirement Plan: A retirement plan that allows a employees to make pre-tax salary deferrals, and b employers to contribute to employee accounts also on a pre-tax basis. (NonRoth)

Rate of Return: Expressed as a percentage, the return earned on an investment or deposit.

Rating: An assignment given to a corporate or municipal bond based on the issuer’s capacity to repay principal and make interest payments.

Real Estate Investment Trust (REIT: A trust or corporation that collects investor capital to purchase income property or mortgage loans.

Realized Gains/Losses: The amount the investor has after the sale of an asset; the sale value minus the initial purchase price; either an increase or decrease in value verses the cost basis of the asset.

Re-balancing: Reallocation of assets to bring in line with pre-stated allocation.

Receipt: Documentation of payment.

Recession: An economic turn down continuing from 6 to 18 months.

Record Date: The date that a corporation’s Board of Directors determine that identifies which stockholders are entitled to receive dividends or rights distributions.

Redemption: The return of principal to the investor.

Refinancing: To pay off an existing loan and enter into a new debt contract.

Repossession: Collateral is seized by lender when a borrower falls significantly behind in reimbursement payments.

Retained Earnings: An accounting of a corporation's net income, after the payment of dividends to stockholders.

Return: A calculation of the increase, gain minus cost, of a portfolio's performance; to include capital appreciation, yield and dividends.

Return on Investment (ROI: The gain or loss from a sale of an investment; expressed as a percentage.

Reverse Split: A decrease in the total number of outstanding shares; increases the per-share

price. Rider: To add something to a policy for a cost.

Risk: Possibility for an investor to lose invested assets due to conditions other than an issuer's financial strength.

Risk Tolerance: An assessment of an investor's attitude toward risk and return.

Rollover: Moving money within a 60-day period from a qualified (pre-tax) account to another qualified plan to maintain the tax-deferred status of the assets.

Roth IRA: A non-deductible retirement account available to individual within certain income levels; gains are tax-free; no required withdrawals at age 73.

Revocable Trust: A trust that provides for amendment options.

Sales Charge: A load or sales commission charged when a Mutual Fund is bought or sold.

Savings: Placing money aside for short-term goals or emergencies.

Savings Bond: A government issued debt security; not negotiable or transferable.

Savings Incentive Matching Plan for Employees (SIMPLE): A qualified, or pre-tax, retirement account that provides small businesses an opportunity to offer a generally low-cost, simple way for employees to defer part of their salary until retirement. Like an IRA, gains are tax-deferred until withdrawal; if a withdrawal is made before the owner is 59 ½ years old, the IRS levies a 10% tax penalty. Taxes are paid at withdrawal. (Certain other rules apply to setting up the plan and for contribution limits, rollovers, withdrawals, etc.)

Second Mortgage: A loan obtained on a property that has an existing loan; the added loan is subordinate to the first loan.

Secondary Market: Various investment vehicles are offered for sale and re-purchase on the secondary market; vehicles bought and sold on the secondary market are not primary offerings.

Sector: Securities are grouped by same economic segments, such as; Health Care, Natural Resources, Technology, etc.

Securities and Exchange Commission (SEC: Congress established this commission to oversee the securities markets and to safeguard investors.

Security: Investment vehicle deployed by a government, corporation, or any entity that tenders equity or debt vehicles.

Sell: To transfer ownership of an investment or asset for money or value.

Settlement: The repayment of a debt in full.

Share: A unit representing a part ownership of a company.

Share: A division of capital stock of a corporation or company into equal parts.

Short-term Capital Gain: The net profit from the sale of an asset that has been owned for 12 months or less.

Short-term Capital Loss: The net loss from the sale of an asset that has been owned for 12 months or less.

Simple Interest: Rate credited on the principal amount only.

Simplified Employee Pension Plan (SEP): A type of qualified retirement account where the employer ONLY contributes to a retirement account for the employee. (Certain other rules apply to setting up the plan and for contribution limits, etc.)

Size and Style: Securities are grouped by like size and style, such as; Large-cap Growth, Mid-cap Value, Small-cap Growth, etc.

Social Security: FICA deductions fund this federal government program that provides funds for retirement, disability, or loss of income to qualifying U.S. individuals at age 62 or beyond.

Sole Proprietorship: A simple business structure for a one-person business.

Split-Dollar Life Insurance: A contract where two beneficiaries share the responsibility of premium payments on a single policy. However, one beneficiary receives the net death benefit (death benefit less cash value) and the second beneficiary receives the cash value of the policy.

Spousal IRA: A retirement account set up for a non-working spouse by the working spouse who is eligible themselves for an IRA.

Standard and Poor's Composite Index® of 500 Stocks (S&P 500®): A basket of 500 funds that are tracked as an equity market index.

Standard Deviation: A measure of the investment's historical volatility; a measure of the divergence of returns from their average.

Stock: Part ownership of a company; an entitlement on the company's assets and profits.

Stock Bonus Plan: Company bonuses are awarded to employees in shares of stock.

Stock Certificate: Written proof of ownership of shares in a corporation.

Stock Split: Proportionate holdings of the stockholder remains the same, however the number of outstanding shares increases.

Supply: Availability of goods and services for purchase by consumers.

Supply-side Economics: A theory that advocates stimulation of an economy can be initiated by an increased supply of goods to consumers.

Surrender Charge: A penalty cost imposed to withdraw funds before the termination of the surrender charge period.

Symbol: Letters assigned to identify a security.

Tax Credit: A dollar for dollar reduction in taxes derived from IRS approved programs.

Tax Deduction: Certain expense that reduce a taxpayer's gross income; affects (lowers) the amount of income upon which taxes must be paid.

Taxable Income: Money attained from all household sources: salary, bonuses, commissions, alimony, child support, Social Security, wages, retirement benefits, disability compensation, investment product income (dividends and interest), and unemployment benefits that will be taxed by either the federal, state, or local government.

Tax-Deferred: Gains are not taxed until they are distributed.

Tax-Equivalent Yield: A comparison of the rate of return that a taxable bond must provide to be equivalent to the tax-exempt earnings on a municipal bond; rates change depending on individual investor's tax bracket.

Tax-Exempt Fund: The primary purpose is to generate tax-free income.

Tax-Sheltered Annuity (TSA): A retirement plan for non-profit organizations that is similar in structure to a for-profit company 401k; individuals may make salary deferral elections to their qualified (pre-tax) retirement account; gains are tax-deferred until withdrawals are made; withdrawals are taxed at ordinary income rates; premature withdrawals are penalized with an additional IRS 10% tax. (Other rules may apply.)

Term: The stated period of time that is identified in a contract to complete a transaction or service.

Term Insurance: A type of insurance policy that is in-force for a specific term; typically, 10, 20 or 30 years; no cash value is accrued.

Time Value of Money: The purchasing power of money, compared at different intervals, considering the effects of inflation.

Title: A legal document denoting ownership.

Trade Date: The date when a security transaction is completed.

Transaction Fee: A charge assessed for service or administration of a credit or investment account.

Treasury Bill: A U.S. Treasury debt obligation with a maturity of less than one year.

Treasury Bond: U.S. Treasury debt obligations with a maturity of less than thirty years.

Treasury Note: U.S. Treasury debt obligations with a maturity between one and ten years.

Trust: A legal contract to describe the distribution of property according to the directions given by the grantor/owner.

Trustee: A legal appointment to perform on behalf of a beneficiary.

Truth-in-lending Statement: A standardized format for the full disclosure of credit terms.

12b-1 Fee: The fee that a mutual fund company may assess for sale, promotion, or expenses incurred for distribution of its shares.

Underwriting Process: For the purpose of determining the applicant's eligibility: Review of the application, documentation, property, or other records, prior to the issuance of a contract or loan. Unearned Income: Income realized from sources other than employment services.

Uniform Gifts to Minors Act (UGMA): A custodial account that is held for a minor’s benefit; income and capital gains are taxed at the minor’s tax rate; the minor has legal right to the account. Unit Cost: Cost of purchase price of an investment; includes commissions and fees.

Unit Investment Trust (UIT): A professionally managed portfolio of securities that offers shares by an investment company; organized under a trust agreement, not a corporate contract.

Unrealized Gains/Losses: The gain or loss of an investment recorded on a specific date for an investment that has NOT been sold yet.

U.S. Savings Bond: A U.S. Treasury fixed-income investment instrument that appreciates 100% of premium at maturity.

Variable Annuity: An insurance contract that guarantees a minimum total payout to the annuitant in the annuitization stage; principal and gains are held in insurance separate accounts and performance of these accounts determines the total payout, minus contract expenses; gains grow tax-deferred until they are withdrawn; IRS penalties incur for withdrawals prior to age 59 1/2; withdrawals on gains and pre-tax money are taxed at ordinary income rates. (Other factors/rules apply.)

Variable Rate: An interest rate that is not fixed but changes over time.

Variable Universal Life Insurance Policy: An insurance contract that offers flexible terms and investment options. Death of the insured triggers a tax-free payout to the beneficiary; principal and gains are held in insurance separate accounts and performance of these accounts determines the cash surrender amount (minus the policy expenses).

Vesting: A schedule for a retirement plan that determines the length a time that an employee must be employed to take ownership of certain types of employer contributions; deferrals made by the employees into their own accounts are immediately vested.

Volatility: The standard deviation of the return of the investment; a measure of the variation in an investment’s price.

Wash Sale: Buying a security within 30 days before or after selling a characteristically duplicate security for the purposes of generating a tax loss.

Working Capital: The liquid assets that a corporation has available to meet short-term cash needs.

Yield: Rate of return on an investment; rate of interest paid on a bond or note.

Yield Curve: A pictorial depiction of the fixed-income yields, relative to their maturity dates.

Yield to Call: Performance of a callable investment, measured from the time of purchase to the call date.

Yield to Maturity: Performance of an investment, measured from the time of purchase to the maturity date.

Zero Coupon Bond: A debt instrument that does not pay interest until maturity; at maturity both principal and total interest (compounded semi-annually) is paid.

Glossary terms have been acquired through a review of many sources, to include: Dearborn® study manuals, Merrill Lynch® glossary, on-line website sources (see list), mutual fund and insurance company brochures (John Hancock®, Hartford®, Franklin Templeton®, etc.), https://www.citigroupbank.com Financial Education Program, Webster's Dictionary®, etc.

The above definitions are offered for education purposes only. All definitions should be verified prior to executing any contract/sale/purchase/etc. Check with your Tax, Legal, and Financial Advisors. Not to be mistaken for advice.

Biographies of Our Quoted Sources

John D. Rockefeller—An American industrialist. Rockefeller revolutionized the petroleum industry and defined the structure of modern philanthropy.

Warren Buffett—U.S. investor, businessman, and philanthropist. Mr. Buffett is one of the most successful investors in American history.

Mark Twain—Samuel Langhorne Clemens is better known by the pen name Mark Twain. He was an American author and humorist.

George Soros—An American currency speculator, stock investor, businessman, philanthropist, and political activist.

George Burns—An American comedian, actor, and writer.

George Foreman—An American two-time former World Heavyweight Boxing Champion, Olympic gold medalist, and famously successful entrepreneur.

Vincent Lombardi—A famous inspirational football coach—named 'Coach of the Century' by ESPN in 1959.

Charles Dickens—19th century English author, one of the most popular English novelists of the Victorian era.

William Feather—An American publisher and author in the 1900s.

Carl Levin—A Democratic United States Senator from Michigan and was the Chairman of the Senate Committee on Armed Services.

Walter Updegrave—A CNN® /Money® contributing columnist; Money Magazine; "Ask the Expert."

Gary Ryan Blair—'The Goals Guy® ', one of the top strategic thinkers in the world. As an author, speaker, coach and consultant, he is dedicated to helping his clients win by creating focused, goal-directed lives.

Thornton T. Munger—An American Scientist.

Albert Einstein—Best remembered for his theories of special relativity and general relativity. Einstein received the 1921 Nobel Prize in Physics for his services to Theoretical Physics.

Einstein also discovered of the law of the photoelectric effect.

Benjamin Franklin—American scientist, inventor, statesman, printer, and philosopher.

Bob Hope—Comedian, actor and “first and only honorary veteran of the U.S. armed forces.”

Henry Ford—American founder of the Ford Motor Company® and father of modern assembly lines used in mass production. Mr. Ford’s introduction of the Model T automobile revolutionized transportation and American industry. Mr. Ford was a prolific inventor.

Tennessee Williams—An American playwright who received many of the top theatrical awards for his works of drama.

Elvis Presley—American pop singer and actor. Elvis was a cultural icon.

William A. Ward—An American author; one of America’s most quoted writers of inspirational proverbs/ sayings.

Elizabeth Weintraub—Author and nominated by the CA Association of Realtors(r) as a founding member of the ‘Real Estate Institute(r) (RECI)’.

Sam Ewing—American writer and humorist.

Alan Greenspan—An American economist who served as the Chair of the Federal Reserve of the U.S. from 1987–2006.

Thomas Jefferson—An American statesman, diplomat, lawyer, architect, philosopher, Founding Father, and the 3rd President of the United States.

John Maxwell—An American author, speaker and pastor.

Peter Lynch—An American investor, mutual fund manager, and philanthropist.

Ronald Reagan—American politician and the 40th president of the United States.

Abraham Lincoln—American statesman, lawyer and the 16th President of the United States.

NOTES: