

Investing Terminology

The Basics:

Bonds – A debt investment. You give a corporation or government funds for a defined period of time at a variable or fixed interest rate.

Broker – A person who buys/sells some sort of investment for others, in exchange for a fee.

Compound Interest – Interest calculated on the initial investment plus on the accumulated interest of previous periods.

Dividend – A portion of a company's earnings that is paid to shareholders, which are those that own stock. Most of the time, it is paid on a quarterly or annual basis.

Exchange – A place where different investments are traded. The most well-known exchanges in the U.S. are the NY Stock Exchange and Nasdaq.

Interest Rate – The amount charged, expressed as a percentage of the amount borrowed.

Maturity Date – The date on which the principal amount of a note, draft, or bond becomes due.

Mutual Funds – A collection of stocks and/or bonds.

Option – A contract that gives the buyer the right, but not the obligation, to buy or sell asset at a specific price on or before a certain time.

Security – An instrument that represents ownership of a stock, bond, or option.

Stock – A type of security that gives you **ownership** in a corporation. It gives you a claim on part of the corporation's assets and earnings.

A Bit More Advanced:

Annuity – A financial product sold by financial institutions that grow funds from an individual, then pay out a stream of payments to that individual at a later point in time.

Bear market: Trading talk for when the market is in a down trend or the prices of stock are falling. Opposite of a bull market.

Bull Market – Trading talk for when the market is in an uptrend or the prices of stock are rising. Opposite of a bear market.

Certificates of Deposit (CDs) – A savings certificate with a specific maturity date and interest rate.

Commodities – These are most often inputs in the production of other goods or services.



Exchange Traded Funds (ETFs) – A marketable security that tracks a basket of assets like an index fund. It trades like a common stock.

Hedge Fund – An alternative investment where funds are pooled together to try and obtain high returns.

Money Market Funds – An investment that tries to earn interest while maintaining a constant net asset value. These are short term securities representing liquid debt and monetary instruments.

Yield – Refers to a measure of return on an investment that is received from the payment of the dividend. Equation: Annual dividend / price paid for stock.

Specific Stock Market Terms:

Blue Chip Stocks – Large, industry leading companies. They have stable records of dividend payments and have been known to have sound fiscal management.

Initial Public Offering (IPO) - The first sale or offering of a stock by a company to the public.

Large Cap Stocks – It's a term that is used to classify companies that have outstanding shares with a market value over **\$5 billion**.

Micro Cap Stocks – It's a term that is used to classify companies that have outstanding shares with a market value between **\$50 million - \$300 million**.

Rally – This is a rapid increase in the price level of the market or of the price of a stock.

Small cap Stocks – It's a term that is used to classify companies that have outstanding shares with a market value between **\$300 million - \$2 billion**.

