

GLOSSARY OF TERMS

401(k)	A retirement account to which an eligible employee can contribute a certain amount of his or her pretax salary; earnings are tax-deferred. Some employers may match a stated percentage of employee 401(k) contributions. The reduced cost and liability of 401(k) plans appeal to employers.
403(b)	A qualified retirement plan similar to the 401(k), available to employees of nonprofit and government organizations.
Account Balance	The net of credits and debits for an account at the end of a reporting period.
Account Reconciliation	The process of ensuring that the beginning balance plus the sum of all entries on an account statement equals the ending balance. After deposits, interest received, and credits are added and automatic withdrawals, outstanding checks, negotiated checks, and account charges are subtracted, if the resulting balance equals the ending balance on the statement, the account is reconciled.
Accountant	An individual trained and knowledgeable in the profession of accountancy.
Accounting (Accountancy)	The function of compiling and providing financial information primarily by reports referred to as financial statements. Accounting includes bookkeeping, systems design, analysis and interpretation of accounting information.
Accounts Payable	Obligations to pay for goods or services that have been acquired on open accounts from suppliers. Accounts Payable is a current liability in the Balance Sheet.
Accounts Receivable	Amounts due the company on account from customers who have bought merchandise or received services. Accounts Receivable is a current asset in the Balance Sheet.
Accrual Basis	The method of keeping accounts which shows all expenses incurred and income earned for a given period of time, even though such expenses and income may not actually have been paid or received in cash during the same period of time.
Accrued Expense	An expense incurred, but not yet paid.
Accrued Revenue	Revenue earned, but not yet collected.
Accumulated Depreciation	An account to which estimated depreciation is added.

<i>Active-Participant Status</i>	A person who participates in a qualified pension, stock bonus, or profit-sharing plan, a qualified annuity plan, a tax-sheltered annuity (TSA) plan, a simplified employee pension plan, or a local, state, county, or federal retirement plan has active-participant status, as does his or her spouse.
<i>Actuary</i>	A person who analyzes probability and risk estimates for insurance contracts and retirement plans.
<i>Adjustable Rate Mortgage (ARM)</i>	A mortgage with an interest rate that changes periodically based on a measure or an index, such as the rate on US Treasury bills or the average national mortgage rate. Borrowers assume a degree of risk in order to receive a lower rate at the beginning of an ARM.
<i>Adjusted Entry</i>	An entry made in the general journal at the end of an accounting period to bring certain accounts up to date.
<i>Adjusted Gross Income (AGI)</i>	The amount of income subject to federal income taxes. To determine AGI, subtract deductions (e.g., business expenses or IRA contributions) from gross income (employment income, interest income, dividends, and capital gains).
<i>Advance</i>	Money received from an employer before it is actually earned.
<i>Agent</i>	A person authorized by another to act on their behalf. Thus, an agent can enter into contracts and other such legal binding functions on behalf of another. Usually, the corporation's officers act as corporate agents.
<i>Aggressive Growth Fund</i>	A mutual fund designed to maximize long-term capital growth, rather than dividend income, by investing in narrow market segments, small company stocks, and companies with high growth rates.
<i>Allocation Formula</i>	The formula that governs employer contributions to employee profit-sharing plans and redistributes funds forfeited by employees who leave these plans.
<i>Alternative Minimum Tax (AMT)</i>	A tax calculation designed to prevent taxpayers from escaping their fair share of tax liability by taking numerous tax breaks; it adds certain tax preference items back into adjusted gross income. If AMT liability is greater than regular tax liability, the taxpayer must pay the AMT amount.
<i>American Opportunity Tax Credit (Hope Credit)</i>	A federal tax credit that compensates families for a certain amount of tuition per student per year for the first four years of post-secondary education.
<i>Amortization</i>	A way of measuring the consumption of the value of long-term assets like equipment or buildings. This process gradually eliminates a debt, loan, or mortgage over a period of time. It can also be used to deduct capital expenses over a period of time.

<i>Annual Meeting of Shareholders</i>	Nearly all states require a corporation to hold an annual meeting of shareholders at which time directors are elected and other corporate issues are voted on.
<i>Annual Percentage Rate (APR)</i>	The yearly cost of credit or a loan, expressed as a simple percentage. All consumer credit agreements and loans are legally required to disclose the APR.
<i>Annual Report</i>	A yearly statement that describes company management, operations, and financial information. The Securities and Exchange Commission (SEC) requires all corporations issuing registered stock to publish annual reports, which are sent to shareholders and also made available for public review.
<i>Annuitant</i>	The person to whom an annuity is payable.
<i>Annuity</i>	A long-term contract sold by life insurance companies that guarantees fixed or variable payments to the purchaser at regular intervals. Payments are usually scheduled to begin at a future time, such as retirement. Some annuities provide tax-deferred earnings, often as part of retirement plans.
<i>Annuity Cash Refund</i>	The contract for an annuity offering income for life may include a death benefit for the total premiums paid. When the annuitant dies, the annuity cash refund will be the net sum of premiums paid minus the amount received in annuity payments.
<i>Annuity Certain</i>	An option in an annuity contract that allows the annuity owner to select a future level of income covering a specified number of years, generally 10 years. If the annuitant dies before the end of this period, the remaining obligation is transferred to a designated beneficiary.
<i>Annuity Joint Life</i>	An annuity option for two or more individuals where payments cease at the death of the first annuitant.
<i>Annuity Joint and Survivor</i>	An annuity option that provides payments for two designated annuitants. Upon the death of the first annuitant, the surviving annuitant receives prearranged, continued payments for life, based on a percentage received by the first annuitant.
<i>Annuity Modified Refund</i>	In a contributory retirement plan, the annuity beneficiary of a deceased retiree receives the accumulated balance of the pension fund, which is referred to as the annuity modified refund.
<i>Annuity Payout Option</i>	The choice of how payments from an annuity will be received: as a fixed dollar amount, for a fixed period, or over the lifetime(s) of one or two annuitants.

<i>Application Fee</i>	A fee to process a loan application.
<i>Appraisal</i>	An assessment of a property's value by a qualified appraiser, based on information from recent sales of similar properties.
<i>Appreciation</i>	Increase in value. Often used with reference to an asset, such as land, building, stocks or bonds.
<i>Articles of Incorporation (Certificate of Incorporation or Charter)</i>	The articles are the primary legal document of a corporation; they serve as a corporation's constitution. The articles are filed with the state government to begin corporate existence. The articles contain basic information on the corporation as required by state law.
<i>Articles of Organization</i>	LLCs must file the articles with the proper state authorities to begin existence. The articles of organization are very similar to a corporation's articles of incorporation.
<i>Asset</i>	Anything of value owned or controlled by a corporation or individual. An asset may be tangible or intangible.
<i>Asset Allocation</i>	A process that divides investments among different asset classes, such as stocks, bonds, and cash, in order to reduce portfolio risk.
<i>Asset Class</i>	A specific category of assets or investments, such as cash, bonds, stocks, or real estate. Assets in the same class have similar characteristics and behave similarly in the marketplace.
<i>Assignment</i>	The legal transfer of ownership of an asset to another person or entity.
<i>Assumed Name</i>	A name under which a corporation conducts business that is not the legal name of the corporation as shown in its articles of incorporation. If a corporation does business under an assumed name, it may be required to file registration of the assumed name with the state. Also known as a Fictitious Business Name.
<i>Authorized Shares or Stock</i>	The total number of shares a corporation is authorized to sell. This number is specified in the articles of incorporation. All of the shares authorized need not be issued.
<i>Automatic Reinvestment</i>	Automatically depositing mutual fund dividends or capital gains back into an account to buy additional shares.
<i>Bad Debts</i>	Accounts receivable that are uncollectible used in accrual method accounting.

Balance	Amount arrived at by adding all debits and subtracting all credits to ensure total debits equal the total credits.
Balance Sheet	Statement, at a particular point in time, of the financial position of a business or organization. This is generally divided into three parts: assets, liabilities and ownership, or equity. Also known as Statement of Financial Position.
Balloon Mortgage	A type of mortgage with a final payment that is considerably larger than the preceding payments, typically used when borrowers anticipate receiving a large sum of cash to pay the balance or when they expect to refinance before the final payment.
Bank Overdraft	Balance of a bank account when funds withdrawn exceed funds deposited.
Bank Reconciliation	Analysis that accounts for the difference between the balance shown on the bank statement and the balance shown in the accounting records on a given date.
Bankrupt	Legal status of a person/corporation who/which is unable to pay its debts as they become due and who/which has made a transfer of property or of a right or interest in property to a trustee for the benefit of creditors.
Bankruptcy	The state of being insolvent or unable to pay outstanding debt. Declaring bankruptcy is expensive, and it can have adverse effects on one's credit in the future. These are some common ways to apply for bankruptcy:
Basis	The total original cost (including any additional outlays) of an equity investment or a piece of property. This is used by the Internal Revenue Service to compute taxable gain, profit, or appreciation.
Basis Point	A measurement of variation in financial instruments, equal to .01%. For example, a yield that has increased from 8.97% to 9% has increased by 3 basis points.
Bear Market	An extended period during which market prices decline. The opposite of a bull market.
Beneficiary	The person or entity named in a will, life insurance policy, qualified retirement plan, or annuity who will receive benefits upon the death of the insured or the plan participant.
Benefits Received	When people pay taxes according to the amount of government aid (benefits) they receive. Examples of benefits the American public receives include (to name only a few): welfare, child care, Medicare and Medicaid. Some people believe it is only fair that people pay taxes based on the amount of government aid they receive.

Beta	A measure of a security's price volatility relative to an appropriate market index. For example, the S&P 500 index is considered to have a beta of 1; stocks with betas greater than 1 experience more price fluctuations than that index, while the prices of stocks with betas less than 1 fluctuate less often.
Bill of Lading	Written document issued by the carrier of goods. Also, a receipt for goods and a contract to deliver goods.
Blue-Chip Stock	The common stock of a company with a reputation for quality and a long history of earnings growth and dividend payments, such as General Electric, IBM, or DuPont.
Bond	A debt security issued by a corporation, government, or governmental agency that obligates the issuer to pay interest at predetermined intervals and repay the principal at maturity. A bond's face value is the amount of money the holder will receive when the bond matures. The face value does not change, but the bond's market value may fluctuate before maturity.
Book Value	(1) The current value of a fixed asset as shown by the records; the difference between the original cost of the asset and the accumulated depreciation. (2) The difference between the accounts receivable and the allowance for bad debts. (3) The value of a share of stock as shown by the corporate books.
Book of Original Entry	A journal in which transactions are recorded for the first time before summarizing or posting to ledger accounts. For example, purchase journals, cash receipts journals, accounts payable journals, disbursements journals, general journals and payroll journals are all books of original entry. See General Journal and Journal.
Bookkeeping	The recording of financial transactions electronically or manually. The record-keeping part of the accounting process.
Broker	A financial professional who facilitates the trading of services or property such as securities, real estate, insurance, or commodities.
Budget	A report of projected income and expenses for a given period.
Bull Market	An extended period of rising security prices in financial markets. The opposite of a bear market.
Business Succession	A plan for the future transfer of a business entity, involving legal, financial, tax, and family concerns.
Business Taxes	A government levy on income for businesses.

<i>Buy-Sell Agreement</i>	A contract that provides for the purchase of all outstanding shares from a business owner. Generally, such contracts allow for a different ownership structure in the future.
<i>Buy-and-Hold</i>	An investment strategy that advocates holding securities for the long term and ignoring short-term price fluctuations.
<i>Bylaws</i>	Bylaws are the rules and regulations adopted by a corporation for its internal governance. It usually contains provisions relating to shareholders, directors, officers and general corporate business. At the corporation's initial meeting the bylaws are adopted. Bylaws are a private document not filed with any state authority. Bylaws are more flexible than the articles of incorporation because they are easier to amend.
<i>CAPS</i>	A limit on how much the interest rate can change either at each adjustment or during the life of the mortgage, e.g., "2/6" equates to 2% per year and 6% over life of loan.
<i>Cafeteria Employee Benefit Plan</i>	A plan offering a variety of benefit options from which employees may choose, such as health insurance, life insurance, and retirement benefits.
<i>Canceled Check</i>	A check that has cleared the bank and is returned to the depositor with his monthly statement.
<i>Capital (or Equity)</i>	Interest of the owner in the business that is the difference between Assets & Liabilities. Also called Equity or Net worth. In a corporation, capital represents the stockholders' equity.
<i>Capital Asset</i>	Assets, of either a tangible or intangible nature, owned or held by a business which are expected to be used or held over several fiscal periods.
<i>Capital Gain / Loss</i>	Profit or gain realized from the sale or exchange of a capital asset. The amount is determined by calculating the difference between an asset's purchase and sale price.
<i>Capital Gains Distribution</i>	A payment to shareholders of profits realized on the sale of an investment company's securities.
<i>Capital Gains Tax</i>	A tax on profits from the sale of securities or other assets.
<i>Capital Loss</i>	A decrease in the value of an investment or capital asset from its purchase price.
<i>Capital Stock</i>	See Stock and Authorized stock.

Cash Advance	An instant loan against a line of credit. Interest is usually charged on cash advances from the date the advance is made until it is repaid. Issuers may also charge transaction fees.
Cash Basis	An accounting method that counts cash inflows or outflows when they are actually expended or received (as opposed to accrual basis).
Cash Budget	A budget used to quantify an immediate short-term cash flow.
Cash Flow	The aggregate of all cash inflows and outflows. This can be expressed as positive or negative cash flow.
Cash Management	The process of channeling cash into expenditures that enhance productivity.
Cash Surrender Value	The amount the policy-owner receives when voluntarily terminating a cash value life insurance or annuity contract before its maturity or before the insured event occurs.
Casualty Loss	Sudden and unexpected losses due to damage, destruction, fire or theft, for which one can be compensated by insurance contracts.
Certificate of Authority	A document issued by the proper state authority to a foreign corporation granting the corporation the right to do business in that state.
Certificate of Deposit (CD)	An agreement with a commercial bank in which funds are deposited at a fixed interest rate for a specified period of time. CDs are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. There may be a penalty if funds are withdrawn before the CD reaches maturity.
Certified Public Accountant (CPA)	A professional accountant who has received certification to practice accounting from a state board of examination and may also be a member of the American Institute of Certified Public Accountants or other various state CPA organizations.
Chapter 11	A debtor (business, individual, or partnership) is declared bankrupt but is allowed reorganization to attempt debt repayment. Creditor approval is required. A separate taxable entity is created.
Chapter 13	A debtor (individual or sole proprietor) is declared bankrupt but is allowed to retain estate related assets and restructure debt obligations for eventual payment. No creditor approval is required.
Chapter 7	A debtor (individual) is declared bankrupt, and a court-appointed trustee initiates a liquidation process and a discharge of all eligible debts. The debtor

	has no financial sources to attempt a reorganization. A separate taxable entity is created.
Check	A written, signed, and dated instrument that allows for the transfer of money from a bank account to a payee.
Check Register	A form of cash payments journal which is used to record deposits and expenditures in and out of a bank account.
Claim	A request for payment from an insurance policy.
Claims-Paying-Ability Rating	An assessment of an insurance company's ability to pay claims.
Close Corporation or Closely Held Corporation	A close corporation is a corporation that possesses the following traits: a small number of shareholders, no ready market for the corporation's stock and substantial participation by the majority shareholders in the management of the corporation. Some states have close corporation statutes.
Closing	The end of a trading session or the process of transferring real estate from a seller to a buyer.
Closing Costs	Costs involved in transferring real estate from a seller to a buyer, over and above the price of the property. These can include charges for loan origination, discount points, appraisal, property survey, title search, title insurance, deed filing, credit reports, taxes, and legal services. Closing costs do not include points or the cost of private mortgage insurance (PMI).
Cloud on Title	A claim, lien, or right on real estate that requires a quitclaim deed to resolve the potential hindrance before the title can be transferred.
Combined Financial Statement	A side-by-side accounting of balance and net worth statements for several affiliated business enterprises.
Commercial Loan	A loan intended for short-term financing of a business, based on the creditworthiness of the business or owner and the prime lending rate.
Commercial Paper	An unsecured, short-term debt instrument used by corporations with high-quality debt ratings to fund short-term liabilities. Generally considered a safe investment.
Commission	The fee charged by an agent or broker for facilitating a transaction.
Commitment	A written agreement specifying the terms and conditions of a mortgage.

Common Stock	A security that represents partial ownership or equity in a corporation. Holders of common stock are entitled to participate in the company's stockholder meetings and vote for the board of directors.
Compound Interest	Interest calculated on both the principal amount invested and the previously accumulated unpaid interest.
Compounding	A process in which income and gains on an investment are reinvested to grow further. When you earn compound interest, you earn interest on both the principal amount and the accumulated interest as it is earned.
Consignee	A person who receives goods that belong to someone else for future sale or other purpose. Although consignees are not the owners of the goods, they are accountable for them.
Consignment	Goods that are in the hands of someone other than the owner for future sale or other purpose.
Consignor	The owner of goods that are in another person's hands for future sale or other purpose.
Consolidated Financial Statements	Financial statements that show the results of all operations under the parent company's control, including those of any subsidiaries.
Construction Loan Note	A short-term obligation used to fund a construction project. In most cases, the issuers, such as a city government, will repay the note obligation by issuing a long-term bond.
Contingent Beneficiary	A secondary beneficiary who receives insurance benefits if the primary beneficiary revokes his or her status, is ineligible, or is deceased.
Contingent Liability	An obligation to pay if certain future events occur. This can also refer to a defined obligation for which the chances of payment are minimal.
Controlling Interest	Direct or indirect ownership of voting shares sufficient to elect the majority of the board of directors of a corporation.
Convertible Term Insurance	An insurance policy that allows the policyholder to convert the face amount of coverage in term insurance to an identical amount of whole life insurance.
Corporate Bond	A debt security issued by a corporation that obligates the issuer to pay interest periodically and repay the principal at maturity. Corporate bonds often have higher interest rates than government bonds due to possible default risk.

Corporate Record Book	Maintaining the proper records is very important to assure limited liability to corporate shareholders. The corporation should have a record book that contains a copy of the articles of incorporation, bylaws, initial and subsequent minutes of directors and shareholders meetings and a stock register.
Corporation	A group of people acting jointly for business and tax purposes who are able to incur debt and realize profit without immediate legal or taxable liabilities. A corporate entity allows its owners to attract outside capital by selling shares of ownership, protects the owners from liability beyond their investment outlay, provides for continuity of operations beyond the lives of the current owners and allows changes in ownership through the transfer of shares.
Correction	A reverse movement in the price of a stock, bond, commodity, or index that brings it more in line with its underlying fundamental value.
Cosigner	An individual who signs a loan or credit card agreement along with the principal applicant and assumes responsibility for the outstanding balance if the applicant defaults.
Covenant not to Compete	A clause in a contract that obligates one party to refrain from performing professional or business activities similar to those of the other party.
Coverdell Education Savings Account (Coverdell ESA)	A federal program that allows parents to accumulate tax-free savings for a child's college education, formerly called the Education IRA.
Credit (1)	Legal obligation to make repayment at a later date for goods, services or money obtained through the extension of credit, or a promise to pay in the future. The cost of credit is usually referred to as a finance charge, interest or time-price differential
Credit (2)	Entry recording an increase to a liability or owner's equity or revenue, or a reduction to an asset or expense. Credits are recorded in the right hand column of an account or a two-column book. Opposite of debit.
Credit Bureau	Clearinghouse of consumer credit information used by businesses to determine the credit
Credit History	A record of how a party has paid past debts.
Credit Line	A revolving agreement that allows a person to borrow any amount up to a preapproved limit for purchases or cash advances. When the outstanding balance is paid off, credit again becomes available to fund new purchases or cash advances.

<i>Credit Note</i>	Issued by a seller to a purchaser to record the reduction of a bill because of an allowance, return or cancellation. Opposite of an invoice.
<i>Credit Rating</i>	A formal assessment of an individual's or a corporation's ability to handle credit, based on the history of borrowing and repayment, as well as the availability of assets and the extent of liabilities.
<i>Credits</i>	If you have a store credit, you can use the credit to purchase merchandise free of charge. If you have a tax credit, your taxes are reduced by the amount of your credit. You can get tax credits for purposes such as child care expenses and the earned income credit for low-income taxpayers.
<i>Cumulative Voting</i>	Cumulative voting allows shareholders to aggregate their votes in favor of fewer candidates than there are slots available. This method of voting is intended to create adequate representation for minority shareholders.
<i>Current Asset</i>	Unrestricted cash, or any other asset that is expected to be converted into cash or consumed in the production of income within a year.
<i>Current Liability</i>	Liability expected to be liquidated in a year.
<i>Debit</i>	An entry recording an increase to an asset or expense or a reduction to a liability, revenue or owner's equity. Debits are recorded in the left-hand column of an account or a two-column book. Opposite of credit.
<i>Debit Card</i>	A card issued by a bank that can be used to withdraw cash from an automated teller machine or to make purchases at merchant locations. Debit cards deduct funds from the checking or savings account linked to the card when they are used.
<i>Debt</i>	A legal obligation to deliver a product, service or amount of money.
<i>Debt-to-Equity Ratio</i>	The ratio that indicates a company's ability to repay outstanding creditors. This also indicates the degree of leveraged money to improve the rate of return for shareholders.
<i>Decreasing Term Insurance</i>	A term insurance policy with a death benefit that decreases over time. This type of insurance is often used in conjunction with a mortgage or other amortized debt to guarantee payment if the holder dies before it is paid off.
<i>Deed</i>	A document that identifies legal ownership of real estate.
<i>Deferred Annuity</i>	An annuity that pays an income or lump sum at a future date.

Deficit	A negative amount of retained earnings caused by cumulative losses and dividend distributions exceeding cumulative net income.
Defined Benefit Plan	An employer funded and controlled retirement plan that pays a predetermined benefit based on an employee's years of service and salary or wages.
Defined Contribution Plan	A retirement plan to which an employer contributes a fixed amount or percentage of the employee's salary each year. The employee may be allowed to make individual contributions or choose the investment mix for his or her account.
Deflation	The opposite of inflation. A reduction in the price of goods and services. Possible causes of deflation are a decrease in the supply of money or credit or reduced individual or government spending.
Demand Loan	A loan repayable upon the demand of a creditor.
Dependent	A person who relies on another for financial support. Taxpayers who support dependents can claim tax exemptions for them.
Depletion	Gradual using up or consumption of a natural resource.
Deposit	Funds used as collateral for the delivery of a good, such as a security deposit. It can also refer to the transfer of funds to another party for safekeeping, such as a deposit into a bank account.
Depreciation	The decrease in value of a fixed asset during its projected life expectancy, or the decrease in value of one currency in relation to another.
Derivative	A financial instrument whose characteristics and value depend on the value of an underlying instrument or asset, such as a commodity, bond, equity or currency. Futures and options are types of derivatives.
Direct Cost	Costs identified with a specific unit of product. For example, clay in the production of flowerpots or tubing in the production of bicycles are direct costs.
Direct Deposit	The transfer of funds refund directly to a bank account.
Direct Rollover	The tax-free transfer of money or property from one retirement plan or account to another.
Direct Tax	A direct tax cannot be shifted to others, unlike an indirect tax. For example, federal income tax is a direct tax. You are required by law to pay.

Directors	Directors are elected by the shareholders. They manage or direct the affairs of the corporation. Typically, the directors make only major business decisions and monitor the activities of the officers.
Disability-Income Insurance	A policy that provides an income if total disability prevents the insured from working.
Discount Broker	A broker who buys and sells securities at lower rates than a full-service broker, and who may offer fewer services.
Disposable Income	An individual's income after taxes.
Dissolution	The termination of a corporation's legal existence. Dissolution may be caused in a variety of ways including: failure to file annual reports, failure to pay certain taxes, bankruptcy or voluntary dissolution of the corporation by the shareholders and directors.
Diversification	An investment strategy that spreads investment risk over a number of industries, market sectors or companies. Gains in one area can offset losses in another.
Dividend	A distribution of earnings to a shareholder or mutual life insurance policy owner. This distribution is usually in the form of money or stock.
Dollar Cost Averaging	A strategy that invests a fixed dollar amount in securities at set intervals, regardless of market prices. With this approach, an investor buys more shares when prices are low and fewer shares when prices are high, usually resulting in a lower average cost per share.
Domestic Corporation	A corporation is domestic in the state where it was incorporated.
Double Taxation	The result of tax laws that cause the same earnings to be taxed twice. For example, C corporations are taxed at the corporate level, and their shareholders also pay taxes on the dividends they receive.
Dow Jones Industrial Average (DJIA)	The price-weighted average of 30 actively traded blue-chip stocks on the New York Stock Exchange (NYSE). The DJIA represents 15-20% of the market value of NYSE stocks.
Early Withdrawal	The removal of funds from a fixed-rate investment before the maturity date or from a tax-deferred investment account before a predetermined time.
Earned Income	The sum of income pertaining to wages, salaries, tips, self-employed net earnings and any other income received for personal services.

<i>Earned Income Credit</i>	A refundable tax credit low-income workers can file for, even if no income tax was withheld from the worker's pay.
<i>Electronic Banking</i>	Computerized network services that allow bank account holders to securely access their accounts on the internet.
<i>Electronic Commerce (E-Commerce)</i>	The use of the internet to conduct business and buy or sell goods and services.
<i>Electronic Filing (IRS e-file)</i>	IRS e-file options allow you to file federal income tax returns, and some state returns, through a tax professional, through your home computer or even through your telephone. It may also be available in many other places in your local community.
<i>Electronic Funds Transfer System (EFTS)</i>	A process by which funds are electronically transferred between accounts. EFTS allows for direct deposits or withdrawals without processing written checks.
<i>Employee Retirement Income Security Act (ERISA)</i>	A 1974 law establishing government oversight and federal limitations for pension and retirement plans.
<i>Employee Stock Ownership Plan (ESOP)</i>	An employer-sponsored program that encourages employees to purchase shares in the company they work for and possibly participate in management.
<i>Endowment</i>	Assets, funds or property donated to an individual, organization or group to be used as a source of income.
<i>Engagement Letter</i>	Written communication between an accountant and a client with respect to a professional engagement, outlining the scope of the accountant's responsibilities and arrangements agreed upon.
<i>Enrolled Agent</i>	A federally-authorized tax practitioner who has technical expertise in the field of taxation and who is empowered by the U.S. Department of the Treasury to represent taxpayers before all administrative levels of the Internal Revenue Service for audits, collections, and appeals.
<i>Equity</i>	Anything that represents ownership interests, such as stock in a company. Equity can also refer to the difference between an asset's current market value and the debt against it.
<i>Equity Loan</i>	A loan that allows a homeowner to borrow against the accumulated equity in his or her home.

Escrow	A third-party agent, or account, that assumes possession of a contract, a deed or money from a grantor until all outstanding obligations or commitments are complete. Upon completion of these obligations, the property held in escrow is delivered to the grantee.
Estate	Real and personal property owned by a person at the time of death. Real property is land and anything permanently attached to it.
Estate Planning	The process of determining the disposition of a person's assets after death.
Estate Taxes	Federal or state taxes levied on the assets of a person who dies, paid by the decedent's estate rather than by the heirs.
Excess Compensation	The amount above the specified amount upon which calculations for future benefits are based in a pension plan integrated with federal old-age, survivors' and disability insurance (OASDI).
Excise Tax	Excise taxes are taxes on the sale or use of certain products or transactions.
Executor	The person who is named in a will to administer the distribution of the deceased's assets.
Exempt (from tax liability)	Before a taxpayer pays taxes, he or she can claim a set amount of tax deductions for him or herself, a spouse and eligible dependents. The total amount is subtracted from the adjusted gross income before the tax on the remaining income is figured out.
Exempt (from withholding)	A taxpayer can be exempt from paying a certain amount of federal income tax if they meet certain income, tax liability and dependency requirements.
Expenditure	Consumption of an asset or payment for an expense.
External Auditor	An independent accountant engaged to determine if the financial statements of an entity represent the economic events that occurred during the period audited. The external audit is for the shareholders and owners, rather than for management.
F.O.B.	Shipping term meaning "free on board" to inform the purchasers of the location at which they become responsible for the shipping charges. For example, F.O.B. Toronto means the vendor pays the charges to Toronto's freight yard and the purchaser is responsible from there.
FICA (Federal Insurance Contributions Act)	The Federal Insurance Contributions Act (FICA) consists of both a Social Security payroll tax and a Medicare tax. The tax is levied on employers, employees and certain self-employed individuals.

FORM 1040EZ	A simplified form to be used in place of the 1040 form for some individuals.
FORM W-2	By January 31 of each year, your employer, even if you do not work there anymore, will provide you with a statement of how much you earned in wages, tips and other compensation from the previous year. This form will reflect state and federal taxes, social security, Medicare wages and tips withheld. It also includes a lot of other really important information you will need to file your return.
FORM W-4 (Employee's withholding allowance certificate)	Form W-4 is used to determine how much of an employee's paycheck is withheld for federal income taxes.
Fair Market Value	The highest price available in an open and unrestricted market between informed, prudent parties, acting at arm's length and under no compulsion to transact. Fair market value is expressed in terms of money, or money's worth.
Family Limited Partnership (FLP)	A partnership of family members that helps arrange for generational transfers of wealth or a business, maintain control within the general partners and reduce potential liability to the transferor and transferee.
Federal Reserve System (The Fed)	The board of governors that oversee the Federal Reserve Banks, establishes monetary policy, such as interest rates or credit, and monitors the economic health of the country. Its members are appointed by the President, subject to Senate confirmation and serve 14-year terms.
Federal Tax Identification Number	A number given to a corporation or other business entity by the federal government for tax purposes. Banks generally require a tax identification number to open bank accounts.
Fiduciary	An individual who provides investment advice for a fee, who exercises discretionary authority in managing assets or who is responsible for holding assets in trust and investing them for the benefit of another party.
File A Return	To file a return is to send in your completed tax forms. All your tax information appears on the return, including income and tax liability.
Filing Status	Your filing status determines your tax bracket and amount of taxes you must pay. Factors such as marital status affect your filing status.
Financial Aid	Financial support that a student receives to attend school, including loans, grants, scholarships and work-study programs.
Financial Statements	Formal financial reports prepared from accounting records. For example, Profit & Loss Statement, Balance Sheet or Statement of Retained Earnings are all types of financial statements.

<i>First-to-Die Life Insurance</i>	A life insurance policy covering two or more people that pays a death benefit when the first person dies.
<i>Fiscal Year</i>	A period of one year for which financial statements are prepared that may, or may not, coincide with the calendar year. Any twelve-month period used by a business as its accounting period.
<i>Fixed Annuity</i>	An investment contract sold by a life insurance company that guarantees regular payments to the purchaser for life or a specified period of time, in exchange for a premium paid either in a lump sum or in installments.
<i>Fixed Assets</i>	See Capital Assets
<i>Fixed Rate</i>	A mortgage with an interest rate which does not increase or decrease during the term of the loan.
<i>Fixed-Rate Mortgage</i>	A mortgage with a set interest rate that remains the same over the life of the loan.
<i>Floating Debt</i>	The constant renewal of government Treasury bills, or short-term corporate bonds, to pay off current liabilities, or finance cash flow.
<i>Flood Insurance</i>	Insurance against flood damage, usually required by mortgage lenders if a property is located in a flood zone.
<i>For Sale By Owner (FSBO)</i>	When a homeowner sells his or her home directly to another party, without the assistance of an agent, or broker.
<i>Foreclosure</i>	The legal procedure by which a mortgage holder can seize the property of a borrower who has not made required payments.
<i>Foreign Corporation</i>	A corporation is referred to as a foreign corporation in all states except for the state where it is incorporated. If a corporation conducts business in a state other than where it was incorporated, it must register for a certificate of authority to transact business in the other state or possibly lose access to that state's courts and face fines.
<i>Forfeitures</i>	Non-vested employer contributions from the accounts of employees who leave an employer's pension plan. These may be applied as credits to remaining employee accounts or used to offset future employer contributions.
<i>Formal Tax Legislation Process</i>	There are strict steps, that involve the President and Congress, that a proposed tax must pass through before it becomes a law.

Franchise	A license that allows a designee to sell and market a company's products or services in a fixed geographic area.
Franchise Tax	A tax imposed by the state for the privilege of carrying on business as a corporation or LLC. The value of the franchise tax may be measured by amount of earnings, total value of capital or stock or by amount of business done.
Fringe Benefits	Opportunities and services offered beyond wages, or salary, in compensation for employment. Common fringe benefits include paid holidays, sick days, paid vacation days, insurance coverage or retirement plans.
Front-End Load	A sales fee, or load, that is paid up front by investors when they purchase an investment and deducted from the investment amount. A front-end load generally lowers the size of the investment.
Futures	Agreements to buy or sell a specific amount of a commodity or financial instrument at a set price on a specific future date.
GAAP	Abbreviation for generally accepted accounting principles. GAAP, by definition, have been given formal recognition, or authoritative support.
GAAS	Abbreviation for generally accepted auditing standards. GAAS, by definition, have been given formal recognition, or authoritative support.
General Journal	Journal in which transactions are recorded for which specific journals are not provided. For example: adjustments and corrections. In a small operation the general journal may be the only book of original entry.
General Ledger	All the financial accounts and statements of a business, including debits, credits and balances.
General Partner	An authorized agent of a partnership and of all other partners for all purposes within the scope and objectives of a business.
Gift	A voluntary transfer of assets, or property, with no compensation.
Gift Tax	A tax levied on assets transferred from one person to another. This tax is paid by the donor.
Golden Boot	The offering of financial incentives or benefits to persuade an older employee to retire early.

<i>Golden Handcuffs</i>	Benefits given to a valued employee to persuade him or her to remain with the company.
<i>Golden Parachute</i>	A benefits package given to top executives who are laid off due to a corporate buyout, or takeover.
<i>Goodwill</i>	The difference between going-concern value and tangible asset value. Tangible assets include identifiable intangible assets with values that can be separately determined.
<i>Government Bond</i>	A debt security issued by the U.S. government: two common types are savings bonds and marketable securities.
<i>Grace Period</i>	A period of time after the due date of a payment during which the overdue payment may be made without penalty, or lapse, in contractual obligations.
<i>Gross Estate</i>	The total dollar value of a person's assets at the time of death, before taxes and other debts.
<i>Gross Income</i>	Gross income is the total of all receipts and gains minus the inventory cost of the business in a given time period. For example, people who use the barter system are required to include whatever they've bartered for as part of their gross income.
<i>Gross Monthly Income</i>	Total monthly income from all sources before taxes and other expenses.
<i>Group Life Insurance</i>	A life insurance policy that insures a group of people. This type of policy is often provided as an employee benefit.
<i>Guardian</i>	An individual who has legal responsibility for a minor child, or a legally incapacitated adult.
<i>Health Savings Account (HSA)</i>	An account that offers individuals covered by high-deductible health plans (HDHPs) tax-favored opportunities to save for medical expenses.
<i>Highly Compensated Employee (HCE)</i>	For benefit plan purposes, an employee who receives compensation in the top 20% of all employees, is a 5% owner of the business, and exceeds certain annual compensation levels.
<i>Holding Company</i>	A corporation that has no other function except owning other corporations.
<i>Home Equity</i>	The difference between a home's current market value and the sum of all claims against it.

Home Equity Loan	A loan in which the lender allows the borrower to use the equity in his or her home as collateral for a line of credit, or revolving credit. The borrower may then obtain cash advances by using a credit card, or checks, up to some predetermined limit.
Horizontal Equity	Horizontal equity says that people in the same income groups should be taxed at the same rate.
Household Income	The combined income of all household members from all sources. These sources include wages, commissions, bonuses, Social Security and other retirement benefits, unemployment compensation, disability, interest and dividends.
Housing Ratio	The ratio of a person's monthly housing payment to his or her total monthly income.
Income	The amount of money a person receives from all sources. These sources include wages, commissions, bonuses, Social Security and other retirement benefits, unemployment compensation, disability, interest and dividends.
Income Statement	A financial statement summarizing revenues, expenses, gains and losses for a stated period of time. The income statement is also known as a profit & loss statement, statement of earnings, statement of income or statement of operations.
Income Tax	These are taxes on income, both earned income, such as salaries, wages, tips or commissions, and unearned income, such as interest from savings accounts or dividends if you hold stock. Individuals and businesses are subject to income taxes.
Incorporated (Inc.)	See Corporation
Incorporator	The person or entity that prepares and files the articles of incorporation. Total Tax Solutions acts as an incorporator for many new companies.
Indemnify	To reimburse or compensate. Directors and officers of corporations are often reimbursed or indemnified for all the expenses they may have incurred during the incorporation process.
Index	A hypothetical portfolio of securities that represents a particular market or portion of it. An index is used to measure the amount of change in a particular security by comparing it to similar companies.
Indirect Tax	A tax collected by an intermediary who shifts the economic burden to another. For example, a company might have to pay a specific tax to the government. The company pays the tax but can increase the cost of their products so

	consumers are actually paying the tax indirectly by paying more for the company's products.
Individual Retirement Accounts (IRAs):	A tax-deferred product offered by banks, mutual funds and other companies. Under current law, a married couple can put \$11,000, \$5,500 each (\$6,500 each if you are age 50 or older), into their own IRA each year in a wide range of savings accounts and investments. Earnings are tax-deferred until you begin withdrawing the money, which you can start doing without penalty after age 59 ½. Under current tax law, some people, depending on income, marital status or other factors, can deduct all or part of their IRA contributions, which reduces their taxes.
Inflation	The general rise in the prices of goods and services that occurs when demand increases relative to supply.
Informal Tax Legislation Process	Meetings where individuals and interest groups get together to discuss tax issues.
Initial Public Offering (IPO)	A company's first public offering of stock.
Insolvency	When liabilities exceed assets. Also, the inability to pay debts when due. See Bankruptcy.
Installment	A part of a sum of money, or debt, to be paid at regular intervals, usually made up of principal and interest combined.
Insufficient Funds	Not having enough money in a bank account to cover a specific debt.
Insurability	An insurance applicant's likelihood of being accepted by an insurer, based on health, occupation, lifestyle and finances.
Insurable Interest	A vested financial interest in the life of another person.
Insured	An individual who is covered by an insurance policy.
Intangible Asset	An asset without physical substance that has value due to rights resulting from its ownership and possession. For example, goodwill, patents or trademarks are all intangible assets.
Integrated Plan	An employee pension plan included with Social Security benefits or with Old-Age, Survivorship and Disability Insurance (OASDI) contributions.

<i>Intellectual Capital</i>	The financial value that human innovations and intelligence bring to a business enterprise.
<i>Interest (1)</i>	"Interests" represent a member's ownership of an LLC just as a partner has an interest in a partnership and shareholders own stock in a corporation.
<i>Interest (2)</i>	The cost of using money over time usually expressed as an annual percentage.
<i>Interest Income</i>	Fully-taxable income earned in the form of interest which accumulates from cash temporarily held in savings accounts, certificates of deposits, or other investments.
<i>Interest Rate</i>	The cost of borrowed money expressed as a percentage for a given period of time, usually one year.
<i>Internal Auditor</i>	An employee of an entity, such as a corporation, who audits for management, providing valuable information for decision-making concerning the effective operation of its business.
<i>Internal Control</i>	A coordinated system of procedures and techniques designed to safeguard a company's assets, to ensure the accuracy of its accounting records and to promote efficiency and adherence to prescribed policies.
<i>Internal Rate of Return (IRR)</i>	The theorem of compounding interest in reverse, or discounting. IRR is important in planning capital outlays and evaluating rental real estate investments.
<i>Inventory</i>	Items of tangible property held for sale. An inventory is a detailed list of items and their values owned at a specific point in time. Stock inventory would include raw materials for manufacture, materials partly processed and finished products including items in transit for which title is held, but would not include items physically held for which title belongs to others. Inventories may also be made of fixed assets, stationery and supplies, etc.
<i>Investment</i>	Funds committed to acquire something tangible or intangible in order to receive a return, either in revenue or use.
<i>Investment Objective</i>	The financial goal of an investment.
<i>Invoice</i>	Document for goods purchased or services rendered showing details such as quantities, prices, dates, shipping details, order numbers, terms of sale, etc.

<i>Irrevocable Trust</i>	A trust that cannot be altered or canceled without the permission of the beneficiary or trustee. The grantor gives up all ownership rights to the assets and the trust in such cases.
<i>Joint Products</i>	Two or more goods having approximately the same economic value that are manufactured simultaneously from the same raw material.
<i>Joint Tenancy</i>	A form of property ownership in which two or more people own an undivided interest in the property. When one joint owner dies, ownership automatically passes to the surviving joint owner(s).
<i>Journal</i>	A book of original entry in which financial transactions are recorded. For example, a purchase journal is a record of purchase transactions.
<i>Journal Entry</i>	A transaction log of unique or recurring items. For example, debits and credits would be logged into a journal as journal entries.
<i>Keogh Accounts</i>	Similar to a 401(k), but for the self-employed.
<i>Keogh Plan</i>	A tax-deferred defined benefit or contribution plan that a self-employed individual can set up.
<i>Key Employee</i>	An employee whose skills, knowledge or abilities are crucial to the ongoing operation of the company. This term is used in applying top-heavy tests for qualified referral plans under the Internal Revenue Code Section 416.
<i>Key Person Insurance</i>	An insurance policy that reimburses a company for the loss of a key employee.
<i>Lapsed Policy</i>	An insurance policy that is canceled for nonpayment of premiums, or canceled before it has cash or surrender value.
<i>Lease</i>	A legal contract conveying the use of property from the owner (lessor) to another (lessee) at a fixed rate, for a stated length of time.
<i>Lease-Purchase Agreement</i>	An agreement where a portion of each lease payment applies to a future purchase of the leased property. Also, applies where the leaseholder has the right to buy the property during or at the conclusion of the lease term.
<i>Leaseback (Sale and Leaseback)</i>	An arrangement in which the seller of an asset leases that same asset back from the purchaser. For example, a business owner may sell the business's office building to raise cash, then arrange to lease the building from the new owner so the business can remain at its present location.

<i>Leasehold Improvements</i>	Additions, improvements or alterations made to leased property by the lessee.
<i>Ledger</i>	A book of final entry containing all the accounts of a business or all the accounts of a particular type. Some examples are general ledgers and accounts receivable ledgers.
<i>Lender</i>	A person or organization that parts with something of value for a stated, or open, duration of time in exchange for specific compensation.
<i>Letter of Credit</i>	A document by which a bank substitutes its creditworthiness for that of a recipient customer and buyer in a sales transaction.
<i>Level Premium Term Insurance</i>	A life insurance policy for which premiums remain the same from year to year for a specified period.
<i>Liability</i>	Something for which one is held liable, such as an obligation or debt. Financial liabilities can include loans, mortgages, accounts payable, deferred revenues and accrued expenses, among others.
<i>Life Annuity</i>	An annuity that provides income for life.
<i>Life Cycle</i>	The time period from the beginning to the end of the life of an individual, product or business. Corporate business entities frequently have life cycles that extend beyond those of their founders or current owners.
<i>Life Expectancy</i>	The average number of years that an individual of a given age is expected to live.
<i>Life Insurance</i>	A contract in which the insured pays a premium to an insurance company in exchange for a defined payment to a beneficiary, usually a family member, upon his or her death. Available types of life insurance include term life, whole life and universal life.
<i>Lifetime Learning Credit</i>	A federal tax credit for qualified higher education expenses incurred to learn or improve job skills.
<i>Limited (Ltd.)</i>	See Corporation
<i>Limited Liability Company</i>	A business entity formed upon filing articles of organization with the proper state authorities and paying all fees. LLCs are a new entity in the United States, although the concept has long been used internationally. LLCs provide limited liability to their members, and are taxed like a partnership, preventing double taxation. LLCs can be formed in every state.

Limited Liability Corporation (LLC)	A form of business ownership that provides each shareholder with limited liability to the extent of invested capital.
Limited Partnership	An investment affiliation consisting of a general partner and limited partners. The general partner, in return for fees and a percentage of ownership, manages business operations and is ultimately liable for any debt. Limited partners may receive income, capital gains, and tax benefits in return for their investment, but have little involvement in management.
Liquid Asset	An asset, such as cash, that can be readily converted into other types of assets or used to buy goods and services or satisfy obligations.
Liquid Assets	Cash and short-term investment vehicles. Liquid assets can be things like commercial paper, checking accounts, account receivables and Treasury bills.
Liquidation	The winding-up of an organization by settling with debtors, creditors and shareholders. Usually done by selling or otherwise disposing of assets to pay off liabilities.
Liquidation Value	The net amount realized on assets in the event of a liquidation.
Liquidity	The ability to quickly convert assets into cash without significant loss.
Liquidity Ratio	A ratio that quantifies a company's ability to discharge debt obligations maturing within one year.
Living Trust	A trust established by a living person who controls the assets he or she contributes to the trust.
Living Will	A document designating another person to make medical decisions for the principal if he or she becomes incapacitated due to accident or illness.
Local Tax	In addition to federal and state taxes, your local town or city may also need tax money to operate services such as garbage pick-up water treatment, and street-cleaning. This tax money is known as a local tax.
Locking In	The process of assuring that an interest rate has been set. In the case of a mortgage, there may be a fee to lock in a particular rate.
Long-Term Care Insurance	An insurance policy that covers long-term health care expenses, such as nursing home care, in-home assistance, assisted living or adult day care.
Loss	The excess of expenditures over revenues. The opposite of income or profit.

Management Accounting	Accounting concerned with providing information to managers who are inside an organization and also direct and control operations. Management Accounting includes cost accumulation for product costing, budgeting and financial statement analysis.
Management Buyout	When managers or executives of a company buy a controlling interest in their company from existing shareholders. If they pay a premium over the existing fair market value of the outstanding shares, the company then becomes a private corporation without a majority of shares trading on the market.
Management Fee	A charge against an investor's assets for a fund manager's services.
Manager	An LLC may be operated by a group of managers who act much like a board of directors. If an LLC is to be controlled by managers this fact must be stated in the articles of organization.
Mandatory Employee Contribution	Some employee benefit plans require employees to make contributions in order to accrue benefits.
Market Risk	The portion of a security's risk common to all securities in the same asset class. Market risk cannot be eliminated through diversification.
Market Timing	A strategy in which an investor attempts to predict market trends, such as the direction of stock prices or interest rates, and buys and sells securities quickly to turn profits on short-term price fluctuations.
Market Value	The highest price that an owner could realize in an open market transaction. See Fair Market Value.
Materiality	A term used to describe the significance of financial statement information to decision makers. An item of information is material if it is probable that its omission or misstatement would influence or change a decision.
Maturity	The point in time when a debt, such as a bond, becomes due for payment.
Medicaid	A federal program that covers medical expenses for individuals who are financially unable to afford health care.
Medicare	A federal program that covers health care for individuals age 65 and over and individuals with certain disabilities.
Medicare Part D	The prescription drug benefit program for Medicare recipients.

Member	A member is a person who is an owner of a Limited Liability Company. The members make the business decisions of an LLC unless the articles of organization provide that the LLC will be controlled by a manager, or managers.
Merger	A merger occurs when one corporation is taken over by another.
Minimum Participation Requirements	Generally, a participant must be 21 years old and have been a full-time employee for one year to receive benefits from an employer-sponsored retirement plan.
Minority Interest	The equity of all shareholders who do not hold a controlling interest in a company.
Minutes	A written record which details the events of the corporation. These records should be kept in the corporation's record book.
Money Market	Financial markets in which short-term debt instruments such as Treasury bills, commercial paper and CDs are traded.
Monthly Housing Expenses	The sum of the principal, interest and taxes a borrower pays toward housing on a monthly basis, used to determine affordability.
Mortality Table	A statistical table showing the death rates of people at various ages.
Municipal Bond	A tax-exempt bond issued by a state government or agency, or by a town, county or other political subdivision or district.
Name Reservation	The name of a corporation or LLC must be distinguishable on the records of the state government. If the name is not unique, the state will reject the articles of incorporation or articles of organization in the case of LLCs. A name can be reserved, usually for 120 days, by applying with the proper state authorities and paying a fee.
National Association of Securities Dealers Automated Quotations (NASDAQ)	A computerized system that facilitates trading and offers price quotes for the most actively traded over-the-counter (OTC) securities.
Net Income	Total revenue minus total costs, expenses and taxes.
Net Worth	The amount of asset value exceeding total liabilities.
New York Stock Exchange (NYSE)	The oldest and largest stock exchange in the U.S. The NYSE lists many of the country's largest corporations.

No-Par-Value Stock	Stock with no minimum value. Most states allow no-par stock.
Noncontributory Retirement Plan	A pension plan that is funded only by employer contributions with no employee contributions.
Nonforfeitable Benefit	In an employee benefit plan, a benefit that is payable upon any occurrence listed in the employee contract and cannot be forfeited.
Nonqualified Plan	An employee benefit plan that does not meet the requirements laid out in Section 401(a) of the Internal Revenue Code and, therefore, is not qualified for favorable tax treatment.
Not-For-Profit Corporation	A corporation organized for some charitable, civil or other social purpose that does not entail the generation of profits for shareholders. These corporations receive special tax treatment. Not-for-profit corporations must file not-for-profit articles of incorporation with the state.
Notary Public	A public officer who can authenticate signatories on documents and take depositions or oaths, authorized by a particular state or jurisdiction. Banks, insurance agencies, legal offices and government buildings often have notaries public on staff.
Note Payable (Promissory Note)	Written promise made by one party to another to pay a specific amount on demand or by a definite date.
Note Receivable	Written promise by one party to make payment to another party at a specified date.
Offering Price	The per share price at which a stock or mutual fund is offered to the public. The market price may be more or less than the offering price.
Officers	Officers are people who are appointed by the directors. They manage the daily affairs of the corporation. A corporation's officers usually consist of a president, vice-president, treasurer and secretary. In most states, one person can hold all of these positions.
Old-Age, Survivors and Disability Insurance (OASDI)	Also known as Social Security. OASDI is a comprehensive federal benefits program that includes retirement benefits, disability income, veterans' pensions, public housing and food stamps.
Operating Agreement	An agreement among the LLC members which govern the LLC operations and the rights of its members. It is analogous to corporate bylaws.
Option	The right to buy or sell a security at a set price on or before a given date. "Call" options are bets that the security will be worth more than the price set

	by the option, the strike price, plus the price of the option. "Put" options are bets that the security's price will fall below the price set by the option.
Options	Marketable securities that provide for future exchange of cash and common shares contingent upon the option owner's choice.
Ordinary Income	Income derived from normal business activities, such as wages and salary, as opposed to capital gains.
Organizational Meeting	The initial meeting where the formation of the corporation is completed. At the organizational meeting a number of initial tasks are completed, such as the articles of incorporation are ratified, the initial shares are issued, officers are elected, bylaws approved and a resolution authorizing the opening of bank accounts is passed. If the initial directors are named in the articles of incorporation, they can hold the organizational meeting. If they are not named, then the incorporator holds the organizational meeting.
Over-the-Counter (OTC)	A security traded in contexts other than a formal exchange. OTC can also refer to a market where security transactions are conducted by telephone and computer, rather than on the floor of an exchange.
Overhead	Fixed costs not directly applicable to the production of a product. For example, costs of lighting and heating a factory.
Owner's Equity	What the business is worth to the owner. See Capital and Equity.
PITI	The four components of a mortgage payment: principal, interest, property taxes and insurance.
Paid in Capital Requirements	A few states require corporations to have a specified amount of paid-in capital prior to starting business. These states include CT, DC, SD and TX and require that the company have \$1,000 in paid-in capital before starting business.
Paid-Up Additions	Additional life insurance coverage. These are typically purchased with policy dividends.
Par Value	The face value of a stock or bond when issued, which may bear little relationship to the security's current market value.
Par-Value	The stated minimum value of a share stock. Stock must be sold for at least this value or the owner of the stock can face liability. With low par value stock or no par value stock this liability is minimized.

<i>Parent Company</i>	A corporation that directly or indirectly owns a controlling interest in another corporation. See Subsidiary.
<i>Partnership</i>	A contractual association between individuals who share in the management and profitability of a business venture.
<i>Pass-Through Taxation</i>	Income to the entity is not taxed. Instead the income is "passed through" to the individual shareholders or interest holders. S corporations, Partnerships and LLCs are pass-through taxation entities.
<i>Past Due</i>	A payment that has not been received by the end of the lender's grace period. Creditors may assess late fees for past due payments or report the account holder to a credit reporting agency.
<i>Patent</i>	An official license granted by the Patent Office that gives an individual or business the rights to the production or sale of a specific invention, process, or design for a specified period of time.
<i>Payable</i>	An obligation to pay a sum at a future date.
<i>Payroll</i>	A record of wages or salaries paid or payable. The actual wages and salaries paid during a given period.
<i>Payroll Taxes</i>	There are two main forms of payroll taxes. One is in the form of withholding and the other is paid directly by the employer. In the first case employers deduct a certain amount from employee paychecks to pay for taxes. In the second, employers pay a tax based on the number of employees and how much they are paid. This tax money funds many finance specific programs, including social security, health care and worker's disability.
<i>Pension</i>	Arrangement whereby an employer agrees to provide benefits to retired employees. A pension is paid out in a series of regular payments or a lump sum of money to retired employees or their beneficiaries.
<i>Permanent Life Insurance</i>	A life insurance policy that does not expire and combines a death benefit with a savings portion that the insured can borrow against or withdraw for cash needs. The two main types of permanent life policies are whole life and universal life.
<i>Personal Income Tax</i>	Everyone pays a tax on his or her yearly total amount of taxable income. The personal income tax is not a tax on the taxpayer's total income as the taxpayer can take deductions. Deductions are subtracted first from the taxpayer's income and then he or she pays the tax on the remaining amount.

<i>Plan Administrator</i>	An individual who administers government regulations and procedures for an employee benefit program and confirms that all participating employees receive annual reports.
<i>Plan Sponsor</i>	An employer who establishes and perpetuates a qualified employee benefit pension plan.
<i>Points</i>	A measure that quantifies the initial fee charged by a mortgage lender, with each point being equal to 1% of the total loan principal. For example, on a \$100,000 mortgage, four points would cost a borrower \$4,000.
<i>Policy</i>	A legal document that states the terms of an insurance contract, or the contract itself.
<i>Policy Dividend</i>	A refund that reflects the difference between the life insurance premium charged and the insurer's actual cost of providing coverage.
<i>Policy Exclusion</i>	An item specifically not covered by an insurance policy.
<i>Policy Loan</i>	A loan from an insurance company against the cash surrender value of a life insurance policy.
<i>Policy Reserves</i>	The funds that insurers are required to hold in order to cover all policy obligations.
<i>Policy Rider</i>	A provision that can be added to an insurance policy at an additional cost to increase or limit the benefits of the policy.
<i>Policyholder</i>	The person or entity that owns an insurance policy.
<i>Portability</i>	An employee's ability to retain his or her benefits after employment ceases.
<i>Portfolio</i>	The combined security holdings of an investor or mutual fund.
<i>Posting</i>	Process whereby transactions are transferred from a journal to a general ledger or subsidiary ledger.
<i>Power of Attorney</i>	A legal document that gives one person the power to perform specified acts or make decisions on behalf of another person, should that person become incapacitated.

<i>Preemptive Rights</i>	Rights delineated in the articles of incorporation granting shareholders the first opportunity to buy a new issue of stock in proportion to their current equity. The shareholder has the right to buy the new issue of stock, but is not required to make the purchase. If the shareholder elects not to exercise this right, the shares can be sold on the open market.
<i>Preferred Stock</i>	A security representing partial ownership or equity in a corporation. Preferred stock does not give the stockholder voting rights, but takes precedence in claims against the company's profits and assets.
<i>Premature or Early Distributions</i>	Withdrawals from qualified retirement plans before the age of 59½.
<i>Premium</i>	A periodic payment for an insurance policy.
<i>Premium Loan</i>	A loan made from an insurance policy to cover premiums.
<i>Prepaid</i>	An asset created by payment for economic benefits that do not expire until a later time. As the benefit expires, the asset becomes an expense. Such assets include prepaid rent and prepaid insurance.
<i>Prepayment</i>	Repaying installment credit before it is due or paying off a loan before its maturity date.
<i>Prepayment Penalty</i>	On a loan without a prepayment clause, the fee a borrower pays for repaying the loan before it is due.
<i>Present Value</i>	The amount that a future sum of money is worth today, given a specified rate of return.
<i>Price/Earnings Ratio (P/E)</i>	A stock's price divided by its earnings per share; this ratio tells investors how much they are paying for a company's current earnings.
<i>Primary Beneficiary</i>	The named beneficiary who receives the proceeds of an insurance policy or annuity contract upon the death of the insured or annuitant.
<i>Prime Rate</i>	A standardized short-term borrowing rate established by the Federal Reserve Board.
<i>Principal</i>	The original amount of money invested in a security, the face value of a bond, or the remaining amount owed on a loan, separate from interest. "Principal" can also refer to the owner of a private company or the main party in a financial transaction.

<i>Private Letter Ruling</i>	The Internal Revenue Service's interpretation of a tax situation in light of a particular individual's circumstances. Private letter rulings are nonbinding and do not set precedent for other cases.
<i>Private Mortgage Insurance (PMI)</i>	Insurance that protects the lender in case of default on a mortgage.
<i>Professional Corporation</i>	A corporation that is organized for the purpose of engaging in a learned profession such as law, medicine or architecture. Professional corporations must file articles of incorporation with the state which meet the state's requirements for professional corporations.
<i>Profit</i>	The excess of total revenue over total expenses for a period of time.
<i>Profit and Loss Statement</i>	A statement that summarizes a company's revenues, costs and expenses incurred during a specific time period.
<i>Profit-Sharing Plan</i>	A defined contribution plan to which employers contribute a percentage of the company's profits, usually based on the employee's earnings.
<i>Progressive Tax</i>	A tax that takes a larger percentage of income from higher income groups than from lower income groups.
<i>Prohibited Transaction</i>	A transaction involving an IRA that is forbidden by the Internal Revenue Code, such as borrowing against an IRA, using an IRA as collateral or investing IRA funds in collectibles.
<i>Property</i>	Anything that has a value and is owned whether it is tangible, intangible, personal, public or common.
<i>Property Tax</i>	A tax imposed upon the owner of real property. This type of tax is also known as a millage tax.
<i>Proportional Tax</i>	Proportional taxes take the same percentage of income from all groups. This type of tax is not currently in use.
<i>Prospectus</i>	An official document that must be provided by the issuer to potential purchasers of a new security. A prospectus will contain reports on the financial status of the issuer and the specifics of the issue itself.
<i>Proxy</i>	If a shareholder can not attend a meeting, the shareholder is allowed to vote by proxy. A proxy grants another individual the power to vote on their behalf.

Qualified Plan	A retirement plan that meets the requirements of Section 401(a) of the Internal Revenue Code and is eligible for tax-favored treatment.
Quorum	The minimum attendance required to conduct business at a meeting. Usually, a quorum is achieved if a majority of directors are present, for directors meetings, or outstanding shares are represented, for shareholder meetings. The percentage needed for a quorum may be modified in the bylaws.
Quotation	The highest bid and lowest asked offering price currently available for a security.
Rate of Return	The gain or loss of an investment over a specified period of time, expressed as a percentage of the original investment cost.
Rated Policy	An insurance policy that covers a higher risk for a higher than usual premium.
Ratio	Relative size, expressed as the number of times one quantity is contained in another. For example, the ratio of assets to liabilities of a company having total assets of \$200,000 and liabilities of \$150,000 would be $\$200,000 / \$150,000 = 1.33$
Real Estate Investment Trust (REIT)	A security that is traded like a stock on the major exchanges and invests primarily in real estate.
Recapitalization	When a company changes its capital structure by exchanging preferred stock for bonds to reduce taxes or to avoid or emerge from a bankruptcy.
Receivable	An amount to be received at a future date.
Redemption	The repayment of a debt security or preferred stock, either for par value at maturity or for a premium before maturity.
Refinancing	Rescheduling of payments due. This usually resulting in smaller payments over a longer period of time.
Refund	When your employer deducts too much money from your paycheck, the government owes you that money back. When they pay it, it is called a refund.
Registered Agent	The agent named in the articles of incorporation. The agent will receive service of process on the corporation and other important documents. The agent must be named in the articles of incorporation.

Registered Office	The office named in the articles of incorporation. The registered office must be where the registered agent is located, and need not be the principal office or place of business of the corporation.
Regressive Tax	A tax that takes a smaller percentage from those with high income than from those with lower income.
Required Minimum Distribution (RMD)	The legally required minimum annual amount that must be distributed from a retirement account to an IRA holder or qualified plan participant.
Resolution	A resolution is a formal decision of the corporation that has been adopted by either the shareholders or the board of directors.
Retained Earnings	Cumulative net incomes of a corporation less losses and dividend distributions to shareholders, profits not distributed.
Revenue	Money that a company receives from the sale of goods and services, before expenses and taxes.
Reverse Mortgage	A loan used to turn home equity into tax-free cash payments to the homeowner, or borrower, usually to fund retirement needs.
Review Engagement	The unaudited review of financial statements of a business or organization by an independent accountant for the purpose of determining the plausibility of the information reported on. A review includes making inquiries concerning financial, operating and contractual information, applying analytical procedures and having discussions with appropriate officials of the enterprise.
Review Engagement Report	The accountant's report that prefaces unaudited financial statements and provides negative assurance that the financial information conforms to generally accepted accounting principles.
Risk	Possibility that the actual return on an investment will be less than its expected return.
Risk Tolerance	An investor's ability to handle declines in the value of his or her investment portfolio.
Rollover	A tax-free transfer of funds from one retirement plan to another.
Roth IRA	A type of Individual Retirement Account (IRA) in which contributions are nondeductible. Earnings in a Roth IRA grow tax-deferred and distributions are tax-free if you have owned the account for five years and are at least age 59½.

<i>Roth IRA Conversion</i>	The process of converting an existing IRA into a Roth IRA. There are specific income eligibility requirements, through 2009, and income tax consequences for this.
<i>S Corporation</i>	A small corporation which elects sub-chapter S tax treatment. This tax treatment allows the corporation to avoid federal level taxation. Corporate Profits and Losses are passed through to the shareholders.
<i>SIMPLE (Savings Incentive Match Plan for Employees) Plan</i>	A retirement plan that allows employee pretax contributions and requires employer matching contributions. All contributions are immediately vested, and the plan can be set up as a 401(k) or IRA.
<i>Salary Reduction Plan</i>	A qualified retirement program to which employees make tax-advantaged contributions on a pretax basis.
<i>Sales Taxes</i>	A tax collected by a retailer against the retail price of a commodity.
<i>Savings Account</i>	An account with a bank, or savings and loan company, that pays interest on money deposited.
<i>Schedule</i>	A form a taxpayer uses to itemize specific sources of income or expenses that are claimed as deductions.
<i>Section 162 (Executive Bonus) Plan</i>	A life insurance policy for which the insured's employer pays premiums under Internal Revenue Code Section 162.
<i>Secured Card</i>	A credit card guaranteed by a deposit in a savings account, or certificate of deposit (CD), with a credit line usually equal to the deposit. If the cardholder defaults on payments, the issuer may apply the deposit toward the balance owed.
<i>Securities and Exchange Commission (SEC)</i>	The primary federal regulatory agency for the securities industry. The SEC is responsible for promoting full public disclosure and protecting investors against fraudulent and manipulative practices.
<i>Security</i>	Collateral for a debt. For example, accounts receivable may be pledged as security for a loan. Security is a generic term used to refer to a bond, share certificate or other medium or long-term investment evidencing debt or ownership.
<i>Security Deposit</i>	A payment required to secure a personal loan, a rental property or a later purchase.

<i>Self-Directed IRA (SDA)</i>	An individual retirement arrangement that allows a wider choice of investments than an IRA, including stocks, bonds, mutual funds and money market funds.
<i>Self-Employment Tax</i>	The Social Security tax imposed on self-employed individuals.
<i>Self-Select Pin</i>	A method of filing a paperless return to the IRS.
<i>Seller Financing</i>	A financing technique in which an owner sells property directly to a buyer with no mortgage. The title or deed transfers only after full payment, and any foreclosure results in the property reverting to the seller.
<i>Settlement Costs</i>	The expenses involved in transferring real estate to a buyer from a seller, also called closing costs. These typically include charges for loan origination, discount points, appraisal, property survey, title search, title insurance, deed filing, credit reports, taxes and legal services. They do not include points or the cost of private mortgage insurance (PMI).
<i>Share</i>	One unit of ownership in a corporation, mutual fund or limited partnership.
<i>Shareholder</i>	Any holder of one or more shares in a corporation. A shareholder usually has evidence that they are a shareholder. This evidence is represented by a stock certificate.
<i>Simplified Employee Pension Plan (SEP)</i>	A retirement plan that allows both an employer and an employee to contribute to the employee's IRA on a discretionary basis.
<i>Situs</i>	The location or position of a property. For intangible property, such as debt, the situs is considered to be the jurisdiction where the debt obligation was issued.
<i>Small Business Association (SBA)</i>	A federal organization that provides programs and opportunities to promote the growth and success of small businesses.
<i>Smart Card</i>	A prepaid card that can be used to purchase goods, services or admissions. They are often used at hotels, recreational facilities, and other businesses.
<i>Social Security</i>	Social Security is America's government-run retirement plan. One day, when you're your grandparents' age, you'll get the money back.
<i>Social Security Tax</i>	The tax that funds the Social Security system. It is paid by both employers and employees.

<i>Sole Proprietorship</i>	A business carried on by the owner as an individual. The owner of a sole proprietorship is personally liable for all business debts; thus, personal property could be taken to pay business debts. A sole proprietorship is an unincorporated business wholly owned by one individual.
<i>Split-Dollar Life Insurance</i>	A contract between employer and employee to share the obligations and benefits of a life insurance policy.
<i>Spousal IRA</i>	An IRA for a nonworking spouse. It is funded by contributions from the working spouse. The IRS limits the combined amount that married couples may contribute to traditional and spousal IRAs.
<i>Standard & Poor's 500 Index (S&P 500)</i>	An index of 500 of the most widely held common stocks on the New York Stock Exchange (NYSE). It is used as a measure of the overall health of the U.S. stock market.
<i>Standard Deductions</i>	Some taxpayers choose to take a standard amount instead of itemizing all of their deductions. This is a fixed amount that is generally based on a person's filing status.
<i>State Taxes</i>	There are all kinds of taxes which are used to pay for all sorts of things. Some of our money goes to the federal government, which pays for services like interstate highways, the armed forces, the FBI and a lot more. Your state also needs money for schools, roads and state troopers, to name just a few. At the end of the tax year you will need to send one form to the federal government and another to your state government.
<i>Stated Capital</i>	The par value of shares multiplied by the number of shares outstanding. The amount of stated capital may affect the ability to pay dividends.
<i>Statement</i>	Summary of an account for a period of time, usually one month, showing invoices, credits and balance due. A statement is provided to a customer by a supplier.
<i>Statement of Changes in Financial Position</i>	A financial statement showing the impact of operating, financing and investing activities effecting the cash position of the company. Also known as Cash Flow Statement, Statement of Cash Flow, Statement of Operating, Financing and Investing Activities or Statement of Changes in Cash Resources.
<i>Statement of Earnings</i>	See Income Statement
<i>Statement of Financial Position</i>	See Balance Sheet.

Statement of Retained Earnings	A financial statement summarizing the changes in retained earnings for a stated period. Also known as Statement of Changes in Capital Accounts or Statement of Changes in Retained Earnings and Reserves.
Stock	Capital of a corporation that is divided into portions or shares. Stock refers to an equity or ownership interest in a corporation. There may be several classes of stock in a corporation, each class divided into equal portions or shares. Ownership of shares is demonstrated by stock certificates. See Share.
Stock Certificate	A document substantiating the legal ownership of shares of stock.
Stock Dividend	A dividend paid by the issuance of shares of capital stock.
Stock Market	The organized trading of securities in the various market exchanges and the over-the-counter market.
Stock Option	The right to buy shares of capital stock at a stated price on or by a given date. A privilege often extended to executives or employees of a company.
Stock Purchase Plan	A mechanism for employees to purchase stock in their company.
Stock Split	A distribution of additional shares to each holder of a certain stock in proportion to the shares the individual already owns, with each share's par value reduced to maintain the same total equity. For example, if a stock splits 2-for-1 and you own one share with a \$100 par value before the split, you would own two shares with a \$50 par value after the split.
Stock Transfer Book	A record book which lists the owners of shares of stock in a corporation.
Stockholder	See shareholder.
Straight-Term Mortgage	A mortgage in which the borrowed amount is due at the maturity date.
Subsidiary	A corporation controlled by another corporation that owns, directly or indirectly, an interest sufficient to elect a majority of the board of directors. See Parent Company.
Survivorship Life Insurance	A life insurance policy that covers the lives of two people and pays benefits when the second person dies. It is often used by couples to fund estate tax liability.
Tangible Asset	Anything that has a value and physically exists, such as land, machines, equipment or currency.

<i>Tariff Duty</i>	A tax on imports collected by state custom authorities.
<i>Tax Avoidance</i>	Legal minimization of the impact of taxation.
<i>Tax Credit</i>	A dollar-for-dollar reduction in the amount of taxes an individual owes.
<i>Tax Credits</i>	The amount of money that tax payers can deduct directly from their taxes.
<i>Tax Deductions</i>	The amount that a person or business can subtract from their taxable income. The more you can deduct, the less you pay.
<i>Tax Evasion</i>	Illegal attempt to escape the impact of taxes.
<i>Tax Exempt</i>	Not subject to general taxation.
<i>Tax Liability</i>	The total amount of tax that a person must pay. Taxpayers pay this through withholdings, estimated tax payments and payments attached to their yearly tax forms.
<i>Tax Lien</i>	A claim against property for unpaid taxes, which lasts until the claim is satisfied or a statute of limitations takes effect.
<i>Tax Shelter</i>	Investment to acquire something of value with the expectation it will produce income and reduce or defer taxes.
<i>Tax Shift</i>	One lucky person or group is able to shift a tax that they're supposed to pay to someone else.
<i>Tax Withholdings</i>	The portion that an employer takes from an employee's paycheck to pay part or all of the employee's taxes.
<i>Tax-Exempt Bond</i>	A bond issued by a municipal, county or state government with interest payments that are not taxed.
<i>Tax-Sheltered Annuity</i>	An annuity that allows employees of government and nonprofit organizations to make pretax contributions to a retirement plan up to a predefined annual limit.
<i>Taxable Income</i>	A taxpayer's gross income minus all allowable adjustments.

Taxes	Taxes are required payments of money to the government. This money is used to make your life better. You might not even realize it, but tax money provides public goods and services for the community as a whole. Roads, schools, law enforcement and public libraries are just some of the many benefits of paying taxes. Show a little gratitude and pay your fair share.
Tenants by the Entirety	A form of property ownership used by married couples where each spouse theoretically owns 100% of the property. After the first spouse dies, complete ownership passes to the surviving spouse without tax and probate.
Tenants in Common	Two or more owners who have undivided, but not necessarily equal, ownership of a property.
Term Certain	A payout option in an annuity contract that provides income for a specified period of time.
Term Insurance	A type of life insurance that pays benefits only if the insured dies within a specific period. Term insurance has no cash value, and premiums usually rise with the insured's age.
Time Horizon	The length of time for which an investor plans to hold investments.
Tips	Gratuity paid by a customer to an employee in appreciation of service. Employees who earn more than \$20 a month in tips must report the amount to their employer.
Title	A document that identifies legal ownership of property, used to transfer ownership from a seller to a buyer.
Title Insurance	A type of insurance that protects against loss due to a defect in a real estate title, such as an ownership dispute or a lien against property.
Title Search	An inspection of city, town or county records to determine the legal owner of a piece of real estate property and to find any applicable liens, mortgages or future interests.
Total Disability	Inability to complete most job requirements based on a physical or mental disability.
Total Return	The gross annual yield on an investment, including capital appreciation or distributions, interest, dividends and personal taxes.
Transaction Fee	A charge for a credit-related activity, such as receiving a cash advance or using an ATM.

Transaction Taxes	A levy on the sale of goods and services. See sales tax.
Treasuries	Negotiated debt obligations that the U.S. government regularly offers at public auction through the Federal Reserve Bank. Treasury bills, bonds and notes have varying maturities and yields.
Treasury Bill	A negotiable debt obligation issued by the U.S. government, also called a T-bill. Treasury bills mature in one year or less, are exempt from state and local taxes, and range in value from \$10,000 to \$1 million; they sell at a discount based on current interest rates.
Treasury Shares	Shares of stock that were issued and later acquired by the corporation.
Trial Balance	The listing and totaling of all balances in a ledger to verify that total debits equal total credits.
Triple Net Lease	A lease in which the lessee assumes payments for maintenance, taxes, utilities and insurance. The lessee bears the risks associated with these fluctuating expenses.
Trust	Fiduciary relationship under which property is held by one person, a trustee, for the benefit of another, the beneficiary.
Trust Fund	Money, property or valuables legally held by a person or company for the benefit of another.
Trustee	The party who manages a trust on behalf of a beneficiary or beneficiaries. Trustees may hold titles to property, distribute assets or oversee investments and payments, among other tasks.
Ultra Vires	Traditionally, the purpose of a corporation was closely spelled out in its articles of incorporation. If the corporation acted beyond its described purposes these actions were unenforceable against the corporation or by the corporation. However, most modern statutes allow corporate purposes to be any lawful activity. Therefore, the importance of this doctrine has greatly diminished.
Unanimous Written Consent	Nearly all states allow directors to act without a meeting if they each give their consent
Underwriting	The process by which an insurance company determines whether it can assume the risk of a specific life insurance policy. Alternatively, this can refer to the business of investment bankers, who purchase new issues of securities and resell them to the public.

<i>Unemployment</i>	The state of being "not in gainful employment," in which a person may be eligible for some state and federal benefits.
<i>Uniform Gift to Minors Act (UGMA)</i>	The law that allows an adult to contribute to a custodial account in a minor's name without having to establish a trust or name a legal guardian. The UGMA is called the Uniform Transfer to Minors Act (UTMA) in some states.
<i>Universal Life Insurance</i>	A type of life insurance policy that allows the holder to vary the amount and timing of premiums and change the death benefit based on the policyholder's changing needs and circumstances. It usually includes a cash value savings feature.
<i>Unsecured Debt</i>	Debt that is not guaranteed by collateral.
<i>Valuation Day</i>	A date established by law as the basis of one method of valuation for the calculation of capital gains or losses for income tax purposes.
<i>Variable Interest Rate</i>	An interest rate that fluctuates according to a measure or an index. Variable rates on loans are usually capped to protect borrowers from dramatic increases in the interest rate.
<i>Variance</i>	Difference between standard cost and actual cost. Also, the difference between an actual revenue or expense item and the budget for that item, or budget variance.
<i>Vertical Equity</i>	Vertical equity states that people in different income groups pay different rates of taxes. Our current tax system is one of vertical equity.
<i>Vesting</i>	The process leading to a future time when money or property held in trust will belong to a person. This usually refers to the scheduled confirmation of ownership rights in qualified employee benefit plans.
<i>Volatility</i>	The relative rate at which the price of a security moves up and down, derived by calculating the annualized standard deviation of daily changes in price.
<i>Voluntary Compliance</i>	Your mom might order you to clean up your room but the IRS doesn't have time to tell every single taxpayer to file taxes correctly and on time. There are millions of taxpayers in this country, after all. This system relies on citizens to report their income, calculate tax liability and file tax returns on time. Everyone has to grow up sometime. Check it out.
<i>Voluntary Employee Contribution</i>	A contribution by an employee to a retirement plan in excess of mandatory contributions to his or her plan account.

<i>Volunteer Income Tax Assistance</i>	Available in most communities are Volunteer Income Tax Assistance (VITA) sites to help with tax return preparation. People volunteer their time to help their neighbors. The service is free to those with limited or moderate income people, non-English speaking, the elderly and the disabled. Some VITA sites even offer free electronic filing. If you want to know more about a VITA site in your community or volunteering your time, call the IRS at 1-800-906-9887. Check out IRS e-file.
<i>Waiver of Premium</i>	An insurance policy rider that waives premium payments if the insured becomes permanently disabled.
<i>Walk-In Electronic Filing</i>	If you need help preparing your taxes visit the Volunteer Income Tax Assistance (VITA) office nearest you. Many VITA offices have IRS representatives who can help you fill out your forms and then transmit the information on your forms electronically.
<i>Whole Life Insurance</i>	A type of life insurance that provides coverage for the insured's entire life as long as the policyholder pays the premiums. Whole life insurance also has a cash value component that can be drawn upon to meet financial needs.
<i>Withholding ('Pay-as-you-earn' taxation)</i>	A system that takes a certain amount from an employee's paycheck to pay for, completely or partially, that employee's income tax for the year. This money is used to pay for federal income taxes, state and local income taxes, federal social security and Medicare taxes.
<i>Withholding Allowance</i>	An allowance an individual claims on a W-4 Form. It is mainly used to assist an employer in calculating the amount of income tax to withhold from an employee's paycheck. The more allowances you wish to claim, the less income tax will be withheld from your paycheck. You can claim one allowance for yourself, one for your spouse, and one for each of your dependents.
<i>Working Capital</i>	Money that ensures a business's ability to operate on a daily basis.
<i>Write-off</i>	To transfer an item that was an asset to an expense account. For example, to transfer an uncollectable account receivable to bad debts expense.
<i>Yield</i>	An investment's annual gain or loss. Yield is generally expressed as a percentage.
<i>Yield to Maturity (YTM)</i>	The total return on a long-term interest-bearing investment, such as a bond, that is held until its maturity date.
<i>Zero Coupon Bond</i>	A bond that makes no periodic interest payments, but sells at a deep discount from its face value. At the maturity date, the investor receives the face value of the bond plus the interest that has accrued.