

Banking & Financial Systems

Chapter 7: Savings—Glossary

401(k) plan. A retirement savings plan that enables employees to make tax-deferred or taxed contributions through payroll deductions.

account holder. Anyone authorized to perform transactions in an account.

accrued interest. The amount added to the principal at regular time periods.

annual percentage yield (APY). The rate of return on an investment for a one-year period.

benefits. Services, privileges, or rights that an employer provides in addition to the employee's wages or salary.

certificate of deposit (CD). A savings account that requires a specific amount of money be held on deposit for a specific amount of time; also called a *time deposit* or *fixed deposit*.

compensation. Wages and financial benefits earned by working.

compound interest. Interest paid on interest.

contribution. An IRA deposit.

custodial account. A savings account managed by an adult for a minor.

defined benefit plan. A retirement savings plan with a fixed amount of money that is provided to retired employees and is determined by qualifications, not company profit.

defined contribution plan. A retirement savings plan with a fixed maximum amount that can be contributed each year.

deposit. Money placed or transferred into a bank account.

deposit slip. A form that an account holder fills out when making a deposit that is a record of deposit information.

distribution. An IRA withdrawal.

fixed deposit. A savings account that requires a specific amount of money be held on deposit for a specific amount of time.

individual retirement account (IRA). An interest-earning savings account in which income taxes are deferred on some deposits and all interest until all or part of the balance is withdrawn at retirement age.

interest. A fee charged for borrowing money.

jumbo CD. A CD for a large amount of money, usually \$100,000 or more, with a high interest rate.

liquidity. The ability of a financial asset to be quickly converted into cash without any financial loss; having enough cash available to meet normal withdrawals.

mature. When the fixed term of a CD expires and the account can be accessed without paying a penalty.

money market account. A savings account that pays a higher interest rate and requires a higher minimum balance than a traditional savings account.

passbook. A small book kept by an account holder that is a record of savings account transactions.

penalty. A fee for breaking the terms of an account.

pension. A fixed sum of money a company provides for its retired employees.

principal. An initial amount of money that is loaned or deposited.

remote deposit capture. Records deposit information that the account holder would otherwise have to enter manually when making an electronic deposit.

retirement. A person's withdrawal from active participation in a job or business.

savings. The portion of income that is not spent.

SIMPLE IRA plan. An IRA-based retirement savings plan that gives small employers a simplified method to make contributions toward their employees' retirement.

Simplified Employee Pension (SEP). A retirement savings plan established by a business for its employees or owners to which the business directly contributes.

social security. A federal program that includes financial benefits intended to supplement retirement savings for Americans.

statement. A record that shows all of the activity that has occurred in an account during a covered time period.

time deposit. A savings account that requires a specific amount of money be held on deposit for a specific amount of time.