Financial Glossary

USALLIANCE FINANCIAL®

Annual return - the profit or loss on an investment over a one-year period.

APR (Annual Percentage Rate) - the cost of borrowing money on a yearly basis, expressed as a percentage rate.

Asset - an item with financial value, such as shares in a stock or real estate.

Bonds - insured loans to the government or a company that are paid back when the bond matures. The lender also receives fixed interest payments throughout the term.

Budget - a financial plan outlining expenses and income with set dollar amounts for every fixed and non-fixed expense.

Certificate of deposit (CD) - also called a share certificate at credit unions, a CD is a low-risk savings tool that requires the owner to keep their funds deposited until a maturity date (commonly referred to as a "term").

Checking account - a financial account that allows the owner to make deposits and access their funds as needed via paper check, ATM, electronic transfer, withdrawal or debit card transaction.

Compound interest - interest earned on both the investment principal and the interest it has earned since initial deposit.

Credit - having the right to borrow money as needed, up to a determined maximum.

Credit score - a numerical measurement representing a person's credit history and general financial responsibility.

Cryptocurrency - a form of virtual currency secured by a mathematical encryption process.

Debt - money that is owed to a person, lender or institution.

Debt consolidation - combining multiple debts into a single debt, usually with a more favorable interest rate and/or lower, fixed payments. .

Direct deposit - a payment made directly to an employee's account as a form of payroll distribution.

Dividend - a portion of a company's profit paid to shareholders. Earnings paid to credit union account holders are issued as a dividend as opposed to "interest".

Interest - When associated with loans, this is a fee charged by a lender for borrowing funds. When associated with savings accounts, it is the amount paid to the account owner. In both instances, it is determined by a rate applied to the loan balance in savings.

Mobile banking - banking via a mobile device.

Money market account - a financial account offering a higher rate of interest/dividends than a basic savings account. It allows for a limited number of monthly transactions, and may require a minimum deposit and/or maintaining a minimum account balance.

Mortgage - a long-term loan used to buy a home, or to borrow money against the value of a home that's already owned.

Mutual fund - a company that pools money from investors to purchase stocks, bonds and other assets.

Overdraft - when there are not enough funds in a checking account to cover the full amount of the committed transactions.

Prepayment penalty - a fee lenders charge borrowers for paying off a loan earlier than the term.

Principal - the amount of money originally borrowed in a loan.

Rate of return - the profit or loss on an investment, expressed as a percentage.

Return - the profit or loss on an investment.

Savings - money that is set aside in a secure place to be used for a future expense.

Savings account - a financial account with limited access to funds. It pays interest/dividends in return for the deposited funds.

Secured loans - loans that are backed by collateral or a valuable asset.

Term - the period of time a financial product is intended to last, such as a loan, certificate of deposit, etc.

Unsecured loan - a loan that is not backed by any collateral.