

Glossary of Financial Terms

Annual Equivalent Rate (AER)

The effective interest rate for a year, taking account of any compounding.

Annual Percentage Rate (APR)

The same as AER but includes all the fixed costs of a loan.

Asset

A resource with economic value that an individual, corporation or country owns.

ATM

Automatic Teller Machine.

Bailiff

A person authorised by courts to collect items of property from people who have been declared to be failing to pay what they owe.

Bankruptcy

A legal status of a person or organisation that cannot pay debts owed to creditors.

Bitcoin

A digital currency that is used to make payments on the internet, like PayPal. You can hold money, spend it and trade it from a 'digital wallet' held on your computer or the internet.

Bond

A debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate.

Budget

A financial plan to help you keep within your spending limits.

Capital

In general, this refers to financial resources available for use.

Chancellor of the Exchequer

The government Cabinet Minister responsible for all economic and financial matters.

Citizen's Advice Bureau (CAB)

A community service that provides free, independent and confidential advice for legal, money and other problems.

Commission

Payment related to work done, usually directly related to sales volume or sales value.

Codicil

Refers to a new will or an amendment to an existing will.

Community Credit Union

A local community bank offering a wide range of savings and loans.

Compound Interest

Interest calculated based on the original amount *plus* interest that has already accumulated.

Consolidation loan

A loan to pay off all your debts, effectively putting them together so that instead of paying several creditors you are only paying one.

Counterfeit (noun, adjective and verb)

Making copies of items with the intention of passing them off as the real thing.

County Court Judgement (CCJ)

A CCJ indicates that a court has adjudged that a person has not paid a previous debt.

Credit card

A payment card that enables the cardholder to electronically pay for things using money borrowed from a credit company. The money has to be paid back later, usually in monthly intervals

Credit history

A record of an individual's or company's past borrowing and repaying patterns, including late payments and bankruptcy.

Creditworthiness

How worthy you are of being lent money (or given credit).

Current account

A standard bank account, where money held in the bank can be withdrawn at any time.

Debit card

A payment card that enables a bank account holder to electronically pay for things using money in his/her account.

Default

To fail to pay a debt on time.

Direct debit

This allows a company to take payments out of your bank account.

Estate

This represents all your belongings and assets.

Exchange rates

These tell us the value of different currencies relative to one another.

Executor

A person responsible for carrying out an assigned task or duty; in terms of a will, to 'execute' instructions in the will.

Equity

In its broadest sense, the value of any asset after all debts associated with that asset are deducted.

Equity Market

The market in which shares in companies are issued and traded, also known as the stock market.

Financial Markets Authority (FMA)

The Financial Markets Authority is the New Zealand government agency responsible for financial regulation. It is responsible for regulating all financial market participants, exchanges and the setting and enforcing of financial regulations..

Fixed Rate Bond

A type of account where you lock your money away for a long time, often several years, in return for a fixed rate of interest

Fixed Term Deposit Account

Similar to a fixed rate deposit account, but the interest can be paid at the end of the term.

Fund Manager or Investment Fund Manager

The person(s) responsible for implementing a fund's investing strategy and managing its portfolio trading activities.

Gross pay

The total amount of money earned before any deductions.

Gross profit

The difference between the sales value and the cost of making a product or providing a service.

GST

Goods and Services. A 15% tax charged on everything you buy. Prices may be advertised as Plus GST or Including (inc) GST.

Hacking

When someone tries to break into your account.

Income tax

Tax we pay, deducted from wages or salaries, or from annual income of a company or organisation.

Individual Savings Account (ISA)

A tax-free savings account. Many types of savings accounts can be included in an ISA.

Inflation

The rate at which the general level of prices for goods and services is rising.

Insolvent:

Unable to meet debts or discharge liabilities; bankrupt.

Interest-only Mortgage

The whole of the monthly mortgage repayment represents the interest on the loan, not the loan itself which must be repaid at the end of the life of the mortgage.

ISA

Individual Savings Account.

Investment Fund

A store of capital belonging to numerous investors that is used to collectively purchase securities.

Legacy

A gift of money, jewelry and other property left in a will to a beneficiary.

Loan shark

A money lender that charges high rates of interest, often illegally.

Maturity

The end of a period of financial obligation, e.g. for a loan, when all the interest and principal owing are due.

Minimum wage

An hourly minimum pay rate fixed by the government; employers, by law, are not allowed to pay less than this.

Mortgage

Money borrowed to buy a property.

National Insurance (NI)

The system of compulsory payments by employees and employers to provide state assistance for people who are sick, unemployed, or retired. It is taken from (and proportional to) wages or salaries.

Net pay

The amount of pay that is actually paid to the employee after any deductions, such as tax and NI.

Net profit

The profit remaining after taking away total costs from total sales.

Next of kin

A person's closest living relative or relatives.

Notice Savings Account

An account for which agreed notice must be given to the bank before cash can be withdrawn; the notice can be as little as a week or as long as a year.

Overdraft

Money owed to the bank, when a bank account balance goes to zero but the bank allows more money to be taken out.

Pension

A contract for a fixed sum to be paid regularly to a person following retirement from employment.

per annum (pa)

Is Latin for per year, and is used when talking about interest rates, salaries, etc

Phishing

When somebody lies (typically in an online context) to try and get you to give up information.

PIN

Personal Identification Number

Principal

The amount of money borrowed or saved, used in calculating interest.

Probate

Refers to the right to deal with a deceased person's affairs.

Quantitative Easing

A monetary policy in which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase the money supply. Quantitative easing increases the money supply by flooding financial institutions with capital in an effort to promote increased lending.

Repayment mortgage

Where the repayments you make cover both the amount you initially borrowed and the interest accruing on the loan over time.

Simple Interest

The amount of interest paid based solely on the original amount lent or borrowed.

Solicitor

A qualified legal professional who can act on your behalf in legal matters.

Stock

The money raised through the issue of shares in exchange for ownership of a company.

Stock Market

A market where company stock is traded.

Trustee

A person or firm that holds or administers property or assets for the benefit of a third

party.

Will

A legal document in which people set out how they want all of their estate distributed when they die.

Windfall

An unexpected financial gain.