Welcome to your Financial Jargon Cheat Sheet!

Finance and investing can feel like a different language,

full of confusing terms and acronyms.

This cheat sheet breaks down the most common financial jargon into plain, simple English, so you can understand your money, make smarter decisions, and feel confident navigating the world of finance—without the confusion.

A

Assets – Anything you own that has value, like cash, a house, or stocks.

APR (Annual Percentage Rate) – The yearly cost of borrowing money, including interest and fees, shown as a percentage.

Appreciation – When something you own, like a house or investment, increases in value over time.

Arbitrage – Making a profit by buying something in one market and selling it at a higher price elsewhere.

Annuity – A financial product that pays you money regularly, often used for retirement.

Account Balance – The amount of money you currently have in a bank account, investment, or loan.

Amortization – Gradually paying off a loan through regular payments over time, including both principal and interest.

Asset Allocation – Dividing your investments among different types of assets (stocks, bonds, cash) to manage risk.

B

Balance Sheet – A summary of what a company owns (assets), owes (liabilities), and the owners' stake (equity) at a specific time.

Bonds – Loans you give to companies or governments that pay you interest and return your original money later.

Bear Market – When the stock market or investments are falling over a period of time.

Bull Market – When the stock market or investments are rising over a period of time.

Budget – A plan showing how much money you earn and spend.

Broker – A person or company that helps you buy or sell investments like stocks or bonds.

Bankruptcy – When a person or company cannot pay their debts and is declared legally insolvent.

Bond Rating – A score given to bonds that indicates their risk level and likelihood of being repaid.

C

Capital – Money you use to invest, start a business, or buy something valuable.

Cash Flow – Money moving in and out of your account or business. Positive cash flow means more money coming in than going out.

Compound Interest – Interest calculated not only on the original money you invested but also on the interest it has already earned.

Commodities – Basic goods like oil, gold, or wheat that are bought and sold in markets.

Credit Score – A number showing how trustworthy you are with money based on your borrowing and repayment history.

Certificate of Deposit (CD) – A bank account where you agree to leave your money for a fixed time to earn higher interest.

Cryptocurrency – Digital money like Bitcoin or Ethereum that uses encryption to secure transactions.

Capital Gains – The profit you make when you sell an investment for more than you paid.

D

Diversification – Spreading your investments across different types of assets to lower risk.

Dividend – A payment some companies make to their shareholders from profits.

Depreciation – When something you own, like a car, loses value over time.

Default – Failing to pay back a loan or debt as promised.

Derivative – A financial contract whose value comes from something else, like stocks, bonds, or commodities.

Debt-to-Income Ratio (DTI) – A measure of how much you owe compared to how much you earn. Helps show if you can afford new loans.

Dow Jones Industrial Average (DJIA) – A famous stock market index that tracks 30 major U.S. companies.

Dollar-Cost Averaging – Investing a fixed amount of money regularly, regardless of market ups and downs, to reduce risk.

E

Equity – Your ownership in something, like a house or a company.

ETF (Exchange-Traded Fund) – A collection of investments like stocks or bonds that trades like a stock on the market.

Expense Ratio – The yearly fee you pay for managing an investment fund, usually a small percentage of your money.

Escrow – Money held by a third party until certain conditions are met, like buying a house.

Earnings Per Share (EPS) – How much profit a company makes for each share of its stock.

Emergency Fund – Money saved for unexpected expenses like car repairs or medical bills.

Economic Indicator – Statistics that show the health of the economy, like unemployment rate or inflation.

F

Fiscal Year – A 12-month period a company uses for accounting, which may not match the calendar year.

Fixed Income – Investments like bonds that pay a regular, predictable amount of money.

Forex (Foreign Exchange) – The market where you trade one currency for another, like dollars for euros.

Fund – A pool of money from many people used to buy investments like stocks and bonds.

Front-Load Fee – A fee paid upfront when you invest in certain funds.

Financial Independence – Having enough money to cover your living expenses without relying on a job.

Fiduciary – Someone legally required to act in your best financial interest, like a financial advisor.

Fractional Shares – Buying part of a share of a stock instead of a whole one.

G

Gross Income – All the money you earn before taxes or deductions.

Growth Stock – Stocks of companies expected to grow faster than others.

Gearing / Leverage – Using borrowed money to invest, which can increase gains but also risk.

Going Public / IPO – When a private company sells shares to the public for the first time.

Gross Margin – How much profit a company makes after covering the cost of making its products.

Goal-Based Investing – Investing with a specific goal in mind, like saving for a house or retirement.

Green Bonds – Bonds that fund environmentally friendly projects.

H

Hedge – An investment to protect against potential losses in another investment.

High-Yield Bond – A bond that pays more interest but comes with higher risk.

Holding Period – How long you keep an investment before selling it.

Hurdle Rate – The minimum return an investment must make to be worthwhile.

Household Income – Total income earned by everyone living in a household.

Hyperinflation – When prices rise extremely fast, making money lose value quickly.

Housing Market – The market for buying and selling homes, including prices and trends.

I

Inflation – The increase in prices over time, which makes money buy less.

Interest Rate – The cost of borrowing money, shown as a percentage.

Index Fund – A fund that tracks the performance of a market index, like the S&P 500.

Income Statement – A report showing a company’s income, expenses, and profits over time.

Initial Margin – The minimum money needed to open a leveraged investment.

Investment Horizon – How long you plan to keep your money invested.

Inflation Hedge – An investment expected to maintain or increase value during inflation, like gold.

Interest-Only Loan – A loan where you pay only interest for a certain period, not the principal.

J

Junk Bond – A high-risk bond that offers higher interest but is more likely to default.

Joint Account – A bank or investment account shared between two or more people.

Job Loss Protection – Financial products or insurance that help if you lose your income.

L

Liabilities – Money you owe to others, like loans or bills.

Liquidity – How quickly you can turn an asset into cash without losing value.

Leveraged ETF – A fund using borrowed money to amplify returns and risks.

Loan-to-Value (LTV) – How much you borrow compared to the value of what you’re buying.

Limit Order – An order to buy or sell a stock at a specific price or better.

Long-Term Investment – Money invested for many years to grow over time.

Letter of Credit – A guarantee from a bank that a buyer's payment to a seller will be received on time.

M

Mutual Fund – A pool of money managed by professionals to buy stocks, bonds, or other assets.

Margin – Borrowing money from a broker to buy investments.

Market Capitalization (Market Cap) – Total value of a company's stock.

Monetary Policy – Actions by a central bank to control interest rates and money supply.

Money Market – A market for short-term, low-risk investments like Treasury bills.

Minimum Payment – The smallest payment you can make on a loan or credit card without penalties.

Maturity Date – The date a loan or bond must be fully repaid.

N

Net Worth – Your assets minus your liabilities.

NASDAQ – A major U.S. stock exchange, mostly tech companies.

Nominal Value – The face value of money or investments, not adjusted for inflation.

Net Profit – Money a company makes after all expenses and taxes.

Non-Performing Loan (NPL) – A loan where the borrower isn't making payments.

Net Income – Money you actually take home after taxes and deductions.

O

Options – Contracts giving the right, but not obligation, to buy or sell an investment at a set price.

Overdraft – Spending more than you have in your bank account.

Operating Expenses – Costs of running a business, like rent or salaries.

Over-the-Counter (OTC) – Trading investments directly between buyers and sellers instead of on a stock exchange.

Open-End Fund – A fund that can issue or redeem shares anytime based on its net asset value.

Option Premium – The price you pay to buy an options contract.

P

Portfolio – All the investments you own, like stocks, bonds, and cash.

Principal – The original amount of money invested or borrowed.

Price-to-Earnings Ratio (P/E) – Shows how expensive a stock is compared to its profits.

Passive Income – Money earned without actively working, like rental income or dividends.

Profit Margin – How much profit a company makes compared to revenue.

Purchase Price – The amount you pay to buy an investment or asset.

Private Equity – Investments in companies that aren’t publicly traded.

Q

Quantitative Easing (QE) – When a central bank creates money to buy financial assets, aiming to stimulate the economy.

Quick Ratio – Measures a company’s ability to pay short-term obligations with easily liquidated assets.

Quote – The current price of a stock, bond, or commodity.

R

ROI (Return on Investment) – The money you make (or lose) on an investment, usually shown as a percentage.

Risk Tolerance – How much risk you can handle without panicking.

Recession – A period when the economy shrinks, often with higher unemployment.

Retirement Account – A special account for saving for retirement, often with tax benefits.

Real Estate Investment Trust (REIT) – A company that owns income-producing real estate you can invest in.

Robo-Advisor – An automated online service that helps manage your investments.

Rate of Return – How much your investment earns over time.

S

S&P 500 (Standard & Poor's 500) – A stock market index tracking 500 of the largest U.S. companies. It's used to measure the overall performance of the U.S. stock market and is often the basis for index funds.

Stocks / Shares – Ownership in a company.

Short Selling – Betting a stock's price will go down to make a profit.

Savings Account – A bank account that earns interest on your money.

Secured Loan – A loan backed by an asset, like a car or house.

Speculation – Investing in something risky hoping for high returns.

Split – When a company increases the number of shares to make them more affordable.

Socially Responsible Investing (SRI) – Choosing investments based on ethical, environmental, or social criteria.

T

Tax-Deferred – Investments where taxes are paid later, like some retirement accounts.

Treasury Bonds – Government-issued bonds considered very safe.

Transaction Fee – A charge for buying, selling, or transferring investments.

Turnover Rate – How often investments in a fund are bought and sold.

Trade-Off – Giving up one thing to get another, like safety vs. higher returns.

Target Date Fund – A fund that automatically adjusts investments as you get closer to a goal, like retirement.

W

Wealth Management – Professional help managing your money and investments.

Withdrawal – Taking money out of an account or investment.

Working Capital – Money a company uses for daily operations (current assets minus current liabilities).

Wire Transfer – Sending money electronically between banks.

Wrap Account – An account where one fee covers multiple investment services.

Warrant – A contract that gives the right to buy stock at a specific price in the future.