



FOUNDATION



## SMG Glossary

**401(k) plan** - A retirement savings plan funded by employee contributions and matching contributions from the employer. Contributions are taken from pre-tax salary and the funds grow tax-free until withdrawn.

**52-Week Range** - The highest price and lowest price of the stock over a 52-week period (year).

**Accounting** - A method of recording a company's financial story and arranging the information in reports that make the information understandable.

**Accounts Payable** - The amount a company owes to suppliers for products and services bought.

**Accounts Receivable** - The amount customers owe a company for its products or services.

**Agency Bonds** - Some government-sponsored but privately owned corporations (like Fannie Mae and Freddie Mac), and certain federal government agencies (like Ginnie Mae and Tennessee Valley Authority) issue bonds to raise funds either to make loan money available or to pay off new projects.

**Annual Percentage Rate (APR)** - What credit costs you each year, expressed as a percentage of the loan amount.

**Annual Report** - By law, each publicly held corporation must provide its shareholders with an annual report showing its income and balance sheet. In most cases, it contains not only financial details but also a message from the chairman, a description of the company's operations, and an overview of its achievements.

**Ask/Ask Price** - The lowest quoted price sellers are currently accepting (asking) for a share of the company's stock. The Ask price is also called the Asked or Offer price.

**Asset** - A company-owned resource with economic value. Assets are reported on a company's balance sheet.

**Asset Classes** - A group of securities that 1) has similar characteristics, 2) behaves similarly in the marketplace, and 3) is subject to the same laws and regulations. The two main ones are fixed income and stock.

**Auction Market** - Auction market trading (sometimes known as open outcry) is the way the major exchanges, such as the New York Stock Exchange (NYSE) and the Chicago Mercantile Exchange (CME), have traditionally handled buying and selling.

**B Corp** - B Corporations are for-profit companies that have been certified by B Lab to meet strict ESG criteria, as well as accountability and transparency standards. The goal of these B Lab certified companies is to "redefine success in business" and improve the overall impact of business on the world.

**Balance Sheet** - A summary of a company's assets, liabilities, and owners' equity. A balance sheet shows a company's financial condition at a given time.

**Bear Market** - A prolonged period of falling stock prices, often measured by a decline of 20 percent or more.

**Beta** - Measures volatility of a security or portfolio as compared to the overall stock market. The lower the beta, the less volatile the stock. A beta of 1 means the price correlates with the market; less than 1 means less volatile; greater than 1 means more volatile.

**Bid/Bid Price** - The highest quoted price buyers are currently willing to pay for a share of a company's stock.

**Black Friday** –Most commonly referenced as a homage to the term “black” referring to profitability, which stems from the old bookkeeping practice of recording profits in black ink and losses in red ink. The idea is retail businesses sell enough on the Friday after Thanksgiving and beyond to put themselves “in the black” for the rest of the year.

**Blue Chip Stock** - It is the common stock of a large, well-regarded US company. The companies in that informal category are collectively known as blue chip companies. Blue chips have a long-established record of earning profits and paying dividends regardless of the economic climate.

**Bond** - An IOU that a company or government sells when it borrows money. Bonds are called fixed-income investments because they pay a fixed amount of interest to the bondholder who purchased this IOU.

**Bond Fund** - An investment company that pools savers' money to invest in a variety of bonds.

**Brand** - The name a company gives a product it makes or a service it provides.

**Broker** - An agent acting on behalf of a buyer or seller to execute a trade at the best available price. While the trading can be quite intense, it is orderly because the participants adhere to exchange rules. The buyer, seller, and broker may all be individuals, or one or more may be a business or other institution.

**Budget** - A plan for managing your money – with a focus on tracking money coming in, going out, and where/how it is allocated (weekly, monthly, annually).

**Bull Market** - A prolonged period of rising stock prices.

**Business** - A person or group that makes something for other people to buy. Most businesses try to earn a profit.

**Buy** - A term used to describe the purchase or acquisition of an item or service that's typically paid for via an exchange of money or another asset (**Investopedia definition**).

**Buying on Margin** - Buying stocks by paying only a percentage (a margin) of the purchase price and borrowing the remainder from the securities firm for a fee.

**Buyout** - When the majority of a company's shares of stock (controlling interest) are bought.

**Cash-like investment (Cash)** - A short-term investment that can be easily and quickly exchanged for cash.

**Certificate of Deposit (CD)** - A special form of deposit offered by banks that generally pays compound interest for a fixed period of time.

**Closed-End Fund** - Like open-end mutual funds, these are collections of securities managed by a professional investment advisor. Unlike open-end mutual funds, their shares are traded on a stock exchange like an ordinary stock.

**Closing Price (Close)** - The last price at which a stock is traded on a particular day.

**Collateral** - Property that a borrower must legally turn over to a lender if the borrower cannot repay a loan.

**Commission** - A fee that brokers earn by completing trades for investors. A commission is usually based on the number or value of shares traded.

**Common Stock** – A type of security, or financial instrument, that represents a fractional ownership of the issuing company. If you own common stock in a US corporation, you have the right to vote on company policies, board of director elections, and the right to receive payments (e.g. dividends) to shareholders if and when they are declared.

**Company** - A business formed to manufacture or supply products or services for profit.

**Compound Growth** - Growth from earnings received on reinvested earnings as well as on the initial amount invested.

**Compound Interest** - Interest paid on the principal and the accrued interest. Interest earned on an investment is added to the principal. This becomes the new base on which future interest accumulates.

**Consensus** - To reach team agreement on a decision.

**Conservative Strategy** - Investments in fixed income and preferred stocks.

**Consumer Price Index (CPI)** - A measure of the level of prices paid by the average American consumer. Percentage changes in the CPI measure the rate of inflation.

**Corporate Action** - When a public company initiates an action that will bring a change to its stock (e.g., stock splits, dividends, mergers, name changes, and security redemptions).

**Corporate Bonds** - Bonds are major sources of corporate borrowing. Debentures, the most common type of corporate bond, are backed by the general credit of the corporation, while asset-backed bonds are backed by specific corporate assets, such as property or equipment.

**Corporate Governance** - It refers to the ethics of the corporate structure of a given company, like the policies on executive pay, management structure, employee/employer relations, tax strategy, board structure and diversity, and political lobbying/donations.

**Corporation** - A company legally separate from stockholders who own it and the managers who run it.

**Cost-Benefit Analysis** - This is a process of evaluating the costs and benefits of an investment decision. The analysis can aid a company or an investor in decision-making.

**Current Assets** – Resources that a company owns and could sell for cash during the year.

**Current Liabilities** - The amount of a company's debts payable within a year.

**Cyclical Stocks** - Stocks of companies whose performance tends to mirror the economy. When the economy grows the stocks turn up, and when the economy falters the stocks fall. The automobile and housing sectors are good examples.

**Day Order** - An order to buy or sell stock that expires at the end of the trading day.

**Dealer Market** – Dealers (market makers) serve as intermediaries between buyers and sellers with the prices they are willing to buy and sell a security displayed publicly. Nasdaq is an example of a dealer market.

**Debt** - Money borrowed, a means of purchasing an item you can't afford to be paid back at a later date. May incur interest (i.e. car loan, student loan, mortgage).

**Default** - Failure to pay principal or interest when due. Defaults can also occur for failure to meet non-payment obligations, such as reporting requirements, or when a material problem occurs for the issuer, such as a bankruptcy.

**Delisted** - A stock that has been delisted has been removed from an exchange and cannot be traded. A company's stock may become delisted if it files for bankruptcy, merges with another company, moves from one exchange to another, or fails to meet exchange minimum standards.

**Demand** - It is an economic principle referring to a consumer's desire to purchase goods and services and willingness to pay a price for a specific good or service. Holding all other factors constant, an increase in the price of a good or service will decrease the quantity demanded, and vice versa (**Investopedia definition**).

**Depreciation** - The decline in value of an asset from wear and tear over a period of time, such as one year.

**Distribution Date** - Date on which the dividend payment is made.

**Diversification** - A risk management technique that mixes a wide variety of investments within a portfolio. It is designed to minimize risk by combining different investments whose prices are not likely to move in step with one another.

**Dividend** - Portion of a company's profits (earnings) that may be paid to stockholders. In The Stock Market Game any dividends received are listed in Transaction History and are included in the portfolio's total equity.

**Dividend Yield** - A company's latest annual dividend expressed as a percentage of its stock's latest price. A stock has no yield if a company pays no dividend. The dividend yield is calculated by dividing the latest annual dividend by the stock's latest price.

**Dow Divisor** - A special number used to calculate the Dow Jones Industrial Average.

**Dow Jones Industrial Average (DOW)** - The best-known measure of stock prices consisting of 30 large, well-known companies in major sectors of the U.S. economy.

**Earnings** - The amount of money that remains after subtracting the company's operating and non-operating expenses from its revenue. Earnings can also be referred to as net income.

**Profit – Company Expenses = Earnings**

**Earnings Growth Rate** - How quickly a company's earnings grow from year to year. It is expressed as a percentage.

**Earnings Per Share (EPS)** - A company's profit divided by the number of shares outstanding.

**Economic Cycle** - The pattern of changes in economic performance. There are four phases in the economic cycle (expansion, peak, compression, trough).

**Economy** - The work involved in making the products or providing the services that people use.

**Election Cycle** - The theory that the economy rises and declines based on the year of a president's term in office.

**Emergency Funds** - Money saved to be used for unforeseen events.

**Entrepreneur** - A person who organizes, operates, and assumes the risk for a business venture.

**Environment** - The elements of the natural world including the earth, its oceans, air, and land.

**Environment, Social, And Governance (ESG)** - ESG Investing is a sustainable and responsible alternative to traditional investing that presents you with the information you need to make both a fiscally and ethically sound portfolio.

**Equity** - In a brokerage account, equity is the value of all stocks and cash minus any loans owed to a broker.

**Exchange** - A marketplace to buy and sell stock (e.g. Nasdaq & NYSE).

**Exchange-Traded Fund (ETF)** - Funds whose shares, like closed-end funds, are traded on a stock exchange. They may be passively or actively managed.

**Ex-Dividend Date** - The date after which a stock's buyer will not get the right to receive a dividend the company is about to pay. So, on and after this date, a buyer receives the stock "ex-dividend," which means without dividend.

**Execute** - Execution is the completion of a buy or sell order for a security. The execution of an order occurs when it gets filled, not when the investor places it. When the investor submits the trade, it is sent to a broker, who then determines the best way for it to be executed  
**(Investopedia definition).**

**Expense Ratio** - It is how much it costs to maintain the mutual fund in proportion to the value of the mutual fund. Costs can include management fees, recordkeeping, and accounting and auditing fees.

**Expenses** - Money spent on goods and services. Expenses are often categorized as fixed, variable, and periodic.

**External Factor** - Something that does not directly involve the company like the COVID-19 pandemic or a decision by the Federal Reserve to increase interest rates.

**Fiduciary** - The fiduciary manages the assets for the benefit of the other person rather than for his or her own profit **(Investopedia definition).**

**Financial Statements** - A company's balance sheet, statement of cash flows, and income statement.

**Fintech** - As in 'a fintech company.' It stands for Financial Technology. Their business model focuses on making financial services more efficient through the use of technology.

**Fixed-Income Investments** - Pay interest on a set schedule. Fixed-Income Investments include corporate, municipal, agency, and U.S. Treasury bonds.

**Floor Broker** - A person who completes customers' orders on the floor of a stock exchange. Some floor brokers are employees of brokerage companies that are members of the exchange. Others floor brokers are independent.

**Fraud** - It is deliberate deception to secure unfair or unlawful gain (**Investopedia definition**).

**Fundamental Analysis** - This is assessing a company's financial history and earnings, as well as analyzing outside factors (demand, news/current events, etc.) to determine if it is a good investment. It is a primary method for analyzing a stock's potential return.

**Goals** - Something that you are trying to do or achieve.

**Green Company** - A company that aligns its financial goals with a commitment to preserving and protecting the environment.

**Green Fund** - A mutual fund that only invests in Green Companies.

**Gross Domestic Product (GDP)** - The total dollar value of everything produced in a country and the services it provides.

**Gross Income** - A company's revenue or sales over a period of time.

**Hedge** - A hedge is an investment that is made with the intention of reducing the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting or opposite position in a related security (**Investopedia definition**).

**High-Yield Bonds** - To attract investors, the issuers of these bonds pay a higher rate of interest than investment grade bonds with the same maturity. They are rated below investment-grade bonds and are also called "Junk Bonds."

**Holding Period** - The length of time someone holds a stock investment.

**Holdings** - The actual contents of your investment portfolio (think: securities, property, other financial assets). The distribution of your holdings determines how diversified your portfolio is, and their relative performances determine how well your portfolio does overall.

**Holdings Turnover** - It is the rate a mutual fund replaces its assets annually.

**Impact Investing** - Investing with the intention to generate social and environmental impact alongside a financial return.

**Improper Accounting Techniques** - Altering a company's earnings to exaggerate or falsify profits.

**Income** - Money people earn for the work they do or a gift they receive.

**Income Statement** - A summary of a company's revenue, expenses, and income (or loss) over a period of time, such as one year.

**Income Stock** - A stock with a record of a hefty dividend yield that often exceeds that of the overall market.

**Index** - An index measures the performance of a specific group of assets. An index may measure the performance of a specific industry, large companies, small companies, companies headquartered in a specific country, etc. The most popular indexes are the Dow Jones Industrial Average, S&P 500, and Russell 3000.

**Index Fund** - A mutual fund with the objective to match the composite investment performance of a large group of stocks or bonds such as those represented by the S&P 500 Index.

**Individual Retirement Account (IRA)** - This allows a person, whether covered by an employer-sponsored pension plan, 401 (k) or not, to save money for use in retirement, deferring taxes on the account's earnings until the person begins to withdraw from the account. Funds in an IRA may be invested in a broad variety of investment vehicles.

**Industry** - A group of companies producing similar products or services. The similarity of their products makes it possible to analyze and compare companies' performances. An industry can be broadly defined, such as the manufacturing industry, or narrowly specified, such as the soda industry.

**Inflation** - An increase in the general price level of goods and services.

**Initial Margin Requirement** - The minimum amount of equity an investor must have in a brokerage account in order to borrow for short-selling transactions or margin purchases.

**Initial Public Offering (IPO)** - An IPO is the first issue of stock for public trading made by a company.

**Interest** - When you save money in a bank, you may earn interest (money) for keeping it there; when you borrow money and have debt, you may pay interest (a fee) to use the lender's money.

**Interest Rate** - Percentage rate at which interest accrues on money borrowed and/or lent. Interest is paid on borrowed money and received on money lent.

**Internal Factor** - Something the company has done like introducing a new product or changing its leaders.

**Invest** - When you invest you become part owner in a company or loan to a government agency. It is using money with the expectation of earning more money.

**Investing** - When you buy something with the expectation that it will earn you money over time.

**Investing Goals** - Life events (college, wedding, purchasing a home), retirement, generating income, wealth preservation (a hedge against inflation).

**Investment** - An asset purchased with the hope that it will gain value and provide a financial return.

**Investment Advisor** - A person making investment recommendations in return for a flat fee or percentage of assets managed, known as a commission.

**Investment Bank** - A firm that engages in the origination, underwriting, and marketing of new securities that are issued in the credit markets. It also helps companies sell new shares of stock, usually by underwriting the new shares.

**Investment Banker** - Someone who works with a business to determine how much money should be raised to accomplish the goals of the business and the price and number of shares that should be sold to reach those financial goals.

**Investment Grade Bonds** - Bonds that are sold by a very reliable issuer, the government, a large corporation, or a government agency that is most likely to repay the loan and the interest as promised.

**Investment Strategy** - A plan designed to help you achieve your investment goals and depends on factors including risk tolerance and values (e.g., sustainable investing).

**Investor** - Someone who purchases stocks, bonds, mutual funds, and other financial instruments in hopes the investments will increase in value over time.

**IOU** - Means exactly as it sounds, "I Owe You." It is an acknowledgment of a debt.

**Issuer** - An entity that issues stock or debt instruments, which obligate the issuer to pay principal and interest.

**Large-Cap Stock** - The stock of companies with market capitalizations typically of \$10 billion or more is known as large-cap stock. It is generally considered less volatile than stock in smaller companies, in part because the bigger companies may have larger reserves to carry them through economic downturns. However, market capitalization is always in flux. Today's large-cap stock can drop out of that category if the share price plunges either in a general market downturn or as a result of internal problems.

**Last** - The most recent (last) trading price of a stock on a particular day. If the trading day is over, the last price is also the closing price.

**Leverage (Speculation)** - Investing with money borrowed at a fixed rate of interest in the hopes of earning a greater rate of return.

**Liability** - A debt that a company owes and must repay in the future.

**Limit Order** - An order to buy or sell stock at a given (or better) price.

**Liquidate** - Liquidate means converting property or assets into cash or cash equivalents by selling them on the open market (**Investopedia definition**).

**Liquidity** - The ease of converting an asset—in this case, stock—into money in a timely fashion with little or no loss in value.

**Listing Requirement** - Listing requirements are the standards a corporation must meet to have its stock or bonds traded on a particular exchange. Exchanges set their own initial and continuing listing requirements. Among the listing criteria are a corporation's pretax earnings, a minimum market value, and a minimum number of existing shares.

**Loan** - A sum of money lent at interest.

**Long Position** - The condition of owning stock. The value of a long position is a stock's current share price multiplied by the number of shares owned.

**Long-Term Goals** - Something you want to do in the future, usually several years away (e.g. saving for college, buying a home, retirement).

**Loss** - The amount by which a company's costs exceed its sales.

**Maintenance Margin Requirement** - The minimum amount of equity an investor must have in a brokerage account after borrowing money for short-sell transactions or margin purchases.

**Management Buyout** - When the management of a corporation buys the controlling shares in the company.

**Margin** - Margin is the money borrowed from a broker to purchase an investment and is the difference between the total value of an investment and the loan amount (**Investopedia definition**).

**Margin Account** - A brokerage account that allows an investor to borrow money or stocks from a broker.

**Margin Agreement** - A legal agreement between a customer and a broker to open a margin account.

**Margin Buying** - Using money borrowed from a broker to buy stocks.

**Margin Call** - When the value of the collateral falls below the lender's maintenance requirement, the lender generally will "make a margin call", which means it will require the deposit of additional collateral.

**Market** - Any method enabling people to buy and sell with one another. A market does not necessarily have a physical location.

**Market Capitalization (Market Cap)** - The aggregate dollar value or market value of all of a company's outstanding shares based on the current stock price.

**Market Maker** - A business that maintains bid and ask prices for a stock and stands ready to buy or sell shares at these publicly quoted prices.

**Market Order** - An order to buy or sell stock at the current market price.

**Maturity** - The date when the principal amount of a security is payable.

**Merger** - This occurs when two or more companies combine into one company while all the parties involved mutually agree to the terms of the merger.

**Mid-Cap Stock** - A mid-cap stock is one issued by a corporation whose market capitalization falls in a range between \$2 billion and \$10 billion, making it larger than a small-cap stock but smaller than a large-cap stock. Investors tend to buy mid-cap stocks for their growth potential. Their prices are typically lower than those of large-caps. At the same time, these companies tend to be less volatile than small-caps, in part because they have more resources with which to weather an economic downturn.

**Moderate** - Investments in growth stocks, particularly young companies with great potential.

**Money** - Anything widely accepted in exchange for goods and services (i.e. currency – coins and bills).

**Money Market Account** - A special savings account that usually pays interest rates comparable to those offered by money market mutual funds. These accounts also offer check-writing privileges.

**Money Market Fund** - A type of mutual fund that invests in short-term IOUs of businesses and governments.

**Morningstar Rating (Morningstar Mutual Fund Ratings)** - A measure of a fund's risk and return relative to similar funds on a scale of 1-5 stars; 5-Star=Best performers, 1-Star= Worst performers.

**Municipal Bonds** - It is issued by state and local governments. General obligation bonds are backed by the full faith and credit of the issuer, and revenue bonds by the income generated by the particular project being financed.

**Mutual Funds** - An investment that pools money from many investors and invests in a diversified portfolio of stocks, bonds, or other securities. They are managed by financial professionals at banks and other financial institutions and give individual investors access to diversified professionally managed portfolios at a low price.

**NASDAQ** - An electronic exchange where stocks are traded through an automated network of computers instead of a trading floor. It stands for the National Association of Securities Dealers Automated Quotations System and is the largest electronic stock market in the U.S. and second-largest in the world. The Nasdaq Composite Index measures the change in more than 3,000 stocks.

**National Income** - The total amount of income that all individuals earn in an economy during a given time. Wages represent about two-thirds of national income. The remainder consists of profits, interest, rent, and income of unincorporated businesses.

**Needs** - Essential items to live (i.e. food, shelter, healthcare).

**Net Assets** - Represents the total amount of money invested in all available classes of the mutual fund. Mutual funds like stocks are issued in classes. Each class provides shareholders with specific rights.

**Net Asset Value (NAV)** - It represents the value of one share of the fund just like the price quote for a stock. NAV is calculated by taking the total value of the fund's investments, subtracting its expenses, and dividing by the number of shares in the fund. Unlike a stock quote, NAV is calculated once a day after the market closes at 4 PM ET.

**Net Change** - The difference between a stock's closing (or last) price on a given day and its closing price on the previous trading day.

**Net Cost/Share** - For stocks in the long position, the amount of money spent on each share of stock, including the commission. If multiple trades of the same stock were made, the net cost per share will be an average of the net costs per share of each trade.  $\text{Net Cost/Share} = \text{price of each share of stock} \times 1.02$

**Net Income** - Total earnings after all expenses and taxes have been paid.

**Newday Impact** - Newday is an investment management and technology company that researches and reports on ESG-themed investing. They work with the largest ESG data providers to identify best practices and standards for responsible investing.

**New-Issues Market** - The market in which companies sell new shares of stock to particular investors by using the services of investment banks that usually underwrite the issue.

**New York Stock Exchange (NYSE)** - The oldest and largest stock exchange in the United States. The New York Stock Exchange is located on Wall Street in New York City and is the largest equities-based exchange in the world based on the total market capitalization of its listed securities.

**Open** - The price of a stock on its first (opening) trade of the day.

**Open-End Funds** - Funds that usually sell as many shares as investors want to buy. Sometimes open-end funds stop selling shares to new investors when they grow too large to be managed effectively. Investors who want to sell shares of their open-end funds, sell them back to the mutual fund.

**Outstanding Shares** - The total number of shares a company has sold to the public and are now held by investors.

**Over-The-Counter Bulletin Board (OTCBB)** - An electronic quotation system for many stocks that don't qualify for listing on the national markets.

**Ownership** - The legal right to benefit from using something or from selling it to others. Ownership is also called property rights.

**Parent Company** - A company that owns enough voting stock in another firm to control management and operations.

**Partnership** - A company owned and managed by two or more people who share its profits or losses. A partnership is not separate from its owners, who are liable for the company's debts.

**Par Value** - The principal amount of a bond or note due at maturity. (Also referred to as face value)

**Payday Loan** - A loan taken out against a line of credit or credit card, typically imposing higher-than-normal interest charges (**Answers.com**).

**Pink Sheets** - An electronic quotation system that publishes stock dealers' bids and ask prices for unlisted companies not found on any major stock market or on the Over-The-Counter Bulletin Board.

**Portfolio** - A collection of investments owned by one individual or organization.

**Predatory Lending** - Unscrupulous actions carried out by a lender to entice, induce, and/or assist a borrower in taking a mortgage that carries high fees, a high-interest rate, strips the borrower of equity, or places the borrower in a lower credit-rated loan to the benefit of the lender.

**Preferred Stock** - Preferred stock combines features of debt, in that it pays fixed dividends, and equity, in that it has the potential to appreciate in price. This appeals to investors seeking stability in potential future cash flows (**Investopedia definition**). Preferred stocks also tend to move with changing interest rates. Preferred stock holders cannot vote on corporate matters.

**Prepayment** - The unscheduled partial or complete payment of the principal amount outstanding on a mortgage or other debt before it is due.

**Price** - The amount of money that a consumer must pay to buy a good or service.

**Price-to-Earnings Ratio (P/E Ratio)** - A company's closing price divided by its latest annual earnings per share. The Price/Earnings is the relationship between a company's earnings and its share price.

**Principal** - It refers to an amount of money you invest, the face amount of a bond, or the balance you owe on a debt, aside from the interest.

**Private Company** - A company that is privately owned by a person, family, or group of people. Shares of the company cannot be purchased in the stock market.

**Product** - An item (good or service) sold by a company.

**Profit** - The amount of revenue that remains after a business pays the costs of producing a good or service.

**Proprietorship** - A company owned and run by one individual who receives its profits or bears its losses. A proprietorship is not separate from its owner, who is liable for the company's debts.

**Proxy** - Common stockholders may vote in person at the annual meeting or authorize the board to vote on their behalf using an absentee ballot, or proxy, which can be submitted by mail, by telephone, or over the Internet.

**Public Company** - A company with publicly traded shares that anyone can buy in the stock market.

**Quantitative Analysis** - Analysis focused on a corporation's financial data including looking at profit-and-loss statements, sales and earnings histories, and the statistical state of the economy.

**Quarterly Earnings Report** - A company's report of earnings completed once a quarter (4x a year) for investors.

**Quote** - The bid or ask price quoted for a stock at a given time.

**Rate of Return** - Your annual income on an investment.

**Realized Gains and Losses** - Gains or losses are said to be "realized" when a stock (or other investment) that you own is actually sold.

**Real Return** - An investment's return after subtracting the rate of inflation.

**Record Date** - Date set by a company on which an individual must own shares to be eligible to receive dividends.

**Retained Earnings** - The profit (earnings or net income) a company keeps (retains) and invests in its future growth.

**Return** - The increase in an investment's value during a year expressed as a percentage of the investment's value at the beginning of the year. For example, an investment worth \$100 at the beginning of the year and \$110 at the end of the year has increased in value by \$10, so the investment's return for the year is 10 percent ( $\$10 / \$100 = .10 = 10\%$ ).

**Revenue** - Revenue is the money collected for providing a product or service.

**Reverse Split** - When a company decreases the number of outstanding shares thereby increasing the price per share. It does not affect the company's equity.

**Risk** - The chance of losing all or part of the value of an investment.

**Risk-Averse** - An investor who will trade off a higher return for the benefit of greater certainty of return.

**Risk Management** - Having strategies that help mitigate risks associated with your investments.

**Risk Tolerance** - A measure of how much risk (loss) you are willing to take. It is based on several factors: age, time horizon, lifestyle, and personality.

**Rule of 72** - A calculation used to find the number of years required to double your money at a given interest rate by dividing your compound return into 72. The result is the approximate number of years that it will take for your investment to double.

**Russell 2000 Index** - A popular gauge of stock performance of smaller companies. Of the 3,000 largest U.S. companies, the smallest 2,000 represent the Russell 2000.

**Sales** - The amount of money a company receives by selling a product or service. Also called revenue.

**Saving** - Money set aside for future use such as emergencies or fun.

**Savings Account** - A deposit account at a bank or similar institution that earns interest.

**Scam** - A fraudulent business scheme; a swindle.

**Sector** - A broad group of stocks, often in one industry. Pharmaceutical companies are considered in the health care sector for example. The performance of any single stock in a sector can be measured against the performance of the group.

**Securities and Exchange Commission (SEC)** - An independent federal agency that oversees and regulates the securities industry in the United States and enforces securities laws.

**Securities Fraud** - Also known as investment fraud, is a practice where investors are deceived and manipulated, resulting in theft.

**Security** - A financial instrument (stock, bond, option, etc.) that holds monetary value.

**Sell** - The term refers to the process of liquidating an asset in exchange for cash (**Investopedia definition**).

**Settlement Date** - When the transfer of a security from seller to buyer is complete, and the trade is considered final. The current settlement period for stocks traded on U.S. exchanges is two days.

**Share** - A share is a unit of ownership in a corporation or mutual fund.

**Short Cover** - Buying stock in order to repay a broker for the shares borrowed when the stock was sold short.

**Short Position** - The condition of having sold a stock short. The value of a short position is a stock's current share price multiplied by the number of shares sold short. The stocks that someone has sold short are called shorts.

**Short Sale** - The sale of stock borrowed from a broker. Short sellers believe a stock's price will drop and enable them to repay the borrowed shares with lower-priced ones.

**Short Sell** - Borrowing shares of a stock from your broker to sell on the open market. At some point, you must cover the short or buy enough shares to return those you borrowed. Short selling is a strategy used by those who think the price of a stock is going to decrease in the short term. The idea is to sell the borrowed stock now at a higher price, and once the value of the stock falls, to buy it to replace the borrowed stock. The profit is the difference between what is paid per share and what is received per share. Beware if the price of the stock begins to rise because at some point the stock must be bought back (short covered) and returned to the broker.

**Short-Term Goals** - Something you want to do in the near future (e.g., bike, shoes, video games).

**Simple Interest** - Interest calculated at regular intervals solely on principal. For example, if you have \$100 in a savings account that pays 5 percent interest annually at the end of 3 years you would have earned \$115.

**Small-Cap Stock** - Shares of relatively small publicly traded corporations with a total market capitalization of less than \$2.3 billion. Small-cap stocks tend to be issued by young, potentially fast-growing companies. Over the long term — though not in every period — small-cap stocks as a group have produced stronger returns than any other investment category.

**Socially Responsible Investing (SRI)** - A synonym for sustainable investing.

**Sole-Proprietorship** - A company owned and run by one individual who receives its profits or bears its losses. A proprietorship is not separate from its owner, who is liable for the company's debts.

**Specialist** - A member company of a stock exchange that acts both as an auctioneer and a trader to match and fill customers' orders. A specialist tries to expose any given order to all other possible orders to achieve the best possible price for a customer.

**Speculative** - Stocks that are highly unpredictable. Stock investments are volatile and can lead to large profits or severe losses. For example, many dot/com stocks are highly speculative, with incredible highs and devastating lows.

**Spin-Offs** - Occurs when an existing publicly owned company sells a part of its assets or distributes new shares in order to create a new public company.

**Spread** - The difference between the current bid and ask prices for a stock at any given time.

**Standard & Poor's 500 (S&P 500)** - A popular measure of stock prices consisting of 500 large companies that represent the major sectors of the U.S. economy. One of the most commonly used benchmarks of the overall stock market.

**Stock** - A type of security that signifies ownership in a corporation and represents a claim on a part of the corporation's profit (or loss). Companies usually issue stock to raise money for a variety of reasons, including expanding or modernizing their operations.

**Stock Exchange** - A market in which stocks are bought and sold. Where brokers gather to buy and sell stocks and other securities. The term is also used more broadly to include electronic trading that takes place over computer and telephone lines. In fact, in many markets around the world, all stock trading is handled electronically.

**Stock Fund** - An investment company that pools savers' money to invest in a variety of stocks.

**Stockholders/Shareholders** - One who owns shares in a business.

**Stock Index** - A statistical gauge that uses a given number of stocks to measure changes in the overall stock market.

**Stock Splits** - When a company divides each of the outstanding shares of a company thereby lowering the price per share. It does not affect the company's equity. It is replacing each share of stock with a larger number of lower-priced shares. A stock split keeps the shareholders' total investment value unchanged.

**Street Name** - Registering stock in the name of a broker who keeps the stock on behalf of the investor who owns it.

**Subsidiary** - A company that is 50% or more owned by another company, called a parent company.

**Sustainability** - The United States Environmental Protection Agency defines sustainability as: "Everything that we need for our survival and well-being depends, either directly or indirectly, on our natural environment." However, in 2000, the Earth Charter approved by the United Nations Educational, Scientific and Cultural Organization (UNESCO) expanded the definition of sustainability to include human rights and other societal causes stating: "We must join together to bring forth a sustainable global society founded on respect for nature, universal human rights, economic justice, and a culture of peace."

**Sustainable Investing** - A term for investments that seek both positive financial returns and a positive long-term impact on society. It is a long-term approach that incorporates environmental, social, and governance (ESG) factors into the investment process.

**Technical Analysis** - Tracking price movements and trading volumes in various securities to identify patterns in the price behavior of particular stocks, mutual funds, commodities, or options in specific market sectors or in the overall financial markets to identify good investments.

**Ticker** - A worldwide electronic system that continuously shows the price and volume of a stock as it is traded.

**Ticker Symbol** - A unique group of letters that identifies a company's stock on an exchange.

**Tombstone Ad** - An announcement appearing in financial publications such as *The Wall Street Journal* announcing a company's Initial Public Offering (IPO).

**Total Return** - The annual percentage change in a stock investment resulting from dividends and changes in stock prices. The return is expressed as a percentage of the investment's value at the beginning of the year.

**Trade Date** - The date when the purchase or sale of a bond is transacted.

**Treasury Note** - An IOU issued by the U.S. Treasury when it borrows money for more than one year but less than 10 years.

**U.S. Treasury Bonds** - US Treasury bonds are backed by the full faith and credit of the United State government. When the government spends more than it collects in taxes and other revenues, it issues Treasury notes, bills, and bonds to borrow the money to pay the difference. Treasury bonds have the longest term or period of time before the loan must be repaid (10 years or more). Treasury bills have the shortest (less than two years).

**Underwrite** - The process in which an investment bank buys and then resells a company's new issue of stock.

**Underwriter** - An investment banker, buys an entire new securities issue from the company or government offering it and resells the issue as individual stocks or bonds to the public.

**Unrealized Gains and Losses** - Unrealized gains and losses are also commonly known as "paper" profits or losses. An unrealized loss occurs when a stock decreases after an investor buys it, but has yet to sell it.

**Value** - In investing "value" refers to how much a company is worth.

**Volatile/Volatility** - Indicates how much and how quickly the value of an investment, market, or market sector changes. The potential unpredictability or instability of a stock. A volatile stock is a risky stock—one that can go very high, or very low.

**Volume** - The number of shares traded in a company's stock. Unusual market activity, either higher or lower than average, is typically the result of some external event.

**Wants** - Non-essential items you desire and may or may not be able to afford (e.g. TV, gym membership, vacation).

**Wealth** - A measure of your total net worth, including savings, investments, and real estate, minus any debt you owe.

**Year-To-Date (YTD) Return** - It is the percentage increase or decrease in value for one share since the beginning of the current calendar year.

**Yield** - The rate of return on an investment paid in dividends or interest. It is expressed as a percent.