



Glossary of Common Terms & Concepts

The terms below cover key concepts related to the 2011-2012 financial theme and terms common to the three featured books.

Afford: To be able to buy something without creating an unacceptable burden or difficulty in paying the cost of an item.

Bank: A business that stores and lends money.

Bank Account: Types of bank accounts include savings accounts and checking accounts. A customer gives (deposits) money to a bank which keeps the money under the customer's name until the customer decides to take it (withdraw) from the bank.

Budget: A spending plan for managing money during a specific period of time. A standard budget includes a time frame, income, expense categories, estimated costs, actual costs, and savings.

Customer: A person who buys something from someone selling an item or service.

Expense: The amount of money spent in order to buy or do something.

Gift: Something that is given to somebody, usually to make them happy. A gift also is called a donation when someone gives money to a group who will use the gift to do something good--such as helping people with needs.

Goal Setting: The process of identifying something specific that someone wants to achieve.

Income: The amount of money someone receives over time as payment for work.

Interest: A payment made by a bank or other financial institution for the use of money deposited in an account. Compound interest is earned when a bank or other financial institution uses the amount of interest already earned in an account when determining the next interest payment. Paying interest on interest earned.

Opportunity Cost: A benefit, profit, or value of something that must be given up to acquire or achieve something else. For example, if you spend all of your allowance now you gain the item you purchased, but you lose the opportunity to earn interest payments on the same money if you had saved it.

Price: The cost of something that is bought or sold, usually a particular amount of money is required before the exchange takes place.

Profit: The amount by which income is greater than the related expenses.

Savings: Money that is set aside for use later.

Scholarship: An amount of money given to a student to pay for the cost of going to school--most usually referring to a college or university.

Selling: Trading something for money.

Spending: To pay out money for something--an exchange for a goods or service.

Reference sources for glossary: *Encarta Webster's College Dictionary*, copyright 2005; *NEFE High School Financial Planning Program Student Guide*, copyright 2006.