

# Money Talks



Banking Terms  
Glossary

Brought to you by your local bank and the ABA Education Foundation

**Allowance** – an amount of money parents give children, often in exchange for completing chores around the house

**Annual Percentage Rate** – the rate of interest being charged for a loan over a year's time

**ATM (automated teller machine)** – machine that accepts deposits and withdrawals, as long as there is money in the account associated with the card

**Balance** – the total amount of money you have in your bank account

**Bank** – a business that keeps money for customers, makes loans and provides other money-related services

**Bank account** – a safe place to keep your money, where it will earn extra money

**Bank statement** – a monthly summary of the deposits and withdrawals associated with a customer's bank account

**Budget** – a plan you create to control spending and manage your personal finances

**Certificate of Deposit (CD)** – a type of investment that requires you to invest your money for a certain length of time and guarantees the same rate of return (interest) for that entire time. CDs usually require a minimum deposit and they pay an interest rate slightly higher than a savings account. If you withdraw your money early, you pay a penalty.

**Check** – a method of payment in which money is drawn from an account

**Checking account** – a bank account that account holders can write checks or use debit cards against the balance to pay merchants

**Collateral** – a condition of some loans. A banker may require you to back up a loan with something of value. If you are purchasing a car, the car itself is collateral.

**Compound Interest** – interest that is calculated not only on the money you originally invested, but also on any interest the investment has already earned

**Credit** – money loaned, usually for a fee that must be paid back

**Credit Card** – a plastic card used to make purchases up to the credit limit, interest on the balance will be calculated from an annual percentage rate (APR). Credit card loans are not free money, but an unsecured loan.

**Credit History** – a record of your borrowing and paying habits

**Debit card** – a plastic card that works just like a check, only the processing time is usually faster. Money spent is automatically taken out of the linked account, usually a checking account. If the account does not have adequate funds for the transaction, the purchase can be denied or accepted with an understanding that there will be overdraft fees.

**Debt** – money owed to others

**Deposit** – adding money to your bank account

## Banking Terms Glossary - continued

**Down payment** – a deposit you make on a large purchase. The down payment reduces the amount you need to borrow.

**Expense** – money a person pays to buy something or pay for services

**Income** – money a person earns or receives

**Interest** – the money a bank pays depositors for using their money, or the money a person pays when borrowing money

**Invest** – to put your money into CDs, money market accounts, mutual funds, savings accounts, bonds or stocks to help your money grow in value and earn a profit

**Money** – paper and coins that are used to buy things

**Need** – something you must have in order to live

**Price** – the amount of money required to purchase something

**Principal** – the amount you are borrowing on a loan or the original amount of money invested.

**Product** – Toys, clothes, games and anything you purchase

**Risk** – the chance of losing your money

**Saving** – keeping your money for a future goal instead of using it to buy products or services

**Services** – People or companies who perform tasks for others. Example – water company providing you with water in exchange for money

**Secured loan** – a loan that is backed up with collateral, such as a home or a car

**Share** – a unit of ownership in an investment or company

**Spending** – using your money to buy products or services

**Stock** – A certificate representing a share of ownership in a company

**Unauthorized purchases** – those purchases made by someone other than you, but with your debit or credit card, or stolen checks. If you can prove that you did not approve the purchases, the bank will refund your money.

**Unsecured loan** – a loan not backed by collateral. A credit card is an unsecured loan.

**Want** – something you would like to have, but do not need in order to live

**Withdrawal** – taking money out of a bank account



The ABA Education Foundation, a non-profit subsidiary of the American Bankers Association, is committed to developing and providing education programs that lead to financial literacy. Visit us on the Web at [www.aba.com/Consumer+Connection](http://www.aba.com/Consumer+Connection).

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