Financial Glossary

ACH (Automated Clearing House)- ACH, or Automated Clearing House, is a system used to move money electronically between accounts. It's how payments like direct deposits and bill payments are sent and received without using paper checks.

Annual Percentage Rate (APR)- The Annual Percentage Rate (APR) is the total cost of borrowing money over a year, including interest and any fees expressed as a percentage. It's a way to compare the cost of loans or credit cards. The higher the APR, the more you'll pay in interest and fees over time.

Annual Percentage Yield (APY)- The Annual Percentage Yield (APY) tells you how much money you'll make from your savings or investments in a year, including the interest you earn on top of your initial deposit. It's a helpful way to see how your money grows over time.

Asset - An asset is something valuable that you own, which can include money, property, investments, or possessions. Assets can be used to generate income or provide future benefits, and they're an important part of your overall financial picture.

Available balance- The available balance is the amount of money in your account that is immediately accessible for withdrawal or spending. It considers pending transactions, holds, and any other factors that may affect the actual amount of funds that can be used.

Budget – A plan that outlines your income and your expenses for a given period.

Capital- Capital refers to financial assets or resources that can be used to generate income or wealth. Capital can include cash, investments, real estate, equipment, or any other valuable asset that can be used to produce goods, services, or income.

Cashier's Check- A cashier's check is a guaranteed payment issued by a Credit Union. It's a check from the bank's own account, ensuring the funds are available.

CD (Certificate of Deposit or Share Certificate)- CD, or Certificate of Deposit, is similar to a savings account where you agree to leave your money for a set period, such as six months or a year. In return, the credit union pays you interest, usually more than a regular savings account. You can't take the money out early without a penalty, but it's a safe way to save and earn a little extra money over time.

Checking Account – An account held at your credit union that allows you to make deposits, withdrawals and pay bills with your money.

Checks- Checks are paper notes that you can use to pay people or businesses. When you write a check, your Credit Union pays the amount you wrote to the person or business you specified. They can then deposit it into their account to get the money.

Collateral- Collateral is something valuable you promise to give to a lender if you borrow money. It's like security for the lender—if you can't repay the loan, they can take the collateral to cover their losses.

Cosigner – An individual who signs in support of a loan for another individual, agreeing to become financially responsible for the loan in the event of default or past due payments by the primary borrower.

Credit Card – A card that is connected to a line of credit that can be used to borrow money for purchases with the agreement that you'll pay back the borrowed money, plus the interest you owe, later. Once the balance is paid down, the credit line remains available for future use.

Credit Score – A number, ranging from 300-850, that is created from your payment history and is used as a prediction on if you will pay your bills on time.

Credit Union - A credit union is a not-for-profit financial cooperative, owned and operated by its members, who pool their money to provide financial services to one another, such as savings accounts, loans, and other banking services.

Current balance- The current balance refers to the total amount of money in your account at a specific moment in time. It includes all deposits, withdrawals, and any other transactions that have been processed up to that point.

Debit Card – A card that pulls from the money in your checking account to make purchases at retailers in person, by phone or online.

Debt to Income Ratio- Your debt-to-income ratio (DTI) is how much of your monthly income goes towards paying off debts, like loans and credit cards. It's a percentage that helps lenders understand if you can manage more debt or if you might have trouble making payments. A lower ratio is better because it means you have more income available for other expenses.

Deposit – Money that is put into a savings or checking account and adds to your balance. Deposits can be done in person or electronically and can include cash, checks, direct deposit, Venmo, Paypal, etc.

Depreciation- Depreciation is the decrease in value of an asset over time due to wear and tear, obsolescence, or other factors. An example is such as a car loses value as it gets older or when equipment becomes less valuable as it's used. Depreciation is often recorded as an expense on financial statements to reflect the declining value of assets over their lives.

Direct Deposit- Direct deposit is when money, like your paycheck, goes straight into your account without needing a physical check. It's a simple and secure way for payments to reach you electronically.

Diversification - Diversification means spreading out your investments across different assets to reduce risk. By diversifying, you're less exposed to the ups and downs of any single investment, which can help protect your overall portfolio from big losses.

Dividend- A dividend is a portion of a company's profits that is distributed to its shareholders as a reward for owning its stock. It's like a share of the company's earnings that investors receive regularly, typically on a quarterly basis.

Electronic Funds Transfer- Electronic Funds Transfer, or EFT, means moving money from one account to another without using cash or checks. It's like sending money online from one account to another, making transactions fast and easy.

Fraud Financial fraud is when someone tricks or deceives others to get money or assets dishonestly. Such as lying or cheating to steal money or valuables.

Grace Period- A grace period is a period of time after a due date when you can still make a payment without facing any penalties or late fees. It's a little extra time given to pay a bill without any extra cost.

Health Savings Account (HSA)- A Health Savings Account (HSA) is like a piggy bank for medical expenses. You put money in tax-free and use it to pay for doctor visits, prescriptions, and other healthcare costs. It's a way to save specifically for health expenses.

Home Equity Loan- A home equity loan is a type of loan where you borrow money using the equity in your home as collateral. It's similar to taking out a second mortgage on your home, and you receive a lump sum of money that you repay over time with fixed monthly payments. Home equity loans are often used for major expenses like home improvements, debt consolidation, or large purchases.

Home Equity Line of Credit - A home equity line of credit (HELOC) is like a credit card that uses the equity in your home as collateral. You can borrow money as needed up to a certain limit and pay it back over time with interest.

Identity Theft - Identity theft occurs when someone steals your personal information, such as your name, Social Security number, or credit card details, to commit fraud or other crimes. It's like someone is pretending to be you to access your accounts or make purchases without your permission.

Income- Income refers to the money you earn or receive regularly, typically from employment, investments, or other sources. It's the money that is flowing into your account, whether it's from a salary, wages, rental income, dividends, or interest payments. Income is crucial for meeting living expenses, saving, investing, and achieving financial goals.

Inflation- Inflation is the gradual increase in the price of goods and services over time, resulting in a decrease in the purchasing power of money. It's like when prices go up, but the value of your money goes down.

Investment- An investment is when you put money into something with the expectation of earning a return or making a profit. Investments can include buying stocks, bonds, real estate, or starting a business, with the goal of increasing wealth or achieving specific financial objectives.

Interest - Interest is the extra money you pay when you borrow money or the money you earn when you save or invest money. It's like a fee for borrowing money or a reward for saving or investing it.

Late Fee - A late fee is an extra charge you must pay if you miss the deadline for a payment.

Liability - Liability refers to legal responsibility or obligation, often involving financial debts or duties. In financial terms, liabilities represent what you owe to others, such as loans, mortgages, or unpaid bills.

Loan- A loan is when you borrow money from a credit union, with the agreement to pay it back over time, usually with interest. Loans can be used for various purposes, such as buying a car, financing education, or purchasing a home. When you take out a loan, you agree to repay the borrowed amount, often in monthly installments, until the loan is fully paid off.

Maturity Date- The maturity date is the date on which a loan or financial instrument, such as a bond or certificate of deposit (CD), becomes due and payable. It's the deadline for repaying a loan or receiving the final payment on an investment. On the maturity date, the borrower must repay the loan amount, or the issuer of the financial instrument must pay out the principal plus any accrued interest to the holder.

Minimum Payment- The minimum payment is the smallest amount of money you're required to pay each month toward a debt, such as a credit card balance or a loan. It's the lowest amount you can pay to keep your account in good standing and avoid late fees or penalties. However, paying only the minimum may result in higher overall interest costs and prolong the time it takes to pay off the debt.

Money Order - A money order is like a prepaid check. You pay for it upfront, and then you can give it to someone as payment.

Monthly Statement - A monthly statement is a document provided by a financial institution that summarizes your account activity for a specific month. It's similar to a report card for your finances, showing details such as deposits, withdrawals, purchases, fees, and interest earned or paid.

Mortgage- A mortgage is a loan from Credit Union that helps you buy a house. You pay back the loan over time with interest. If you don't pay, the Credit Union may foreclose your house.

Net Worth - Net worth is the difference between your assets (what you own) and your liabilities (what you owe). It's calculating your financial worth by subtracting what you owe from what you own. Your net worth can be positive if your assets exceed your liabilities, or negative if your liabilities are greater than your assets. It's a measure of your overall financial health and can help track your progress toward financial goals.

NSF (Non-Sufficient Funds) Fee- An NSF (Non-Sufficient Funds) fee is a charge imposed by a final institution when there isn't enough money in an account to cover a transaction, like writing a check or making a payment. It's basically a penalty fee for not having enough funds available.

Overdraft- An overdraft occurs when you spend more money than you have available in your account.

Principal- Principal refers to the original amount of money invested or borrowed, excluding any interest or earnings. It's the initial sum of money involved in a financial transaction. For example, in a loan, the principal is the amount borrowed, and in an investment, it's the initial amount of money invested.

Retirement plan- A retirement plan is a way to save money for when you stop working. It's a long-term savings account that you contribute to throughout your working years, so you'll have money to live on when you retire. There are different types of retirement plans, such as 401(k)s or IRAs, which offer tax advantages and help you build a nest egg for the future.

Risk- Risk refers to the potential for an investment to lose value or not meet its expected return. Different investments carry different levels of risk, and understanding and managing risk is essential for making informed financial decisions.

Roth Individual Retirement Account IRA - A Roth IRA is a retirement savings account where you put in money you've already paid taxes on. The money grows tax-free, and when you take it out in retirement, you don't pay taxes on it.

Savings Account – An account held at your credit union that earns dividends and safekeeping for your money.

Stock Market- The stock market is a place where investors buy and sell shares of publicly traded companies. Investors can buy stocks hoping they'll increase in value over time, allowing them to sell for a profit. Conversely, they can also lose money if stock prices go down. The stock market plays a crucial role in the economy, providing companies with capital to grow and offering individuals the opportunity to invest and build wealth.

Stop Payment- A stop payment is when you ask the Credit Union to cancel a check or payment before it goes through. It's like hitting pause on a payment to prevent it from being taken out of your account.

Term- "Term" in finance just means the amount of time a financial arrangement lasts. It's the length of a contract or agreement.

Traditional Individual Retirement Account (IRA) - A Traditional IRA is a retirement savings account where you can put money aside and possibly reduce your taxes. The money grows tax-free until you take it out in retirement, when it's taxed as income.

Wire Transfer- A wire transfer is a way to electronically send money from one person or organization to another. It's instantly moving money from one account to another, regardless of location. Wire transfers are often used for large transactions or when funds need to be transferred quickly and securely.

Withdrawal - Money that is taken out of a savings or checking account. Withdrawals can be made through various methods, such as using an ATM, writing a check, or transferring money electronically.