GLOSSARY

Following are definitions for key words as they are used in the financial life skills resource. They may have different or additional meanings in other contexts.

A

account an arrangement at a bank, a credit union, trust company or other financial institution for depositing, withdrawing, borrowing or investing money

account statement a record of transactions in an account at a financial institution, usually provided each month

annual percentage rate (APR) the actual rate of interest charged on a loan each year. APR is calculated using standardized rules to help borrowers compare rates. APR may be different from an advertised rate.

assets things you own that have a financial value

automated teller machine (ATM) a machine that allows you to do banking transactions by inserting an electronic card; also called an automated banking machine (ABM)

B

balance the amount of money held or owing in an account

balanced budget a budget in which income and expenses are equal

balanced portfolio an investment portfolio that holds a mix of different types of investments, such as bonds, shares and mutual funds

bank a financial institution that takes deposits, lends money and provides other financial services

bank failure when a bank does not have enough money to repay its depositors

banking fees fees charged to customers for banking services

bill a written record of the amount you owe for goods or services purchased; also called an invoice

bi-weekly every two weeks

bond an investment in which a government or company promises to repay money borrowed from investors at a certain time and to pay interest at a specified rate

budget an estimate of the income and expenses of a person, a family or an organization, over a certain period of time
Canada Deposit Insurance Corporation (CDIC) a federal government organization that provides insurance to protect money deposited in Canadian banks and certain other financial institutions.

Canada Pension Plan (CPP) a Canadian government system in which you pay a percentage of your earnings to a fund that provides income when you retire.

Canada Savings Bond (CSB) a bond issued by the government through the Bank of Canada that can be cashed at most Canadian financial institutions.

cash equivalent an investment that can be quickly converted to cash with little risk, such as a treasury bill.

Canada Revenue Agency (CRA) the federal government agency that collects taxes and administers Canada’s tax laws.

capital gain the money you make if you sell an investment for more than you paid for it.

capital loss the money you lose if you sell an investment for less than you paid for it.

cheque a written order to a bank, credit union or trust company to pay a certain sum of money from the depositor’s account to the person named on the cheque.

chequing account an account at a bank, credit union or trust company that allows the depositor to write cheques.

collision coverage an insurance policy that pays for damage to a vehicle involved in a crash.

common share a share in the ownership of a company, usually giving the holder a vote in the election of directors and in some other major corporate decisions (see shares, stocks).

compensation (1) money paid to make up for a loss or injury.
(2) the amount of money earned from employment.

compound interest interest that is paid on the original amount deposited, and also on any interest that has been earned in previous periods. (e.g., In Year 1, the bank pays you $5 interest on your $100 deposit. In Year 2, it pays you interest on $105).

comprehensive coverage an insurance policy that pays for damage or loss of a vehicle from a wide range of risks, such as fire and theft.

coverage see insurance coverage.

credit (1) the ability to borrow money or charge for purchases before paying.
(2) the amount you can borrow or charge.

credit card a card issued by a financial institution that lets you buy things “on credit.” The financial institution pays the seller and you repay the financial institution later.

credit card slip a receipt for a credit card transaction, usually signed by the cardholder.

credit check a review of your financial reputation and credit history.
credit rating a rating that summarizes your financial reputation and credit history, used by financial institutions when considering loan applications to decide whether to lend you money and how much you may borrow

creditor a person or company who has lent, and is therefore owed, money

credit union a financial institution that is owned by its depositors and borrowers

D

debenture similar to a bond; a loan for a specific term where repayment is secured by the general credit of the borrower

debit card a card that lets you pay for purchases by transferring money electronically from your account to the retailer (also called an ATM card)

debt money that you owe

deductible see insurance deductible

deduction see payroll deduction, tax deduction

deferred payment plan a purchase plan in which you can delay paying for a purchase for a specified time, usually by paying the amount in instalments, with interest

deficit the amount by which your spending exceeds your income (opposite of surplus)

deposit money held in an account at a bank, credit union or trust company

deposit insurance an insurance plan designed to protect the money you deposit if a bank, credit union or trust company fails (see Canada Deposit Insurance Corporation)

diversification, diversified to hold several different types of investments in order to reduce risk

dividend a portion of a company’s profits paid to shareholders

E

earnings money earned from work or investment; profits

effective rate of return, effective yield a measure of the actual rate of return from an investment, adjusted to reflect compounding, discounts and fees

electronic funds transfer (EFT) a system for transferring money electronically between accounts at financial institutions

employment insurance (EI) a Canadian government system in which you pay a percentage of your earnings to a fund that provides income for a limited time if you lose your job

equities shares in a company

exchange see stock exchange

expected return the overall profit you expect to receive from an investment in the future; may be very different from the actual returns that you eventually receive

expense money you pay; costs
F

face value (1) the value printed on the face of currency or other financial instruments, like bonds or debentures
(2) the amount that a lender will receive when a bond or debenture is repaid (see maturity date)

financial institution a bank, trust company, credit union or other institution that offers financial services such as savings and chequing accounts, loans, credit cards and investments

financial life skills the skills you need to manage money with knowledge and confidence throughout your life

financial literacy the ability to read about and understand financial concepts

financial plan a written plan that helps you identify your financial goals and figure out how to achieve them

fixed expenses expenses that do not change much from month to month, such as rent and utilities

G
gross income total income before any taxes or other costs are deducted

Goods and Services Tax (GST) a Canadian government tax charged on most goods and services

guaranteed investment certificate (GIC) an investment in which you deposit money with a financial institution for a fixed period of time and receive a specified rate of interest

I

identity theft when someone obtains your personal information and uses it without your knowledge to make purchases and commit crimes, such as fraud

income money you receive from work, gifts, business, investments, etc.

income tax a percentage of the income you earn each year that must be paid to the federal and provincial governments to pay for government services

inflation a general increase in the price of goods and services over time. Governments use a “consumer price index,” a bundle of goods and services that most people buy, to measure inflation.

insurance see insurance policy

insurance agent a person who is licensed to sell insurance policies on behalf of an insurance company

insurance deductible the portion of a claim under an insurance policy that you must pay before the insurance company pays the balance
insurance policy a financial contract that you buy to protect yourself against the possibility that an unfortunate event (like a car accident) may happen in the future. If the event does happen, the insurance company compensates you for the loss according to the terms of the contract.

insurance coverage the specific types of losses covered by an insurance policy and the limits on the claims that may be made

insurance premium the amount you pay (usually monthly or annually) for an insurance policy

insured the person whose property or life is insured

insurer the insurance company

interest the amount paid by a borrower to a lender for the use of money

investment a way to put your money to work in the expectation that it will provide income, increase in value or both

investor someone who makes an investment

liability (1) an amount you owe to a creditor (someone who has loaned you money)
(2) in insurance, liability is your obligation to pay for harm you cause (see third-party liability)

lifestyle a way or style of living; your normal habits, pastimes, attitudes, standard of living, etc.

line of credit a type of pre-approved loan that allows you to borrow money when you need it, up to a maximum amount

liquidity ability to sell an investment quickly and at a fair price

loan money that you have borrowed, which you normally have to repay on a specified schedule, with interest

maturity date the date on which a bond, debenture, GIC or term deposit is due to be repaid

mortgage a loan (usually for buying a home) in which the lender can take possession of the property if the loan is not repaid on time

mutual fund a pool of money that is managed for a large number of investors by a professional money manager

mutual fund unit part ownership in the pool of money held in a mutual fund
N

need a necessity; something you must have; something essential

non-essential something you do not need; something that is not essential

O

overdraft a shortage in an account caused by taking out more money than you had in the account. Financial institutions will sometimes allow good customers to make overdrafts for a short time, but they charge fees and interest for the service.

overtime time you work at a job over and above the regular hours of work

P

payroll deduction an amount automatically deducted from your paycheque for taxes, employment insurance, pension contributions, etc.

pension a regular payment made to a retired or disabled employee, usually from a fund that the employer and employee have contributed to in prior years

personal identification number (PIN) a confidential number you use to confirm who you are at a bank machine, a computer or a phone system

phishing trying to obtain someone's confidential information such as a password or PIN by falsely claiming to be a legitimate email or website

portfolio the bundle of stocks, bonds or other investments you hold

premium see insurance premium

prepaid card a card on which you pay cash in advance and the balance declines as you make purchases or withdrawals

principal the money originally invested or lent to earn interest or other income

priority something that is more important than other things

R

real estate property such as land and houses

real return the return from an investment after taking inflation into account. If your investment earned 6% interest last year, but the cost of everything went up 4%, you are only ahead by 2%. Your “real return” is 2%.

receipt a printed statement showing things you bought and the price you paid for them

replacement value in an insurance contract, the cost of replacing an insured item at its current price, even if that price is higher than what you originally paid for it
Registered Education Savings Plan (RESP) a special type of savings plan registered with the
government that allows people to put money aside for a child's post-secondary education
expenses and to reduce the taxes on the money in the plan

Registered Retirement Savings Plan (RRSP) a special type of savings plan registered with
the government that allows you to reduce the income tax you pay on money you save within
the plan

return the profit you make on an investment through interest, dividends or increased value of
the investment (see expected return)

risk amount of uncertainty about the expected return from an investment, including the
possibility that the investment may lose money

risk tolerance how willing or comfortable you are to risk losing your money on an investment

rule of 72 a way to quickly estimate how long it will take an investment to double in value –
divide 72 by the annual return on the investment. An investment that earned 6% per year
would double in about 12 years.

S

savings money you have not spent or that you set aside for a special purpose

savings account an account with a bank, trust company or credit union that pays interest on
the money you deposit

scam a fraudulent or unethical activity; a fraud, theft or trick

securities stocks, bonds, mutual funds and other investment instruments

securities regulator a government organization that regulates trading in stocks, bonds, mutual
funds and other securities to protect investors

self-employment working for yourself

semi-monthly twice per month

shares part ownership of a company (see common shares, stocks, equities)

shareholder someone who owns shares in a company (also called stockholder)

simple interest interest that is paid only on the amount of the initial deposit and not on any
interest the deposit earns over time, unlike compound interest. (e.g., In Year 1, the bank
pays you $5 interest on your $100 deposit. In Year 2, it again pays you interest only on the
original $100 deposit.)

stocks shares in the ownership of a company (see common shares, shares, equities)

stock exchange a place where common shares and some other types of investments can be
bought and sold

surplus the amount by which your income exceeds your spending (opposite of deficit)
**T**

**T1** the form on which you report your income to the Canada Revenue Agency and calculate the amount of taxes you owe or any tax refund that is owed to you

**T2202A** the form on which an education institution reports the sessions you are enrolled in so that you can claim education deductions from your income tax

**T4** the form on which an employer reports your earnings and deductions so that you can include them in your income tax report

**T5** the form on which a financial institution reports your earnings from investments so that you can include them in your income tax report

**tax credit** an amount you can deduct from the tax you owe

**tax deduction** an amount you are allowed to subtract from your income before calculating the income tax you owe

**tax filers** people who file a tax report

**Tax-Free Savings Account (TFSA)** a special type of savings plan registered with the government that allows people to avoid paying taxes on the income that the plan earns

**taxpayers** people who pay taxes

**tax shelter** an investment or other financial arrangement that allows you to shelter some of your earnings from tax for a period of time

**taxable income** the part of your income you have to pay taxes on

**term** a set period of time

**term deposit** a type of deposit with a financial institution that you earn interest on and that is to be repaid to you at a specified time (e.g., 90 days or one year)

**third-party liability policy** a type of insurance policy that protects you if you have to pay for harm to someone else (e.g., if your car hits someone else and you are responsible for damages)

**treasury bill (T-Bill)** a short-term, low-risk investment issued by a federal or provincial government

**trust company** a financial institution, similar to a bank, that can take deposits and make loans. Trust companies often provide other specialized services that banks cannot, like administering estates and pension plans.

**U**

**unit** see *mutual fund unit*
V

**variable expenses** expenses that can change from month to month, such as food and entertainment

W

**want** something you desire (but do not need)

**withdraw** to take money out of an account

**withdrawal** money you take out of an account

**SOURCES**


