

Terms and Definitions

401K - A qualified employer-established plan to which eligible employees may make salary deferral (salary reduction) contributions on a post-tax and/or pre-tax basis. Employers may provide matching contributions.

Anchoring effect - The tendency to rely too heavily on the first piece of information offered when making decisions.

Annual Percentage Rate (APR) - The annual rate charged for borrowing or earned through an investment, and is expressed as a percentage that represents the actual yearly cost of funds over the term of a loan.

ATM Fee - Often times a fee is paid to the owner of the ATM if the ATM user accepts the fee before using the service. A fee can also be assessed by your bank (or credit union) for pulling cash out of an ATM not associated with your bank (or credit union). You will see the fees in your account transaction history.

Auto insurance - Protects you against financial loss if you have an accident. It is a contract between you and the insurance company. You agree to pay the premium and the insurance company agrees to pay your losses as defined in your policy.

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

Confirmation bias - The tendency to interpret new evidence as confirmation of one's existing beliefs or theories.

Decision fatigue - The loss of mental energy that deteriorates the quality of decisions made by an individual after a long duration of decision making.

Deductible - A specified amount of money that the insured must pay before an insurance company will pay a claim.

FAFSA - The Free Application for Federal Student Aid (FAFSA) is a form that can be prepared annually for free by current and prospective college students (undergraduate and graduate) in the United States to determine their eligibility for student financial aid.

Student Fees (College) - A charge or payment for items such as textbooks.

Grant - Financial aid, often based on financial need, that does not need to be repaid (unless, for example, you withdraw from school and owe a refund).

Homeowner's insurance - A form of property insurance that covers losses and damages to an individual's house and to assets in the home. Homeowner's insurance also provides liability coverage against accidents in the home or on the property.

Index fund - A type of mutual fund with a portfolio constructed to match or track the components of a market index, such as the Standard & Poor's 500 Index (S&P 500).

Insurance claim - A formal request to an insurance company for coverage or compensation for a covered loss or policy event.

Interest - The money paid by a borrower for the use of borrowed money.

IRA (Roth) - An individual retirement account allowing a person to set aside after-tax income up to a specified amount each year. Both earnings on the account and withdrawals after age 59½ are tax-free.

IRA (Traditional) - Allows individuals to direct pretax income towards investments that can grow tax-deferred; no capital gains or dividend income is taxed until it is withdrawn after age 59½.

Life insurance - Insurance that pays out a sum of money either on the death of the insured person or after a set period.

Loss aversion - The tendency to prefer avoiding losses to acquiring equivalent gains.

Maintenance Fee - Many traditional banks charge a maintenance, or service, fee on checking accounts — about \$10, \$12 per month.

Medical insurance - Is a type of insurance coverage that pays for medical and surgical expenses incurred by the insured. Health insurance can reimburse the insured for expenses incurred from illness or injury, or pay the care provider directly.

Mutual Fund - Collection of stocks, bonds, or cash managed by a professional for a fee for a stated purpose.

Negativity bias - The tendency to be much more likely to be influenced by and to recall negative experiences, instead of neutral or positive experiences.

Online safety - Is the knowledge of maximizing the user's personal safety against security risks to private information and property associated with using the internet, and the self-protection from computer crime in general.

Overdraft fee - A fee incurred each time a withdrawal or transaction totals more than the balance in your checking account.

Payday Lender - A company that lends customers small amounts of money at high interest rates, on the agreement that the loan will be repaid when the borrower receives their next paycheck.

Premium - An amount to be paid for an insurance policy.

Principal - An original sum invested or lent.

Renters insurance - A form of property insurance that provides coverage for a policyholder's belongings and liability within a rental property.

Room and board - An allowance for the cost of housing and food while attending college or career school.

Scholarship - Money awarded to students based on academic or other achievements to help pay for education expenses. Scholarships generally do not have to be repaid.

Stock - A type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings.

Subsidized loan - A loan based on financial need for which the federal government generally pays the interest that accrues while the borrower is in an in-school, grace, or deferment status, and during certain periods of repayment under certain income-driven repayment plans.

Tuition - The cost for instruction at a college, university, or trade school.

Unsubsidized loan - A loan for which the borrower is fully responsible for paying the interest regardless of the loan status. Interest on unsubsidized loans accrues from the date of disbursement and continues throughout the life of the loan.