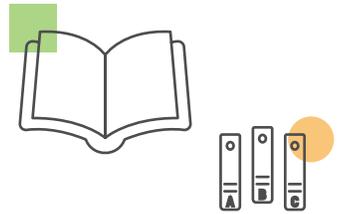


A GLOSSARY OF TERMS



Adjustable Rate Mortgage (ARM):

Mortgage that has fluctuating principal and interest payments (similar to a variable interest rate loan). ARMs often begin as fixed mortgages and, after a certain number of years, shift into adjustable rates.

Auto Insurance: A type of insurance used by vehicle owners to cover costs associated with car accidents.

Budget: A chart that documents how much money an individual earns and spends.

Cash Flow: The relationship between income and expenses in a budget. For example, if you spend more money than you have coming in, you have negative cash flow.

Certificate of Deposit: A savings vehicle offered through banks with a set maturity date. For example, if you put \$5,000 into a five-year CD, you cannot withdraw the money until the five-year maturity date without facing penalties. However, interest rates are usually higher in CDs than traditional savings accounts, making them desirable for longer-term savings.

City Income Tax: Money collected by some city governments to be used for city public services, such as sidewalks and city water systems.

Credit: The ability to purchase goods or services with the promise to pay for it at a later time.

Credit Score: A number ranging from 300 to 850 representing a person's credit history. A credit score is calculated based on 10% credit in use, 10% new credit, 15% credit history, 30% amounts owed and 35% payment history.

Creditworthiness: Demonstrating trust in repayment of borrowed money.

Credit Card: A plastic card that allows an individual to make a purchase on credit.

Debit Card: A plastic card that allows an individual to make a purchase using funds from his or

her bank account(s).

Deductions: Money withheld from a paycheck for tax or savings purposes.

Expenses: Money spent on items and bills.

Federal Income Tax: Money collected by the federal government to be used for a variety of national public services, such as the military, national parks and monuments.

Fixed: Income and expenses that are the same each month.

Fixed Interest Rate Loan: Interest payment that remains constant for the duration of the loan. For example, if you have a fixed interest rate loan at 5%, you will pay the consistent amount of 5% on the money you borrowed until it is fully paid back.

Fixed Rate Mortgage: A mortgage where the principal and interest payments remain constant throughout the entire duration of the loan.

Flexible: Income and expenses that vary each month.

Gross Income: Total pay before deductions.

Health Insurance: A type of insurance that minimizes financial risk related to medical expenses. Many employers offer health insurance as part of a benefits package to employees.

Homeowners Insurance: Protects a home by providing coverage in the event of damage or loss to the house itself or personal belongings inside due to theft, fire, accidents, etc.

Income: Money earned through employment.

Individual Retirement Account: An investment tool for individuals to save for retirement. There are two different types of IRAs for individuals: Traditional and Roth.

Interest: Additional fee paid on a monthly basis to the lender.

Lender: Person or institution that provides you with the loan (e.g., bank, family member, etc.).

Loan: Amount of money you borrow, which must be paid back to the lender within a given period of time.

Life Insurance: A type of insurance that protects against the loss of income as a result of an individual's death.

Medicare Tax: Money collected by the federal government to provide health insurance benefits in retirement, and to certain individuals with disabilities or serious illnesses.

Mortgage: Loan used to purchase a home, condo, or piece of property. It includes principal and interest payments. Principal payments go toward reducing the cost of the original loan, and interest payments cover the additional fee incurred for borrowing the principal amount.

Mutual Funds: An investment vehicle that pools investor money to purchase securities like bonds and stocks.

Net Income: Total pay after deductions, commonly referred to as take-home pay.

Paycheck: A check given to an employee for earned income.

Paystub: A statement that accompanies a paycheck highlighting earned income and deductions.

Pay Period: The range of dates an employee works.

Principal: Amount of money you pay on a monthly basis toward paying off your loan.

Private Mortgage Insurance (PMI): A type of insurance used to protect lenders if a borrower puts less than 20% down on a home purchase.

Savings: A traditional savings account where money is deposited directly from gross pay. A direct-to-savings deduction is optional, but many people find it helpful because it ensures a set

portion of each paycheck is set aside for savings.

Savings Account: A secure bank account that provides modest interest rates.

Social Security Tax: Money collected by the federal government to provide financial benefits needed in retirement and for the disabled.

State Income Tax: Money collected by some state governments to be used for state public services, such as education and state road maintenance.

Variable Interest Rate Loan: Interest payment that varies based on market interest rates. Depending on the type of loan (e.g., student loan, mortgage, etc.), the interest rate is tied to a specific index, which fluctuates up and down on a regular basis.

W-2: A year-end earnings statement prepared by employers showing total earnings and deductions withheld from an employee's salary for one year. Employers provide this statement to employees who then use it to complete their tax returns.

W-4: A withholding tax form completed by a new employee that tells the employer the amount of taxes to withhold from an individual's paycheck. An employee provides this statement to an employer. It is not used to prepare a tax return.

401(k): A type of retirement savings account where money is deposited directly by an employer and is not federally taxed until withdrawn in retirement. Individuals can choose how much to invest in a 401(k) and, as a benefit, some employers offer to match the amount of money employees contribute.

