

Financial Terms Glossary

A guide of important financial terms for everyone to know



401(K) PLAN	An employer-sponsored retirement savings plan in which an employee contributes part of their pay toward retirement.
403(B) PLAN	A type of tax-deferred retirement savings plan for employees of public schools, certain non-profits, and some members of the clergy.
529 PLAN	A tax-advantaged savings plan geared to help families save for their children's future educational costs.
AMORTIZATION	An accounting technique that spreads out payments over a specified period.
ANNUAL PERCENTAGE RATE (APR)	The total cost of borrowing money each year, formulated as a percentage rate.
ANNUAL RETURN	The profit or loss of an investment over one year
ANNUITY CONTRACT	A written agreement between an insurance company and a customer that outlines each party's obligation in an annuity agreement.
APPRAISAL FEE	A fee charged when estimating the value of a property. This is typically done for insurance, investment, or mortgage contracts.
APPRECIATION	The rise in the value of an asset, such as currency or real estate.
ASSET	An item that has economic value, such as stock or real estate
ASSET ALLOCATION	An investment strategy that balances risk and reward by dividing investment among different assets.
ASSET CLASS	The grouping of investments that have similar financial characteristics and are subject to the same laws and regulations.
BENCHMARK	A standard that is used to measure changes in an asset's value over time.
BENEFICIARY	A person named to receive proceeds or benefits.
BOND	An interest-bearing security that requires the issuers to pay a specified amount of interest over a set period.
BORROWER	Anyone who obtains funds or an asset under that condition that they must repay.



CAPITAL	Wealth in the form of money or other assets owned by an individual or institution.
CAPITAL GAIN (OR LOSS)	The profit or loss that comes from selling and investment.
CERTIFICATE OF DEPOSIT	A type of savings account offered by a bank or credit union that has a fixed maturity date and a fixed interest rate.
CLAIM	An insurer's request of payment following a financial loss that has occurred and is covered under the insurance policy.
COLLATERAL	An asset that secures a loan or other debt that a lender is allowed to take if you do not repay the money you have borrowed.
COMMISSION	An amount of money someone earns for selling something.
COMPOUND INTEREST	When additional interest is earned on interest.
COPAY	A fixed amount you pay on health care services in addition to the amount your insurer pays.
COSIGNER	An individual who signs a loan, credit account, or promissory note of another person (primary signer) who is taking out the debt. The cosigner then becomes responsible for the debt.
CRYPTO ASSET	A decentralized digital currency that can be exchanged. Its ownership records are available via blockchain technology.
DEBT	Money you owe to another person or business.
DEBT CONSOLIDATION	The consolidation of various debts into one monthly payment on one account.
DEFAULT	When a borrower fails to repay a debt owed. At this point, a borrower may be required to pay the entire loan balance in full.
DEFERMENT	A temporary pause or reduction of a student loan balance. Deferment may also stop interest from accruing.
DELINQUENCY	When a borrower is late or overdue on a debt payment. Extended delinquency can lead to default.
DEPRECIATION	The opposite of appreciation where the value of an asset decreases
DIVERSIFICATION	A strategy used to balance risk by investing in different securities to maximize return and lower the risk of one particular asset.
DIVIDEND	A portion of a public or private company's profit paid to shareholders.
EARNINGS	Profit a company has earned.
EQUITY	Ownership interest in an asset after liabilities are deducted
EXCHANGE TRADED FUND (ETF)	SEC-registered investment companies that offer investors a way to pool their money in a fund that invests in stocks, bonds, or other assets.
FIDUCIARY	A person who legally manages the money or property of someone else.
FINANCIAL PLANNER	A person who creates financial plans for their clients based on the clients' needs.
FIXED ANNUITY	An insurance product that promises a minimum rate of interest while your account is growing.

FIXED INCOME	A broad term that refers to different types of investment security that pay investors fixed interest or dividend payments until their maturity date
FORBEARANCE	When borrowers are temporarily permitted to not make payments, though interest will still accrue.
FORECLOSURE	A process instituted by a creditor to take collateral, such as property away from the borrower to be sold again to repay debt.
GRACE PERIOD	A period immediately after the due date for a loan payment in which payment can still be made without penalty.
GROSS INCOME	The amount earned before taxes and other deductions.
HEALTH SAVINGS ACCOUNT (HSA)	A tax-advantaged account to help individuals save on medical expenses that are not reimbursed by health plans.
HEDGE FUND	When an investor's money and investments are pooled in an effort to make a positive return.
INCOME DRIVEN REPAYMENT PLAN (IDR)	A plan that bases a monthly student loan payment balance on the borrower's income or family size.
INDEX	A group or basket of securities, derivatives, or other financial instruments that represents and measures the performance of a specific market, asset class, market sector, or investment strategy. The S&P 500 and the Dow Jones are examples of stock market indexes.
INDEX FUND	A type of mutual fund or unit investment trust whose investment objective is typically to achieve the same return as a particular market index
INDIVIDUAL RETIREMENT ACCOUNT (IRA)	A type of retirement savings and investment account that has various tax advantages. There are two different types of IRAs: Traditional and Roth. Traditional IRA contributions are tax-deductible on both state and federal tax returns for the year. A Roth provides no tax deductions but the earnings and withdrawals are typically tax free.
INTEREST	The price paid for borrowing money.
INVESTMENT ADVISOR (IAS)	A person or firm that provides investment advice to others about the value of or about investing in securities.
JOINT AND LAST SURVIVOR ANNUITY	An annuity form that provides lifetime income payments for an annuity owner and their survivor. It is designed primarily for retired couples.
LENDER	The party who lends money to a borrower.
LIABILITY	The amount owed to a lender.
LIEN	The legal right to take the property belonging to a borrower until the debt owed is paid
LIQUIDITY	A measure of how easy it is to obtain and use your money.
MATURITY DATE	The date on which an investor's investment must be paid back in full.
MEDICAID	A joint federal and state program that helps with the medical costs for certain people who have limited income and resources.

MEDICARE	A federal health insurance program for people age 65 or older, younger people with certain disabilities, and people with End-Stage Renal Disease.
MORTGAGE	A loan agreement to borrow money from a bank or other type of lender to purchase a home.
MUTUAL FUND	A professionally managed portfolio of stocks, bonds, and other investments divided up into shares.
NET INCOME	The amount of money received in your paycheck after taxes and other deductions are taken out.
NET WORTH	The value of a person's assets, not including debts or liabilities.
OPPORTUNITY COST	The cost of the next best use of your money,
OUT-OF-POCKET COST	Expenses paid that are not reimbursed by insurance.
POLICYHOLDER	The person who owns the insurance policy.
PORTFOLIO	The combined holdings of stock, bond, commodity, real estate, and other investments by an individual or institutional investor.
PORTFOLIO MANAGER	A person or group of people responsible for making investment decisions and executing them on behalf of a vested individual or institution
PREMIUM	The amount by which the price of a bond exceeds its principal amount.
PRINCIPAL	For lending: The amount of money that you receive from a lender. For investing: The amount of money you contribute with the expectation of receiving income.
PROPERTY TAX	Taxes on a property such as a house, business, or boat.
RATE OF RETURN	The profit or loss on an investment expressed as a percentage.
REFINANCE	A strategy that replaces a loan with another loan that typically has better terms and interest rates.
RETURN ON INVESTMENT (ROI)	An approximate measure of an investment's profitability
RISK	Exposure to loss
RISK TOLERANCE	An investor's ability and willingness to lose some or all of an investment with the presumption that greater returns will come.
SECURITIES	An investment instrument such as a stock or bond
SECURITIES AND EXCHANGE COMMISSION (SEC)	U.S. government agency that oversees securities exchanges, securities brokers and dealers, investment advisors, and mutual funds in order to promote fair dealing and prevent fraud.
SHARE	A unit of ownership.
SHAREHOLDER	A person who owns a share(s) in a company.
SOCIAL SECURITY	A federal program that provides a source of income to retired workers and people with disabilities

STOCK	A share that represents ownership in the company that issues it.
TARIFF	A tax or duty to be paid on a particular class of imports or exports.
TERMS	The conditions and requirements included in a loan agreement.
UNEARNED INCOME	Any form of income earned passively, e.g., inheritances, rental income from properties, lottery winnings.
U.S. TREASURY BONDS	Fixed-interest bonds issued by the U.S. government with a maturity of more than ten years.
VARIABLE RATE	An interest rate that may go up or down over the life of the loan.
FORM W-2	A document that employers are required to send at the end of each year to every employee and the Internal Revenue Service (IRS).
FORM W-4	An IRS form that is filled out by employees to indicate how much tax they want withheld from their paycheck and the number of allowances and dependents.
WRAP ACCOUNT	An investment account where a wrapped fee or fees cover all the management, brokerage, and administrative expenses for the account.
YIELD	The income an investor receives from an investment.





FOOTNOTES

Sources

A-Z index of U.S. government departments and agencies | USAGov. (n.d.). <https://www.usa.gov/agency-index>

California, S. O. (n.d.). Glossary of Financial Terms | The Department of Financial Protection and Innovation. The Department of Financial Protection and Innovation. <https://dfpi.ca.gov/glossary-of-financial-terms/>

Financial terms A-Z. (2019, September 10). Investopedia. <https://www.investopedia.com/financial-term-dictionary-4769738>

Financial Terms Glossary | Consumer Financial Protection Bureau. (n.d.). Consumer Financial Protection Bureau. <https://www.consumerfinance.gov/consumer-tools/educator-tools/youth-financial-education/glossary/>

Glossary | Investor.gov. (n.d.). <https://www.investor.gov/introduction-investing/investing-basics/glossary/all>



DISCLOSURES

Hightower Advisors, LLC is an SEC registered investment advisor. Securities are offered through Hightower Securities, LLC, Member FINRA/SIPC. All information referenced herein is from sources believed to be reliable. Hightower Advisors, LLC has not independently verified the accuracy or completeness of the information contained in this document. Hightower Advisors, LLC or any of its affiliates make no representations or warranties, express or implied, as to the accuracy or completeness of the information or for statements or errors or omissions, or results obtained from the use of this information. Hightower Advisors, LLC or any of its affiliates assume no liability for any action made or taken in reliance on or relating in any way to the information. This document and the materials contained herein were created for informational purposes only; the opinions expressed are solely those of the author(s), and do not represent those of Hightower Advisors, LLC or any of its affiliates. Hightower Advisors, LLC or any of its affiliates do not provide tax or legal advice. This material was not intended or written to be used or presented to any entity as tax or legal advice. Clients are urged to consult their tax and/or legal advisor for related questions.