



Ohio's Financial Literacy  
**Glossary of Terms**

## Introduction

The *Financial Literacy Glossary of Terms* provides definitions for terms found in the Financial Literacy Standards and Model Curriculum. This glossary is not meant to be a comprehensive content-area list of financial terms or a list for students to memorize. Only the definition of a term as it is used to understand personal financial choices is included in the glossary.

## Glossary of Terms

### -A-

### -B-

#### **Budget**

An estimate of income, expenses and savings for a set period.

#### **Budgeting**

Creating a plan that an individual or household uses to guide spending and savings over a period of time.

#### **Brokerage house or firm**

Brokerage firms connect buyers and sellers in financial markets to facilitate transactions, including buying and selling of stocks, bonds and mutual funds; the firm typically receives a commission when the transaction is completed successfully.

### -C-

#### **Capital appreciation (gains)**

The profit that results from the sale of a stock, bond or real estate. When the sale price exceeds the purchase price, the gain is the difference between a higher selling price and a lower purchase price.

#### **Consumer fraud**

A deceptive practice that results in financial or other losses for consumers during seemingly legitimate business transactions.

#### **Credit**

A contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some later date; examples include credit cards and loans.

#### **Credit union**

A member-owned, nonprofit, financial cooperative, controlled by its members who can borrow from the pooled deposits at typically lower interest rates than for-profit banks.

**-D-****Dividend**

Income earned from a financial investment.

**Diversification**

A risk management strategy that mixes a wide variety of investments within an individual's portfolio.

**-E-****Entrepreneur**

A person who creates a business with the goal of making a profit.

**-F-****Flexible Spending Account (FSA)**

An employee can add money to his or her Flexible Spending Account (FSA) specifically for health care costs. An individual can setup an FSA account through one's employer.

**-G-****Gross pay**

The amount of pay an employee receives before taxes and other withholdings are taken from his or her paycheck.

**-H-****Health Savings Account (HSA)**

An employee can add money to his or her Health Savings Account (HSA) specifically for health care costs. An individual purchases from and controls his or her own HSA.

**-I-****Identity theft**

The fraudulent acquisition and use of a person's private identifying information, usually for financial gain.

**Interest**

Money paid at a regular interval at a particular rate for the use of money that has been loaned.

**Insurance**

A contract, called a policy, in which an individual, group or company receives financial protection or reimbursement against losses; insurance can cover property or people.

**Investing**

To commit money to an asset such as stocks, bonds or a company to earn a profit.