

Chapter 11 Glossary

Chapter 11

Annual Report	A summary of a corporation's financial results for the year and its prospects for the future.
Annuity	A contract that provides the investor with a series of regular payments.
Bonds	Debt obligations of corporations or state or local governments.
Discount Bond	A savings bond that is purchased for less than its maturity value.
Diversification	The spreading of risk among many types of investments.
Futures	Contracts to buy and sell commodities or stocks for a specified price on a specified date in the future.
Inflation	A rise in the general level of prices.
Investing	The use of long-term savings to earn a financial return.
Investing Risk	The chance that an investment's value will decrease.
Mutual Fund	Pooling of money from many investors to buy securities.
Option	The right, but not the obligation, to buy or sell a commodity or stock for a specified price within a specified time period.
Penny Stocks	Low-priced stocks of small companies that have no track record.
Permanent Investments	Investment choices held for the long run.
Portfolio	A collection of investments.
Rule of 72	A technique for estimating the number of years required to double your money at a given rate of return.
Stock	Unit of ownership in a corporation.
Temporary Investments	Investment choices that will be reevaluated in the short term.

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Bear Market	A prolonged period of falling stock prices and a general feeling of investor pessimism.
Blue Chip Stocks	Stocks of large, well-established corporations with a solid record of profitability.
Bull Market	A prolonged period of rising stock prices and a general feeling of investor optimism.
Common Stock	Represents a type of stock that pays a variable dividend and gives the holder voting rights.
Direct Investment	Buying stock directly from a corporation.
Dividend Reinvestment	Using dividends previously earned on the stock to buy more shares.
Dividends	Money paid to stockholders from the corporation's earnings.
Growth Stocks	Stocks in corporations that reinvest their profits into the business so that it can grow.
Income Stocks	Stocks that have a consistent history of paying high dividends.
Leverage	The use of borrowed money to buy securities.
Market Value	The price for which the stock is bought and sold in the marketplace.
Par Value	An assigned dollar value given to each share of stock.
Preferred Stock	Represents a type of stock that pays a fixed dividend but has no voting rights.
Proxy	A stockholder's written authorization to transfer his or her voting rights to someone else, usually a company manager.
Securities Exchange	A marketplace where brokers who are representing investors meet to buy and sell securities.
Short Selling	Selling stock borrowed from a broker that must be replaced at a later time.

Stock Split	An increase in the number of outstanding shares of a company's stock.
Stockholders	People who own shares of stock.

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Agency Bond	A bond issued by a federal agency.
Bond Default	When a bond issuer cannot meet the interest or principal payment on a bond.
Bond Fund	A group of bonds that have been bundled together for investment purposes.
Bond Rating	Tells the investor the risk category that has been assigned to a bond.
Bond Redemption	Occurs when a bond is paid off at maturity.
Callable Bond	A bond that the issuer has the right to pay off before its maturity date.
Convertible Bond	A corporate bond that can be exchanged for common stock.
Debenture	A corporate bond that is based on the general creditworthiness of the company.
Face Value	The amount the bondholder will be repaid at maturity.
General Obligation Bond	A municipal bond backed by the power of the issuing state or local government to levy taxes to pay back the debt.
Hedge	Any investment or action that helps offset against loss from another investment or action.
Investment-Grade Bonds	A bond that is considered of the highest quality.
Junk Bond	A bond that has a low rating or no rating at all.
Municipal Bond	A bond issued by state and local governments.
Revenue Bond	A municipal bond issued to raise money for a public-works project.
Secured Bond	A bond that is backed by specific assets as collateral.
Zero-Coupon Bond	A bond that is sold at a deep discount, makes no interest payments, and is redeemable for its face value at maturity.

Chapter 14 Glossary

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Balanced Fund	A mutual fund that seeks both growth and income but attempts to minimize risk by investing in a mixture of stocks and bonds rather than stocks alone.
Condominium	An individually owned unit in an apartment-style complex with shared ownership of common areas.
Depreciation	The decline in the value of property due to normal wear and tear.
Duplex	A building with two separate living quarters.
Gems	Natural, precious stones, such as diamonds, rubies, sapphires, and emeralds.
Global Fund	A mutual fund that purchases international stocks and bonds as well as U.S. securities.
Growth and Income Fund	A mutual fund whose investment goal is to earn returns from both dividends and capital gains.
Growth Fund	A mutual fund whose investment goal is to buy stocks that will increase in value over time.
Income Fund	A mutual fund whose investment goal is to produce current income in the form of interest or dividends.
Index Fund	A mutual fund that tries to match the performance of a particular index by investing in the companies included in that index.
Load	The sales fee charged for buying mutual funds.

Money Market Fund	A mutual fund that invests in safe, liquid securities, such as Treasury Bills and bonds that mature in less than a year.
Mortgage	A loan to purchase real estate.
Net Asset Value	The market price for a share of a mutual fund.
Precious Metals	Tangible metals that have known and universal value worldwide.
Prospectus	The legal document that offers securities or mutual fund shares for sale.
Real Estate	Land and the buildings on it.

Chapter 15 Glossary

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401(k) Plan	A defined-contribution plan for employees of companies that operate for a profit.
403(b) Plan	A defined-contribution plan for employees of schools, non-profit organizations, and government units.
Annuity	Income from an investment paid in a series of regular payments made for a set number of years.
Codicil	A legal document that modifies parts of a will and reaffirms the rest.
Defined-Benefit Plan	A company-sponsored retirement plan in which retired employees receive a set monthly amount based on wages earned and number of years of service.
Defined-Contribution Plan	A company-sponsored retirement plan in which employees can receive a periodic or lump-sum payment based on their account balance and the performance of the investments in their account.
Estate	All that a person owns, less debts owed, at the time of the person's death.
Estate Tax	A tax on property transferred from an estate to its heirs.
Gift Tax	A tax applied to a gift of money or property.
Heir	A person who will inherit property from someone who dies.
Individual Retirement Account (IRA)	A retirement savings plan that allows individuals to set aside up to a specified amount each year and delay paying tax on the earnings until they begin withdrawing it at age 59½ or later.
Inheritance Tax	A tax imposed on an heir who inherits property from an estate.
Keogh Plan	A tax-deferred retirement savings plan available to self-employed individuals and their employees.
Power of Attorney	A legal document authorizing someone to act on your behalf.
Reverse Mortgage	A loan against the equity in the borrower's home.
Roth IRA	A type of IRA where contributions are taxed, but earnings are not.
Simplified Employee Pension (SEP)	A tax-deferred retirement plan available to small businesses.
Traditional IRA	An IRA for which you can deduct your contribution each year from your taxable income.
Trust	A legal document in which an individual gives someone else control of property, for ultimate distribution to another person.
Will	A legal document that tells how an estate is to be distributed when a person dies.