

**Math for Financial Literacy © 2013**  
**Chapter 4: Banking Basics—Glossary**

**annual percentage rate (APR).** Rate of return on an investment, or interest on a loan, for a one-year period.

**automated teller machine (ATM).** Computerized machine that allows a person to do basic banking functions without going to a bank.

**balance.** Amount of money in an account at a given point.

**bank statement.** List of all account activity for the reporting period.

**certificate of deposit (CD).** Type of savings vehicle that earns a higher interest rate than a regular savings account.

**checking account.** Bank account that allows a customer to deposit money and write checks from the account.

**cleared.** When a check is processed and the money is transferred out of the checking account.

**compound interest.** Interest calculated on the principal and accumulated interest.

**debit card.** Plastic card linked to a checking account that gives the account holder access to the money in that account.

**electronic funds transfer (EFT).** Transfer of money from one person or entity to another without any cash or checks involved.

**interest.** Fee charged for borrowing money.

**money market account.** An interest-bearing bank account that often requires a minimum balance and limits the number of transactions per month.

**outstanding check.** Check that has not yet been presented to the bank for payment or deducted from a person's account.

**overdraft fee.** Fee charged by a bank for an overdrawn account.

**overdraft protection.** Service offered for a fee that covers overdrawn checks within certain limits.

**overdrawn.** When a person spends more money than is available in his or her account.

**principal.** Initial amount of a deposit or loan.

**reconcile.** Process by which a person can confirm each transaction on a statement against his or her own records, mark the records to show which items have cleared the bank, and verify that the account holder and the bank agree on the balance.

**register.** List of transactions and a running total of the balance after each transaction.

**rule of 72.** Method of estimating how long it will take to double an amount of money.

**savings account.** Bank account that pays interest to the account holder but limits the number of withdrawals per month.

**service charge.** Fee charged by a bank for having an account.

**simple interest.** Interest paid only on an original sum of money, or principal.