START YOUNG. SAVE MORE.

Glossary for Grades 6-8

Choice: The mental process of deciding between multiple options and selecting one of them; the act of choosing.

Compound Interest: The method of interest computation in which the rate of interest is applied to a deposit for a specific period (1 day, 1 month, 1 quarter) and then in subsequent periods is applied to the principal plus previously earned interest.

Consumption: The purchase or use of a product or service by a consumer.

Cost: (1) An amount paid or required in payment for a purchase; a price. (2) The expenditure of something, such as time or labor, necessary for the attainment of a goal.

Emergency Fund: An easily accessible stash of money set aside for use only in sudden, urgent situations, such as the loss of a job, a medical need, or major expense. The purpose of such a fund is to improve financial security by creating a safety net to meet expenses in a time of crisis.

Goal Setting: The act of establishing an objective toward which you will work and a plan to get there, such as saving for a special future purchase.

Investing: Purchasing a stock, bond, or other asset; the act of committing money or capital in order to gain a financial return.

Principal: The amount of money you are borrowing on a loan or the original amount of money invested, not including interest.

Rule of 72: A math formula that determines the number of years it will take to double your money at a given interest rate. [Formula: 72 ÷ interest rate = number of years to double money.] For example, if the rate of return on your savings is 4%, you divide 72 by 4 and get 18 (72 ÷ 4 = 18). So, if you invest $2,000 at 4%, it will take 18 years to grow to $4,000. The same amount of money invested at a 12% rate of return will double in 6 years (72 ÷ 12 = 6).

Saving: The act of holding onto something for future use; keeping money to meet a future goal or need instead of spending it now.

Simple Interest: (1) On deposits, interest computed by applying the stated percentage rate of interest to the principal only, and not to previously earned interest. (2) On loans, interest computed by applying a daily periodic interest rate to the amount of principal outstanding each day.