



Key Terms

Here are some key terms related to financial literacy;

Annual percentage rate (APR): The yearly rate of interest that you'll pay on a debt such as a credit card or loan.

Assets: Possessions that have economic value. Some assets may additionally provide a financial return.

Budget: A document used to plan and track the flow of money, for a specific project or for overall finances. By calculating money coming in and money going out, also known as income and expenses, a budget can help with monitoring and predicting an individual's or organization's financial security.

Credit: Borrowing from the credit provider to buy something with the understanding that payments will be due at a later time.

Credit history: The record of all an individual's debts and repayments. This includes information from sources such as banks, credit card companies and collection agencies. The resulting credit score impacts a person's ability to get credit in the future.

Expenses: Payments for goods and services.

Financial literacy: The common-sense understanding of how money works and how to manage finances. Financial literacy includes the development of the skills and knowledge needed to make effective choices that maximize financial resources.

Finance charge: Any fee associated with the cost of borrowing money.

Income: Earnings that result from providing labor or other resources in the marketplace.

Interest: The price associated with using someone else's money. Banks pay savers interest to encourage them to make deposits. Banks charge interest to borrowers, who pay this interest as a cost of using someone else's money.

Long-term goal: A goal that a person or organization plans to achieve more than five years in the future.

Medium-term goal: A goal that a person or organization plans to achieve in one to five years.

Minimum payment: The smallest amount a person can pay in a given term (usually a month) to remain in good standing on an open-ended credit account.

Savings: Income not spent on goods, services, other needs, and/or taxes that is set aside for future needs.



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Savings account: An interest-bearing deposit account at a banking establishment that is not typically used for transactions and has no maturity date.

Short-term goal: A goal that a person or organization plans to achieve in less than one year.

Wealth: Combined assets or resources that have economic value, including available cash and assets that can produce income in the future.