



Terms and Definitions

Module 1

Terms

Introduction to Personal Finance



1. Budgeting

Creating a plan to manage your
income and expenses.

A way to ensure your finances are
spent effectively.



2. Savings

The action of setting aside money
for future needs, possible
emergencies, or financial goals



3. Expenses

A cost required for goods, needs,
or services



4. Income

Money received through work,
investments, allowances, or
scholarships



5. Debt

A sum of money that is owed



6. Financial Literacy

The knowledge of how to make
informed financial decisions
The understanding of financial
concepts



7. Interest

The price paid to borrow
money OR the cost you
charge to lend money



8. Insurance

Protection against financial loss
or uncertainty (ex: health
insurance)

Module 2

Terms

A Need Vs a Want



9. Needs Vs. Wants

Differentiating essential
expenses versus discretionary
expenses



10. Financial Responsibility

The process of managing
money in a productive way



11. Impulse Spending

The buying of goods
without planning in
advance

Module 3

Terms

Setting Financial Goals



12. Financial Goals

Setting objectives for short
and long term financial
achievements



13. Emergency Fund

Money set aside to cover unexpected expenses, such as emergencies (car crash, hospital bills, etc.)

Module 4

Terms

Developing Healthy Financial Habits



14. Financial Independence

The ability to support one's
lifestyle without aid or reliance
on others

Module 5

Terms

Income and Expense tracking



15. Cash Flow

The movement of cash into and
out of a person or business's
finances



16. Net Worth

The difference between one's
assets (owned) and liabilities
(owed)



17. Paycheck

The amount of payment received
from an employer



18. Inflation

The gradual increase of the
prices of goods and
services over time

Module 6

Terms

Creating a Personal Budget



19. Budget Deficit

Having more expenses than income =
negative cash flow



20. Budget Surplus

Having more income than expenses =
positive cash flow



21. Fixed Expenses

Expenses that remain constant from
month to month (rent)



22. Variable Expenses

Expenses that change from month to month (groceries)



23. Student Loans

Borrowed funds for educational purposes (repaid with interest)

Module 7

Terms

Managing Credit Cards



24. Credit Score

A prediction of how likely you are to pay a loan back on time (based on your credit reports)

Used by money lenders (banks) to assess the risk of loaning to you



25. Credit Card

A card that allows users to “borrow” money from a financial institution (up to a predetermined limit)
Repay at the end of the month (with interest)



26. Credit Utilization

The ratio of your total credit to your total debts (on all cards)

The percentage of available credit being used

Higher percentage = worse effect on your credit score

Module 8

Terms

Taxes and Credit



27. Taxes

A compulsory contribution to state revenue levied by the Government



28. Interest Rate

Percentage charged on a loan OR the percentage earned on an investment



29. Financial Aid

Assistance in the form of scholarships
or loans to pay for educational
expenses